YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)

2010 ANNUAL REPORT

"A Leading Diversified Corporation Creating & Delivering Excellent Value"

Our YK™ Products Your Right Choice

your way of life by using steel and reduce our carbon foot print

YUNG KONG GALVANISING INDUSTRIES BERHAD
COMPANY NO. 032939-U

Financial Highlights

(RM'000)	2006	2007	2008	2009	2010
Revenue	377,107	461,882	479,278	341,483	466,399
Profit before tax	2,439	20,556	4,800	15,575	17,266
Profit attributable to owner of the Company	1,127	14,427	1,230	9,938	9,562
Issued and paid-up capital	65,178	65,178	97,767	97,767	108,630
Shareholders' funds	101,114	123,752	145,930	154,402	171,908
Total Assets	418,597	507,803	461,414	493,124	538,379
Weighted average number of ordinary share in issue* (share - '000)	149,910	149,910	172,722	195,535	195,535
Basic earnings per share (sen) - restated**	1	10	1	5	5
Net assets per share of RM0.50 (sen)	78	95	75	79	88

DIVIDENDS

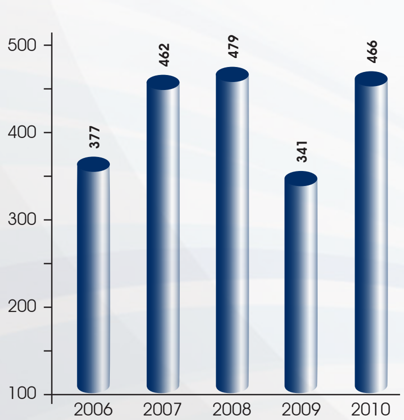
Rate	1% TE	5% TE	2% Taxed	5% TE	2.5% TE
Net Amount (RM'000)	651.8	3,258.9	1,466.5	4,888.4	2,444.2

Note:

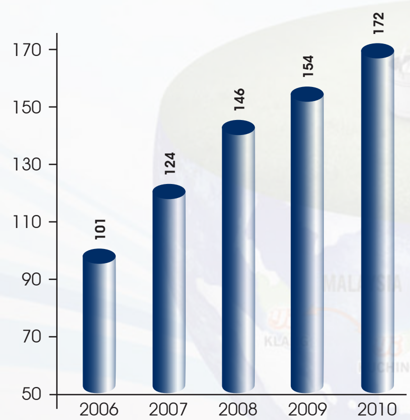
* *The weighted average number of ordinary share in issue has been restated as a result of the share split and rights issue during year 2008.*

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

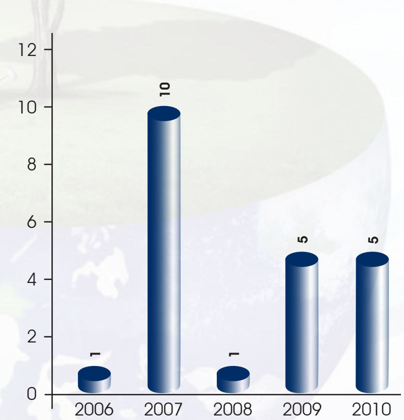
Group Revenue (RM million)



Shareholders' Funds (RM million)



Earnings Per Share (sen)



YUNG KONG GALVANISING INDUSTRIES BERHAD
COMPANY NO. 032939-U

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Chairman's Statement

INDUSTRY TREND

Recent unpredictable weather and natural disasters that happened globally had caused unprecedented flooding, fire, snowstorm, earthquakes and other natural upheavals.These unfortunate events are affecting the various sectors of commerce and industries. Undoubtedly, mining and steel industries were not spared either, which immensely disrupted the extraction of iron ore and coking coal and steel making. The delay in deliveries and shortfall in supplies sent steel prices escalating. Prices of steel products were slow to follow the high costs of raw material inputs, thus creating a big disparity in prices between raw materials and finished products. If this situation continues further, it will most definitely exert pressure on the profit margin of our Group.

Recent global political unrest in sensitive regions such as the Middle East had caused a surge in oil prices resulting in an increase of energy cost and coupled with the slow-paced recovery of the global economy, prices of various commodities have been fluctuating.

Our Government's continuous effort in introducing new initiatives, policies, measures and programs to spur the Country's economy, hopefully, will give a positive impetus to our business sector when projects are eventually implemented in stages, even though it may be slow in its process but it would make a significant impact gradually.

It is obvious the Malaysian market is not overly excited about the inadvertent steep increase of steel prices by the steel mills recently. Confidence and acceptance is clearly absent and there is fear of a reversal of prices similar to what happened over the past three years that it may be repeated. Thus, every sector within the value chain is cautious not to commit or rush into their material purchases until the situation becomes more clear and stable.

As steel products are the basic materials for the construction and fabrication sectors, any developments in these sectors will be an indicator of the strength and resilience of the economy.

CORPORATE DEVELOPMENT

1. Redeemable Convertible Preference Share (RCPS)

An Extraordinary General Meeting ("EGM") was convened on 5 August 2010 to amend the Memorandum and Articles of Association (M&A) to facilitate the creation and issuance of Redeemable Convertible Preference Shares ("RCPS") and to authorise the Directors to issue the RCPS.

Nippon Steel Corporation, Japan ("NSC") had successfully participated in taking an equity by subscribing to 21,726,100 RCPS issued by the Company at 60 sen per RCPS. Our Company received RM13,035,660 from NSC on 5 August 2010.

With NSC as our equity strategic partner now, it was mutually agreed that NSC will support the supply of our basic raw material Hot Rolled Coils (HRC) to the Company. Currently, we are constantly receiving quality HRC from NSC. We are also working towards the direction of engaging technical advice and support in further enhancing better productivity and quality of our finished products.

2. Star Shine Marketing Sdn. Bhd.

On 9 March 2011, Star Shine Marketing Sdn Bhd ("SSM"), the 65% owned subsidiary of the Company, had entered into several share sale agreements for SSM to acquire the remaining equity interest not already owned by SSM in Star Shine Global Trading Sdn Bhd ("SSGT"), Star Shine Steel Products Sdn Bhd ("SSP") and Star Shine Industries Sdn Bhd ("SSI"), for total purchase consideration of RM5,555,674 to be satisfied by issuance of new SSM shares at an issue price of RM1.60 per SSM share. After the acquisition, SSGT, SSP and SSI will become 100% owned subsidiaries of SSM.

As part of the Group Reorganisation, YKGI had on 9 March 2011 entered into a Share Swap and Reorganisation Agreement with Starshine Holdings Berhad ("SHB"), SSM and the rest of the SSM's shareholders for SHB to acquire from the shareholders of SSM the entire equity interest of SSM after the acquisition, and to accept the transfer of all the shares in SSGT, SSP and SSI held by SSM after the acquisition, for a total consideration of RM36,499,998 to be satisfied by the issuance of 364,999,980 new ordinary shares of RM0.10 each in SHB at an issue price of RM0.10 per SHB share.

Chairman's Statement (cont'd)

Upon the completion of the Acquisition and Reorganisation, the entire shareholdings of SSM, SSGT, SSP and SSI will be held by SHB, which in turn will be a 54.49% subsidiary of YKGI.

An EGM will be convened to get approval, for the above exercise, and if approved, is expected to be completed by second quarter of 2011.

PERFORMANCE

The business scenario in 2010 had experienced another year of similar volatility as seen over the past few years with regard to price fluctuations on our raw materials, resulting in a strong performance in the 1st half. However, prices of our finished products were not in tandem to absorb the increased costs of the raw materials, thus causing a much weaker result in the 2nd half of 2010.

Our Group had substantially improved in turnover ("T/O") by achieving RM466 million for financial year ended 31st December 2010, showing an improvement of 36% from RM341 million recorded in the previous financial year. Group's pretax profit at RM17.27 million, an increase of 11% in comparison to RM15.57 recorded in 2009.

DIVIDEND

The Board of Directors had proposed a first and final dividend of 1.25 sen per ordinary share and 1.375 sen per RCPS tax exempt in respect of the year ended 31 December 2010, if approved by the shareholders at the forthcoming Annual General Meeting, to be payable on 31 May 2011 to depositors whose names appear in the Record of Depositors on 20 May 2011 and NSC.

DEVELOPMENT/PROSPECTS

Our expansion plans for production facilities and new factory buildings are in place. However, due to the less favourable market condition, we are moving in a cautious orderly manner with prudent management towards a conducive schedule of implementation in line with our budget and to market's demands and requirements.

We are currently implementing the following projects :-

1. A "Trimming and Slitting Line" is being installed and will be operational by 2nd quarter this year.

2. A "Continuous Colour Coating Line" has been contracted to be commissioned by 2012.

Extension of the factory will be carried out in stages.

Other manufacturing facilities are also under study for the development and enhancement of our range of products.

DIRECTORATE

On behalf of the Board of Directors, I would like to extend special thanks and appreciations to Mr Tadashi Hamada who relinquished his Executive Directorship upon his retirement on 31 March 2011. He had discharged his responsibilities diligently during his 12 years appointment with the Company.

At the same time, we would like to welcome Mr Yoshiki Kaneko to the Board effective from 1 April 2011 and simultaneously Mr Ong Soo Seng acting as Alternate Director to Mr Yoshiki Kaneko.

APPRECIATION

I would like to take this opportunity to render my sincere thanks to our management team and employees for their contribution and in producing the worthy results for the year.

My appreciation must also be rendered to all our valued stakeholders for their continuous support and understanding in our operations.

Thank you.

Dato' Dr Hii Wi Sing,
Board Chairman

1 April 2011

Corporate Information

BOARD OF DIRECTORS

Dato' Dr Hii Wi Sing *DIMP*
Executive Chairman

Mr Arthur Hii Lu Choon
Managing Director/Chief Executive Officer

Ir Michael Hii Ee Sing
Group Executive Director/Secretary

Mr Victor Hii Lu Thian
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

Mr Yoshiki Kaneko
Non-Independent Non-Executive Director

ALTERNATE DIRECTORS

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

Mr Ong Soo Seng
(to Mr Yoshiki Kaneko)

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

ISO 9001:2008
MS ISO 9001:2008
EN ISO 9001:2008
BS EN 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
Asian Finance Bank 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

Alliance Investment Bank Berhad
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

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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

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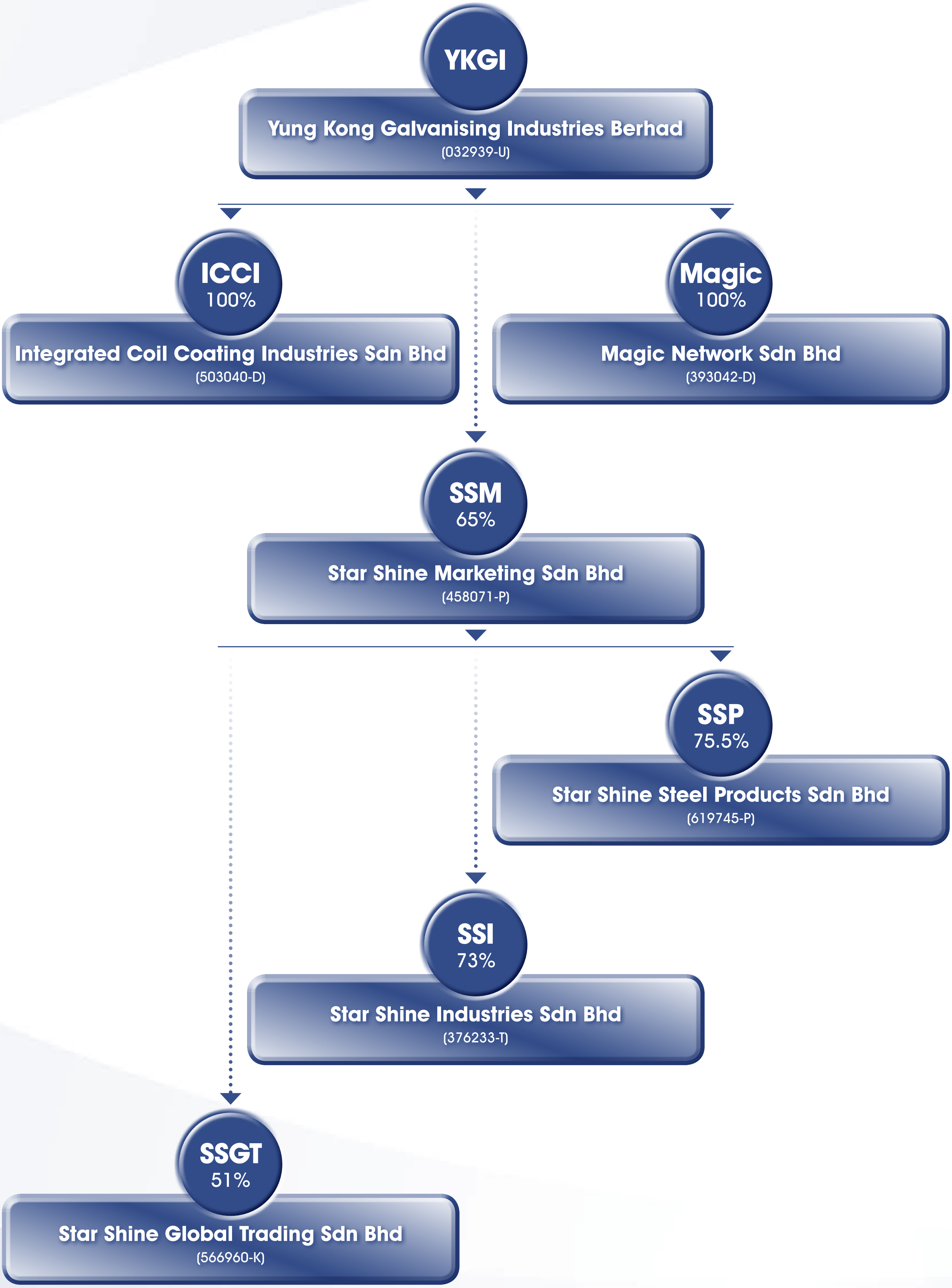
Fax : +60 82 433 889
Email : ykgi@ykgi.com.my
Website : http://www.ykgi.com.my

YKGI Corporate Structure



Directors' Profile

DATO' DR HII WI SING DIMP

61 Malaysian
Executive Chairman

Dato' Dr Hii was appointed to the Board on 10 April 1980 and 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. As from 1 January 2010, he relinquished the posts of Managing Director and Group Chief Executive Officer and remains as Executive Chairman. He is a member of the Strategic Management Committee, Risk Management Committee and 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 is a member of Yayasan Pengurusan Malaysia (MMIM) and a fellow member of the Chartered Management Institute (FCMI).

Dato' Dr Hii has vast experience in the steel industries business since early 1970s. He has contributed immensely in the 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 2010. As at 31 March 2011, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad ("YKGI")	19,330,398	9.89	64,108,181*	32.79
Star Shine Marketing Sdn Bhd ("SSM")	540,000	3.00	12,240,000#	68.00
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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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

39 Malaysian
Managing Director/*Chief Executive Officer*

Mr Arthur Hii was first appointed to the Board on 6 December 1999. He is a Chartered 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 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 Chairman of the Strategic Management Committee and Risk Management Committee.

Directors' Profile (cont'd)

As at 31 March 2011, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,509,600	0.77	58,771,991*	30.06
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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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

56 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 and Starshine Holdings Bhd.

During the financial year, he has attended four (4) out of the 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 31 March 2011, 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	62,421,191*	31.92
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 Sdn Bhd (formerly known as Yung Kong Holdings Bhd), Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd (formerly known as 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

35 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 Board of Yung Kong Co. Bhd. He is a member of the Strategic Management, Risk Management and Employee Retirement Scheme Committees.

He attended all the five (5) Board meetings held during the financial year. As at 31 March 2011, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,343,200	0.69	58,744,591*	30.04
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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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.

FRANCIS HII LU SHENG

48 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 its Group of Companies, and Yung Kong Credit Corporation Bhd. He is also a member of the Nomination Committee.

Directors' Profile (cont'd)

He attended all the five (5) Board meetings, which were held during the financial year. As at 31 March 2011, 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	58,894,991*	30.12
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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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.

YOSHIKI KANEKO

58 Japanese
Non-Independent Non-Executive Director

Mr Kaneko was appointed to the Board on 1 April 2011. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He holds a Degree in Bachelor of Law from Keio University, Tokyo, Japan and has worked with marubeni Corporation since 1975 and subsequently transferred to Marubeni-Itochu Steel Inc. in 2001.

As Mr Kaneko was only appointed to the Board on 1 April 2011, there was no Board meeting applicable to him during the financial year ended 31 December 2010. He also sits on the Board of subsidiary of a public company, Ann Joo Resources Berhad. He does not have any direct or indirect shareholdings in the Company and Group. Mr Yoshiki Kaneko has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

HUONG HIE HEE

43 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 2010. 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.

Directors' Profile (cont'd)

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 31 March 2011, 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.*

JEE HEE TECK
61 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 2010, 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
60 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 2010, 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.

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 within the Group.

This statement, together with the Report of Audit Committee on pages 19 to 22 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 / Chief Executive Officer
- two (2) Executive Directors
- three (3) Independent Directors
- two (2) Non-Independent Non-Executive Director

This is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual dominates the decision-making process.

Independent Directors provide unbiased and independent views, 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.

Profile of the Directors, detailing their qualifications and working experiences are set out on pages 7 to11 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 2010.

Statement on Corporate Governance (cont'd)

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 independent professional advice at the company's expense, if required.

All Directors have complied with the attendance requirements in respect of the Board meetings as set out by Bursa Malaysia Securities Berhad. The detail of the attendance at Board meetings of each individual Director is outlined in their respective profile on pages 7 to 11 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.

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 22 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 2010, the NC held four (4) meetings.

Statement on Corporate Governance (cont'd)

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 2010.

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 2010, 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 2010, it has met three (3) 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 2010 are as follows :-

Names	Designation	AC	NC	RC	SMC	RMC	ERS
Dato' Dr Hii Wi Sing	Executive Chairman				M	M	M
Arthur Hii Lu Choon	Managing Director / Group Chief Executive Officer				C	C	
Ir Michael Hii Ee Sing	Group Executive Director				M	M	M
Victor Hii Lu Thian	Executive Director				M	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 2010 are as follows :-

<u>Title of Training/Seminar</u>

- 1Malaysia – New Economic Model
- KPMG GST Seminar
- The Asean Steel Industry: A New Era of Global Competitiveness
- Audit Committee Institute Roundtable discussion titled : Going Forward : Risk & Reform - Implications for Audit Committee Oversight
- Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP)
- Seminar on Recent Changes to Financial Reporting Standards (FRS)
- Regulators' Guide on Transactions by Directors & Practical Issues and Solutions
- Corporate Directors Training Programme
- Internal Control & Risk Management
- Reach for the Star
- 6 Sigma Application in Developing Quality Steel Products by Posco
- 2011 Budget Seminar
- 2011 Budget Tax Proposals Seminar
- Seminar Percukaian Kebangsaan 2010
- Budget 2011 Proposals & Recent Developments
- EQ & Leadership
- Building an Effective Synergetic & Team (B.E.S.T)

Statement on Corporate Governance (cont'd)

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. The Board as a whole determines the remuneration package of the Non-Executive Directors.

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.

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 2010, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:-

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	204,000	161,000
Salary	1,597,063	-
Bonus	559,000	-
Allowances	163,040	36,780
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM900,001 to RM950,000	1	-
RM700,001 to RM750,000	1	-
RM500,001 to RM550,000	1	-
RM150,001 to RM200,000	2	-
RM 50,001 to RM100,000	-	2
RM 50,000 and below	-	2

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.

Statement on Corporate Governance (cont'd)

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 meeting 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 29 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 Audit Committee (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 pages 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 2010 by the Company's external auditors, Messrs. KPMG, and a firm or company affiliated to KPMG are set out below:-

	RM
Audit fees	110,000
Non-audit fees	38,400

Statement on Internal Control

INTRODUCTION

The revised Malaysian Code on Corporate Governance (2007) requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. Paragraph 15.26(b) of the Bursa Malaysia Securities Bhd Listing Requirements requires a listed company to include in its Annual Report a statement about the state of its internal control.

Accordingly, the Board of Directors ("The Board") of Yung Kong Galvanising Industries Berhad ("YKGI") is pleased to provide the Statement on Internal Control ("Statement") for the year ended 31 December 2010 that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Bhd which outlines the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control of the Group.

RESPONSIBILITY

The Board of YKGI acknowledges its overall 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 and put in place an on-going process and a framework for identifying, evaluating, monitoring and managing the principal risks of the Group. The Board has the support of the Risk Management Committee ("RMC") as well as the Audit Committee ("AC") that regularly review 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 AC reviews its independence, scope and frequency of work and resources on an annual basis.

The Internal Audit Function reviews the Group's operations, the systems of internal control by performing regular reviews of the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks and non compliance impacting the Group. An annual internal audit plan is presented to the AC for approval before being carried out. Audits are carried out on units that are identified based on a risk based approach, taking into consideration input of the senior management, the AC and the Board.

Following audits, the Internal Audit provides recommendations to improve on the effectiveness of risk management, control and governance processes. The AC considers the internal audit reports before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems of

Statement on Internal Control (cont'd)

the Group, on a quarterly basis or earlier as appropriate. Management and the AC will follow up and review the status of actions on recommendations made by both the internal and external auditors.

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

The other key elements of internal control processes that have been established by the Board that provides effective internal control are:-

- Established an organisation structure which clearly defined the line of reporting within each business unit.
- Board Committees are set up to assist the Board to perform its oversight functions. Specific responsibilities have been delegated to these Board Committees, all of which have formalized terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations.
- 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 the Group 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 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 2010.

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 2010, the Committee met five (5) 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	5/5
Mr Jee Hee Teck	Member, Independent Director	5/5
Mr Philip Anak Dreba @ Philip Aso Dreba	Member, Independent Director	5/5

The Executive Chairman, 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 with due notice of issues been discussed and recreated. 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").

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

Report Of Audit Committee (cont'd)

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.

(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.

Report Of Audit Committee (cont'd)

(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 CARRIED OUT DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, following activities were carried out during the financial year ended 31 December 2010:-

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 internal controls and procedures.
d. 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 in the audit findings in relation to the statutory audit and issues arising therefrom.
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 twice with the external auditors excluding the attendance of the other Directors and employees.

Report Of Audit Committee (cont'd)

3.4 Related Party Transactions

Reviewed the related party transactions entered into by the Company and the Group and conflict of interest situation that may arise within 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 of Directors.

During the financial year ended 31 December 2010, the Internal Auditors had carried out three (3) audits according to the internal audit plan, which included, *inter alia*, the following reports for the mega processes and status of follow up actions within the Group:-

Visit #	Date of Report	Companies Audited
1	3 May	Yung Kong Galvanising Industries Berhad (Klang) Integrated Coil Coating Industries Sdn. Bhd.
2	20 July	Yung Kong Galvanising Industries Berhad (Kuching) Magic Network Sdn. Bhd.
3	28 October	Star Shine Marketing Sdn. Bhd. Star Shine Global Trading Sdn. Bhd. Star Shine Steel Products Sdn. Bhd Star Shine Industries Sdn. Bhd.

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 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 of the Company in respect of the financial year ended 31 December 2010 was RM83,802.

Corporate Social Responsibilities ("CSR")

CSR at Workplace

The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. When it comes to incorporating social responsibility or sustainability in the workplace, it's not just about creating a green building or complying with green building code; it's about creating healthy and productive workplaces for people while increasing social and shareholder values for the organisation.

GREEN IDEAS WORK OUT WITH STEEL CREATING SHARED VALUE

Safety & Health

We consistently measured the safety of our staff by the number of lost time injuries (LTI). We have improvement over the years, yet in 2010, we have a single case caused 37 days LTI. Further to that, we have increased the safety and health awareness campaign in the effort to bring down the figures for the coming years.

Category	2008	2009	2010
Lost Time Injury	23.5 Days	21.17 Days	37 Days

Recreation and Sports

Our staff and families enjoy healthy lifestyle and promote sportsmanship through our Recreation Organising Committee ("ROC").

Category	2008	2009	2010
Recreation & Sports Activities	5 Days	7 Days	14 Days

Employee Development

We foster self development for our people to be nurtured for more skill and experience through annual training and we measured their progress through gap analysis.

Category	2008	2009	2010
Training Hours per Employee	56 hours / year	72 hours / year	147 hours / year

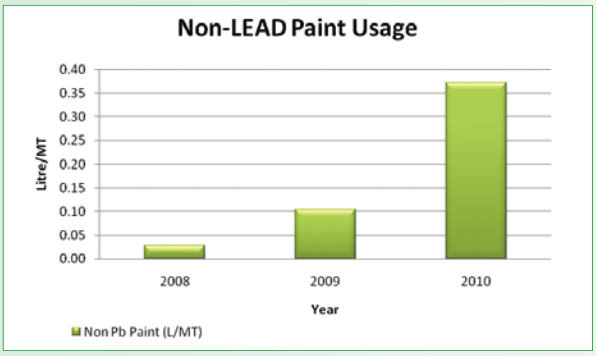
YKGI library provides thousands of reading materials Enriching every employee

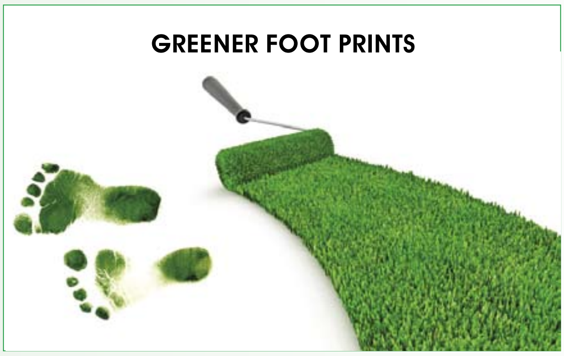
Corporate Social Responsibilities ("CSR") (cont'd)

CSR at Marketplace

The Company must act to "green" its processes and supply chains, such as minimizing heavy metals reduces the potential exposure to air and water pollution. These business measures are logs on the image fire that warm the public to an organisation's CSR efforts. If the cost of these logs are defrayed in whole or in part from savings achieved in other parts of green purchasing efforts, there is every reason to pursue it. The Company is increasing the purchase of non-lead paint in the effort to conceptual the green purchase. Drastically, the non-lead paint consumption is showing significant growth from year 2008 to year 2010.

Category	2008	2009	2010
Non-Lead Paint Usage	1200 litres	3000 litres	7000 litres





CSR at Communities

A more common approach of CSR is philanthropy. This includes the monetary donations and aids given to local organisations and impoverished communities. Through education and dialogue, we help to build on the skills of the local people, whereas community-based development generally leads to more sustainable development. At times, we organised blood donation activities to help keeping up the dwindling blood bank.

YKGI is an integrated steel plant, providing exciting experience for students and teachers to explore inside a steel coating industry. We take students inside our steel mill and show them how flat sheet is pre-coated prior being formed into structural products such as c-channel and metal deck roofing sheet.

Category	Cases 2010	Contribution
Assistance Fund	- Children Education Assistance Fund - The HYN & WAL Foundation - National Kidney Foundation - Kuching Autistic Association - Persatuan Bagi Orang Buta Sarawak - Roman Catholic Church Foundation - Sarawak Heart Foundation - Sinar Harapan Kampung Haji Drahman - The Salvation Army - Majlis Kebajikan Sosial - others	RM89,774.28
Blood Donation	- Blood Donation	75 pints

Corporate Social Responsibilities ("CSR") (cont'd)

CSR at Environment

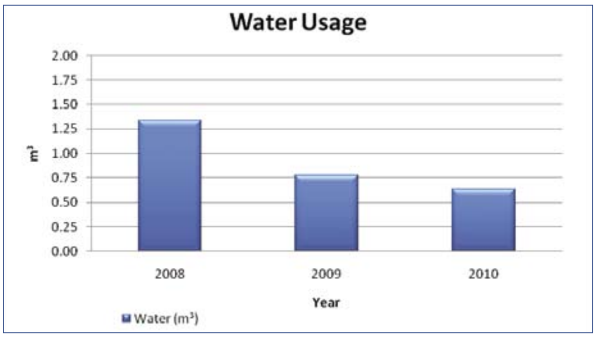
Corporate Social Responsibilities Committee acknowledges trade-offs between short-term profitability and environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy. We are looking at what pit businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. Therefore we uphold our Environmental Policy through the various initiatives.

Recycling Initiatives

Category	2008	2009	2010
Steel Recycle Per Tonne Product	14.35 kg/MT	28.88 kg/MT	30.17 kg/MT

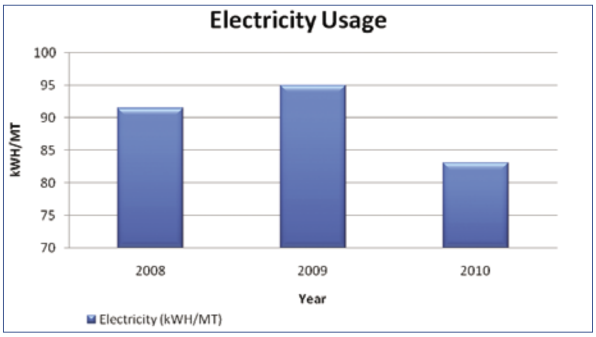
Schedule Waste (SW) Initiatives

Category	2008	2009	2010
SW Output Per Tonne Product	0.335 kg/MT	0.298 kg/MT	0.489 kg/MT



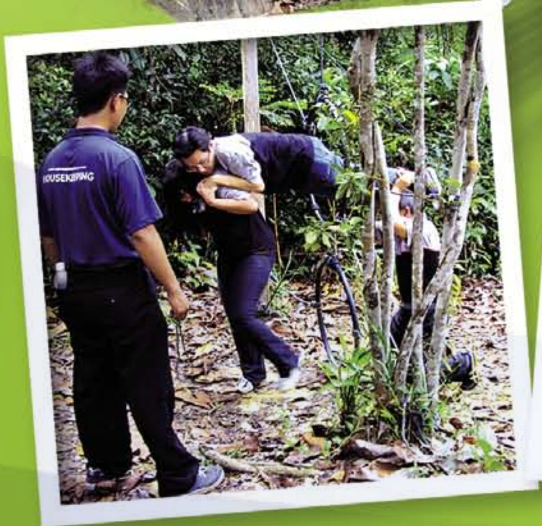
We reduced the impact to environment further by improving efficient energy and water consumption. Overall consumption is improving in the year 2010.

We take every possibility to recycle and reuse rejected steel into packing material or sent them to melt shop for other steel products.



We have reduced schedule waste output over the years and yet somehow we have done changes in waste water treatment processes, causing higher SW output in yaer 2010. Through Kaizen we shall work through various ways to reduce the SW in coming years.

Corporate Social Responsibilities (cont'd)



Corporate Social Responsibilities (cont'd)

Study Tour by
SJK Chung Hua Batu 4 1/2 To
Yung Kong Galvanising Industries Bhd. on
5th-Oct-2010

Corporate Social Responsibilities (cont'd)

2010年10月3日（星期日）

許魯天：不忘企業責任
榕光鋼鐵回饋社會

（古晋2日讯）榕光钢铁有限公司执行董事许鲁天呼吁各私人企业，积极履行企业社会责任，共同与国家朝向2020年宏愿迈进。

他说，如今，许多私人企业都会履行企业社会责任，体现一个马来西亚理念，并对此表示欣慰。

"作为一个负责任的企业，我们注重于持续性发展与成长，同时也关注环境及社会层面，为社会及国家作出贡献。"

他指出，国民扮演重要角色，确保我国能够顺利达成各项目标。如果没有体现团结精神及忠诚待国，国民将无法享有更好的生活。

去年营业额3.38亿

许鲁天是今日出席该公司与甘榜达万哈芝德拉曼达鲁法拉回教堂委员会所联办的开斋节庆祝活动上致词时，如是表示。

榕光钢铁有限公司也在会上分别移交回教书籍，5千令吉款项注及分派援助品给3户

詩華日報 2010年10月3日 星期日

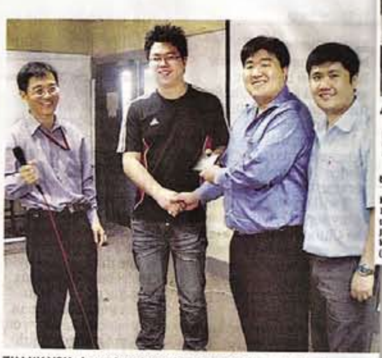
在达闵哈吉德拉曼村落本固鲁哲拉维（右2）的见证下，榕光钢铁有限公司之企业社会责任委员常慷芸（左）、市场经理房慧羽（左2）及独立董事菲利德瑞巴（左3）赠送赞助品予残疾人士。

詩華日報 2011年3月27日 星期日

基金会财政拿督许纬新博士（左）颁发课本赞助金予就读独中的土著学生。

REGION — THE BORNEO POST — Thursday, October 21, 2010 — D1

Yung Kong takes on role as educator in metal industry



THANK YOU: An engineering student from Swinburne University presents a small gift of appreciation to Hii (second right). Also seen is Goh (right).

KUCHING: Yung Kong Galvanising Industries (YKGI) Bhd is pleased to impart their know-how and expertise, especially on new technologies in steel making and galvanising, to universities and institute of higher learning in the state.

Its executive director Victor Hii Lu Thian told The Borneo Post yesterday that by doing so, they can expand students' knowledge further, instead of just on theories alone.

He said that a company like theirs is exposed to new technologies as they have to be innovative in producing their products, to ensure quality, compliance with the world standard and remain competitive in the industry.

"We want to introduce this culture as part of our corporate social responsibility and emulate what many overseas companies in developed countries were doing.

"New technologies are always expected. And new products are coming out in the market constantly, so students need to be educated on all aspects of the industry. Therefore, we are collaborating with universities here to prepare student for what is out there by enhancing their knowledge," added Hii.

Hii was met after an industry talk on steel making, hot dip galvanising technologies and products at Swinburne University for the first time yesterday which was attended by some 50 final year engineering student.

He said companies were not worried on the influence of available technologies before.

But as standard guidelines are getting stringent and product quality is getting more and more sophisticated, engineers and consultants must be frequently updated.

"Giving talks in university is beneficial to us and the industry. We are not operating a family business anymore as we are now public-listed."

"In the last 50 years that we have been in this business, many things had change and so have the technologies," Hii explained.

By having Japanese interest in the company, YKIG will continue to maintain their standard and quality through learning and exchange of new technologies and ideas to improve their marketable products.

He said despite all the new technologies, some need to be further explained.

For example, the Industrial Building System (IBS) is not so popular here compared to West Malaysia and Sabah.

"This is the technology and products that we are trying to push to our users here like the government bodies, engineers and consultants as well as educating them about it," he lamented.

Also present at the talk is the Swinburne University lecturer for School of Engineering & Science Goh Wei Pin.

NEW SARAWAK TRIBUNE • WEDNESDAY OCTOBER 6, 2010 — 7 • TribuneHome

A COMPANY official (left) giving instructions to the pupils.

Fruitful outing for teachers, pupils

BY ONG WEI LING AND GOH PEI PEI

KUCHING: About 200 students and 12 teachers including the headmaster of SJK Chung Hwa, Mile 4 ½ Jalan Kuching -Serian visited Yung Kong Galvanising Industry Berhad (YKGI) factory here yesterday.

It was an annual educational trip specifically held for their school's primary six pupils.

The trip was meant to expose the pupils to the working environment in a factory and how men and machines helped in the production of building materials.

The pupils were also exposed on the process of making metal roofing sheets, metal coils and colouring of semi finished and finished products.

The visitors were divided into six groups and all have to put on safety helmet when entering the factory.

A TEACHER carrying the safety helmets for distribution to the students.

THE company official assisting a pupils to put on a safety helmet before entering the factory.

實際行動支持華校
家長應送子女唸獨中

（本报古晋26日讯）华文是华裔的母语，民族的灵魂，独中是以华、英、国三种语言并重为办学方针，学而实用，因此，华裔家长今日受促应以实际行动把子女送到独中求学，以表对独中的支持。

同时，国中华裔同学也受促在SPM选考华文科，以行动来表达对自身文化和教育的认同。

许如玉黄爱兰慈善基金主席拿督许纬新今日在该基金会一年一度颁发助学金、课本赞助金及领养小孩赞助金的仪式上致词时，作上述呼吁时表示，该基金会自1985年成立以来，每年都秉承创会宗旨和创办人许如玉博士的旨意，推动会务活动，且每年都拨出一笔现金来作为独中教育助学金和各种慈善赞助金的用途。

他指出，今年一共有25位分别从初一到高三的同学受惠于华文独中助学金，13位友族同学获得课本赞助金，还有6位在华文独中求学的榕光员工子女也都得到全额学费辅助。

在社会福利金方面，一如往常来自各族的5位小孩得到领养费用，还有465位来自各慈善机构的各族人士得到新年红包。其他捐赠如临时救济金和天主教建堂基金，以上各项捐款共13万5597令吉。

獨中課題有所改善

他表示，我国是个多元种族和多元文化的国家，华裔是国家族群中三大民族之一。自上个世纪至今，华裔为国家在经济和工商上的发展和繁荣扮演着积极的角色和贡献。可是独中在华文教育发展上却得不到政府的认同和资助，因此独中的发展面对办学经费及学生来源的挑战和困难。

他说，数十年来，校董会和华社贤达们虽面对巨大的困境，但他们都以不屈不挠的精神，不断地向有关当局陈情和争取，终于守得云开见月明，并在政治环境的转变和一个马来西亚政策推动下，乐见华教独中课题有所改善，接著去年首相宣布政府将局部承认华文独中统考文凭及开放政府师训学院予独中统考文凭拥有者申请就读及以校养等措施来帮助独中的发展。

因此，他认为，这些改革和惠民政策对华社和华文教育的前途影响深远，值得赞赏和支持，并希望政府能更积极地采取行动落实这些惠民政策，以造福全民。

國際時報 INTERNATIONAL TIMES — 社会动态 B1 — 2010年11月19日 星期五

参观榕光钢铁工厂

（古晋18日讯）来自斯威本科技大学，就读工程系的5名学生昨日在教授的带领下，参观位于德玛拉勿工业区的榕光钢铁有限公司，以了解榕光钢铁工厂的运作管理。

●斯威本科技大学学生与教授比莱亚拉斯（右一）及榕光钢铁有限公司市场经理房慧羽（左一）合摄。

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to issue a statement explaining their responsibility for preparing the financial statements.

Malaysian Companies Act, 1965 also 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 of the Company as at the financial year end, and of the results of their operations and cash flows of the Group and of the Company for the financial year then ended.

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 12 to 16 of this Annual Report.

Financial Statements

Directors' report
for the year ended 31 December 2010

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 2010.

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 5 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 for the year attributable to:		
Owners of the Company	9,562,113	6,412,925
Minority interest	2,955,327	-
	12,517,440	6,412,925

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 2.500 sen per ordinary share totalling RM4,888,372 in respect of the year ended 31 December 2009 on 31 May 2010.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2010 is 1.250 sen tax exempt per ordinary share and 1.375 sen tax exempt per redeemable convertible preference share totaling RM2,444,186 and RM298,734 respectively, the payment of which 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 (resigned on 14 May 2010)
	Yoshiki Kaneko (appointed on 14 May 2010)
Huong Hie Hee	-
Jee Hee Teck	-
Victor Hii Lu Thian	-
Philip Anak Dreba @ Philip Aso Dreba	-
Francis Hii Lu Sheng	-

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in the ordinary 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 1.1.2010	Bought	Sold	At 31.12.2010	At 1.1.2010	Bought	Sold	At 31.12.2010
Interests in the Company								
Dato' Dr. Hii Wi Sing	17,728,448	1,601,950	-	19,330,398	62,510,781	1,294,500	-	63,805,281
Ir. Michael Hii Ee Sing	138,100	-	-	138,100	60,864,391	1,253,900	-	62,118,291
Arthur Hii Lu Choon	1,497,100	12,500	-	1,509,600	57,215,191	1,253,900	-	58,469,091
Alexander Hii Lu Kwong	1,766,100	399,500	-	2,165,600	57,202,791	1,253,900	-	58,456,691
Victor Hii Lu Thian	985,000	358,200	-	1,343,200	57,187,791	1,253,900	-	58,441,691
Huong Hie Hee	142,000	-	-	142,000	89,000	-	-	89,000
Francis Hii Lu Sheng	274,300	-	-	274,300	57,338,191	1,253,900	-	58,592,091
Interests in subsidiaries								
Star Shine Marketing Sdn. Bhd.								
Dato' Dr. Hii Wi Sing	540,000	-	-	540,000	12,240,000	-	-	12,240,000
Ir. Michael Hii Ee Sing	-	-	-	-	12,420,000	-	-	12,420,000
Arthur Hii Lu Choon	540,000	-	-	540,000	11,700,000	-	-	11,700,000
Alexander Hii Lu Kwong	540,000	-	-	540,000	11,700,000	-	-	11,700,000
Victor Hii Lu Thian	540,000	-	-	540,000	11,700,000	-	-	11,700,000
Star Shine Steel Products Sdn. Bhd.								
Dato' Dr. Hii Wi Sing	280,000	-	-	280,000	3,329,000	-	-	3,329,000
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 2010 (cont'd)

DIRECTORS' INTERESTS (cont'd)

	<------ Number of ordinary shares ------>							
	Direct interests				Deemed interests			
	At 1.1.2010	Bought	Sold	At 31.12.2010	At 1.1.2010	Bought	Sold	At 31.12.2010
Interests in subsidiaries (cont'd)								
Star Shine Global Trading Sdn. Bhd.								
Dato' Dr. Hii Wi Sing	80,000	-	-	80,000	1,060,000	-	-	1,060,000
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	4,407,000	-	-	4,407,000
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

	<------ Number of warrants over ordinary shares of the Company ------>							
	Direct interests				Deemed interests			
	At 1.1.2010	Bought	Sold	At 31.12.2010	At 1.1.2010	Bought	Sold	At 31.12.2010
Dato' Dr. Hii Wi Sing	4,612,500	-	(400,000)	4,212,500	20,611,297	-	(5,142,598)	15,468,699
Ir. Michael Hii Ee Sing	48,100	-	-	48,100	20,339,697	-	(5,142,598)	15,197,099
Arthur Hii Lu Choon	250,000	-	-	250,000	19,100,497	-	(5,142,598)	13,957,899
Alexander Hii Lu Kwong	-	-	-	-	19,096,097	-	(5,142,598)	13,953,499
Victor Hii Lu Thian	-	-	-	-	19,091,097	-	(5,142,598)	13,948,499

Save as disclosed, none of the Directors had any interests in the shares and warrants over 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 2010 (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 the 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.

Save for the warrants as disclosed in the preceeding page, 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 AND DEBENTURES

On 5 August 2010, the Company issued 21,726,100 redeemable convertible preference shares of RM0.50 each at an issue price of RM0.60 for a total cash consideration of RM13,035,660 for working capital purposes.

Save as disclosed, there were neither changes in the authorised, issued and paid-up capital of the Company, nor issuances of debentures by the Company, during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the 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 2010 (2009: 65,178,300). None of the said warrants has been exercised during the current year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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.

Directors' report
for the year ended 31 December 2010 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 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

Ir. Michael Hii Ee Sing

Kuching,

Date: 16 March 2011

Statements of financial position
as at 31 December 2010

	Note	Group 31.12.2010 RM	Group 31.12.2009 RM (restated)	Group 1.1.2009 RM (restated)	Company 31.12.2010 RM	Company 31.12.2009 RM (restated)	Company 1.1.2009 RM (restated)
Assets							
Property, plant and equipment	3	284,227,319	271,301,043	277,228,843	206,751,583	205,548,120	220,548,673
Investment property	4	-	-	-	4,073,177	4,443,249	4,813,321
Investment in subsidiaries	5	-	-	-	20,472,500	20,472,500	17,872,500
Goodwill	6	1,437,871	1,437,871	1,437,871	-	-	-
Deferred tax assets	7	107,000	268,000	9,000	-	-	-
Quoted investments	8	23,515	23,515	23,515	-	-	-
Total non-current assets		285,795,705	273,030,429	278,699,229	231,297,260	230,463,869	243,234,494
Inventories	9	137,930,337	135,748,466	91,103,127	88,630,483	102,241,796	59,643,347
Property held for sale	10	322,810	322,810	487,810	-	-	-
Trade and other receivables	11	87,591,043	63,443,095	63,146,552	75,351,481	71,865,469	69,671,436
Current tax recoverable		441,639	869,349	2,263,681	324,864	370,695	1,219,654
Cash and cash equivalents	12	26,297,620	19,710,056	25,713,503	1,816,577	1,565,308	2,298,942
Total current assets		252,583,449	220,093,776	182,714,673	166,123,405	176,043,268	132,833,379
Total assets		538,379,154	493,124,205	461,413,902	397,420,665	406,507,137	376,067,873
Equity							
Share capital	13	101,786,779	90,923,729	90,923,729	101,786,779	90,923,729	90,923,729
Reserves	14	70,120,809	63,478,187	55,006,426	58,849,955	55,356,521	45,915,580
Total equity attributable to owners of the Company		171,907,588	154,401,916	145,930,155	160,636,734	146,280,250	136,839,309
Minority interest	2(a)(iii)	15,615,182	12,659,855	10,840,606	-	-	-
Total equity		187,522,770	167,061,771	156,770,761	160,636,734	146,280,250	136,839,309

Statements of financial position
as at 31 December 2010 (cont'd)

		Group			Company		
	Note	31.12.2010 RM	31.12.2009 RM (restated)	1.1.2009 RM (restated)	31.12.2010 RM	31.12.2009 RM (restated)	1.1.2009 RM (restated)
Liabilities							
Loans and borrowings	15	85,732,361	88,478,784	102,957,015	54,767,775	64,498,372	80,700,940
Deferred tax liabilities	7	17,511,000	14,499,000	10,414,000	14,773,000	12,415,000	8,391,000
Employee benefits	16	2,920,245	2,569,151	2,284,568	2,920,245	2,569,151	2,284,568
Total non-current liabilities		106,163,606	105,546,935	115,655,583	72,461,020	79,482,523	91,376,508
Trade and other payables	17	25,155,290	23,258,666	10,798,424	11,378,543	11,398,260	2,680,625
Loans and borrowings	15	219,117,480	196,861,373	178,056,134	152,944,368	169,346,104	145,171,431
Current tax liabilities		420,008	395,460	133,000	-	-	-
Total current liabilities		244,692,778	220,515,499	188,987,558	164,322,911	180,744,364	147,852,056
Total liabilities		350,856,384	326,062,434	304,643,141	236,783,931	260,226,887	239,228,564
Total equity and liabilities		538,379,154	493,124,205	461,413,902	397,420,665	406,507,137	376,067,873

The notes on pages 43 to 98 are an integral part of these financial statements.

Statements of Comprehensive Income
for the year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue					
- sales of galvanised and coated steel products and building and construction materials		466,399,046	341,483,189	372,680,356	264,133,004
Cost of sales		(409,043,169)	(286,896,715)	(346,018,828)	(229,350,271)
Gross profit		57,355,877	54,586,474	26,661,528	34,782,733
Other income		3,885,334	909,371	5,228,553	3,786,255
Selling and distribution expenses		(5,681,314)	(4,564,220)	(2,120,555)	(1,968,540)
Administrative expenses		(24,800,402)	(24,566,116)	(11,255,698)	(12,864,121)
Interest expense		(13,493,350)	(10,790,856)	(9,519,767)	(8,146,640)
Profit before taxation	18	17,266,145	15,574,653	8,994,061	15,589,687
Income tax expense	20	(4,748,705)	(5,217,131)	(2,581,136)	(4,682,234)
Profit and total comprehensive income for the year		12,517,440	10,357,522	6,412,925	10,907,453
Attributable to:					
Owners of the Company		9,562,113	9,938,273	6,412,925	10,907,453
Minority interest		2,955,327	419,249	-	-
Profit and total comprehensive income for the year		12,517,440	10,357,522	6,412,925	10,907,453
Basic earnings per ordinary share (sen)	21	4.9	5.1		
Diluted earnings per ordinary share (sen)	21	4.8	5.1		

The notes on pages 43 to 98 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010

Group	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Redeemable convertible preference share RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
		Attributable to owners of the Company									
		Non-distributable						*Distributable*			
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 by a subsidiary		-	-	-	-	-	-	-	-	1,400,000	1,400,000
Profit and total comprehensive income for the year		-	-	-	-	-	-	9,938,273	9,938,273	419,249	10,357,522
Dividends paid to owners of the Company	22	-	-	-	-	-	-	(1,466,512)	(1,466,512)	-	(1,466,512)
At 31 December 2009/ 1 January 2010		90,923,729	6,843,721	-	6,057,826	-	1,792,700	48,783,940	154,401,916	12,659,855	167,061,771
Issue of redeemable convertible preference share	13	-	-	1,968,881	-	10,863,050	-	-	12,831,931	-	12,831,931
Profit and total comprehensive income for the year		-	-	-	-	-	-	9,562,113	9,562,113	2,955,327	12,517,440
Dividends paid to owners of the Company	22	-	-	-	-	-	-	(4,888,372)	(4,888,372)	-	(4,888,372)
At 31 December 2010		90,923,729	6,843,721	1,968,881	6,057,826	10,863,050	1,792,700	53,457,681	171,907,588	15,615,182	187,522,770
		(Note 13)	(Note 14)	(Note 14)	(Note 14)	(Note 13)	(Note 14)	(Note 14)			

The notes on pages 43 to 98 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2010

Company	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Redeemable convertible preference share RM	Retained earnings RM	Total RM
		Non-distributable					*Distributable*	
At 1 January 2009		90,923,729	6,843,721	-	4,441,694	-	34,630,165	136,839,309
Profit and total comprehensive income for the year		-	-	-	-	-	10,907,453	10,907,453
Dividend paid to owners of the Company	22	-	-	-	-	-	(1,466,512)	(1,466,512)
At 31 December 2009 / 1 January 2010		90,923,729	6,843,721	-	4,441,694	-	44,071,106	146,280,250
Issue of redeemable convertible preference share		-	-	1,968,881	-	10,863,050	-	12,831,931
Profit and total comprehensive income for the year		-	-	-	-	-	6,412,925	6,412,925
Dividend paid to owners of the Company	22	-	-	-	-	-	(4,888,372)	(4,888,372)
At 31 December 2010		90,923,729	6,843,721	1,968,881	4,441,694	10,863,050	45,595,659	160,636,734
		(Note 13)	(Note 14)	(Note 14)	(Note 14)	(Note 13)	(Note 14)	

The notes on pages 43 to 98 are an integral part of these financial statements.

Statements of cash flows
for the year ended 31 December 2010

	Group 2010 RM	Group 2009 RM (restated)	Company 2010 RM	Company 2009 RM (restated)
Cash flows from operating activities				
Profit before taxation	17,266,145	15,574,653	8,994,061	15,589,687
Adjustments for:				
Amortisation of investment property (Note 4)	-	-	370,072	370,072
Depreciation of property, plant and equipment (Note 3)	18,838,131	18,591,046	12,846,327	13,553,729
Dividend income	(1,555)	-	(2,250,000)	(3,000,000)
Write-down of property plant and equipment (Note 3)	-	2,049,275	-	2,049,275
Gain on disposal of property, plant and equipment	(327,778)	(120,649)	(104,555)	(215,054)
Interest expense	13,493,350	10,790,856	9,519,767	8,146,640
Interest income	(528,715)	(660,105)	(69,949)	(136,130)
Property, plant and equipment written off	182	-	182	-
Provision for retirement benefits (Note 16)	372,094	338,583	372,094	338,583
Unrealised foreign exchange gain	(79,240)	(246,004)	(79,240)	(246,004)
Operating profit before changes in working capital	49,032,614	46,317,655	29,598,759	36,450,798
Changes in working capital:				
Inventories	(2,181,871)	(44,645,339)	13,611,313	(42,598,449)
Property held for sale	-	165,000	-	-
Trade and other receivables	(24,147,948)	(743,875)	(3,486,012)	(2,194,034)
Trade and other payables	1,896,624	12,460,241	(19,717)	8,717,635
Cash generated from operations	24,599,419	13,553,682	39,704,343	375,950
Income tax (paid)/refunded	(1,123,447)	265,662	197,694	565,723
Interest paid	(7,620,675)	(5,206,111)	(6,007,170)	(4,101,138)
Interest received	217,209	299,847	26,417	66,264
Retirement benefits paid (Note 16)	(21,000)	(54,000)	(21,000)	(54,000)
Net cash from/(used in) operating activities	16,051,506	8,859,080	33,900,284	(3,147,201)
Cash flows from investing activities				
Increase in investment in existing subsidiaries	-	-	-	(2,600,000)
Acquisition of property, plant and equipment [Note (i)]	(25,309,726)	(10,318,752)	(12,407,716)	(1,317,397)
Proceeds from disposal of property, plant and equipment	568,500	677,168	290,300	930,000
Interest received	311,506	373,392	43,532	69,866
Dividends received	1,555	-	1,875,000	2,625,000
Increase in deposits pledged to banks	(1,344,137)	(2,047,389)	-	-
Net cash used in investing activities	(25,772,302)	(11,315,581)	(10,198,884)	(292,531)

Statements of cash flows
for the year ended 31 December 2010 (cont'd)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
		(restated)		(restated)
Cash flows from financing activities				
Proceeds from shares issued to minority shareholders	-	1,400,000	-	-
Proceeds from issuance of redeemable convertible preference shares	12,831,931	-	12,831,931	-
Net proceeds from/ (Repayment of) term loans	1,426,684	(12,763,072)	(4,964,170)	(11,937,000)
Net proceeds from/ (Repayment of) bankers' acceptances and revolving credits	10,778,117	20,413,264	(23,490,271)	26,213,009
Repayment of finance lease liabilities	(8,038,154)	(5,828,666)	(5,271,590)	(4,196,509)
Dividends paid to owners of the Company	(4,888,372)	(1,466,512)	(4,888,372)	(1,466,512)
Interest paid	(5,872,675)	(5,584,745)	(3,512,597)	(4,045,502)
Net cash from/(used in) financing activities	6,237,531	(3,829,731)	(29,295,069)	4,567,486
Net (decrease)/increase in cash and cash equivalents	(3,483,265)	(6,286,232)	(5,593,669)	1,127,754
Cash and cash equivalents at beginning of year	702,272	6,988,504	(5,748,536)	(6,876,290)
Cash and cash equivalents at end of year [Note (ii)]	(2,780,993)	702,272	(11,342,205)	(5,748,536)

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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Paid in cash	25,309,726	10,318,752	12,407,716	1,317,397
In the form of finance lease assets	6,340,000	4,516,088	1,828,000	-
Deposits paid in prior years	355,585	434,200	-	-
Total (see Note 3)	32,005,311	15,269,040	14,235,716	1,317,397

Statements of cash flows
for the year ended 31 December 2010 (cont'd)

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statement-of-financial position amounts:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with licensed banks	14,069,517	12,698,765	1,264,439	1,237,826
Cash and bank balances	12,228,103	7,011,291	552,138	327,482
Bank overdrafts	(16,273,537)	(7,546,845)	(13,158,782)	(7,313,844)
	10,024,083	12,163,211	(11,342,205)	(5,748,536)
Less: Deposits pledged	(12,805,076)	(11,460,939)	-	-
	(2,780,993)	702,272	(11,342,205)	(5,748,536)

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The notes on pages 43 to 98 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 Market 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. Puloh, 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 2010 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 trading of long and flat steel products, steel tubes and pipes and drawer slides (see Note 5).

The financial statements were approved by the Board of Directors on 16 March 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

Standard / Amendment / Interpretation	**Effective date**
Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*	1 March 2010
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 16, *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17, *Distributions of Non-cash Assets to Owners*	1 July 2010
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*	
- *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	
- *Additional Exemptions for First-time Adopters*	1 January 2011
Amendments to FRS 2, *Group Cash-settled Share-based Payment Transactions*	1 January 2011
Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*	1 January 2011
IC Interpretation 4, *Determining Whether an Arrangement Contains a Lease*	1 January 2011
IC Interpretation 18, *Transfers of Assets from Customers*	1 January 2011
Improvements to FRSs (2010)	1 January 2011

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Standard / Amendment / Interpretation	Effective date
Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*	1 July 2011
IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011
FRS 124, *Related Party Disclosures* (revised)	1 January 2012
IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 January 2012

The Group plans to apply from the annual periods:

(a) beginning 1 January 2011 the standards, amendments and interpretations that are effective for annual periods beginning on or before 1 January 2011; and

(b) beginning 1 January 2012 the standards, amendments and interpretations that are effective for annual periods beginning after 1 January 2011,

except those as assessed as being presently not applicable to it. The latter includes Amendments to FRS 1 (revised), Amendments to FRS 2, Amendments to FRS138, Amendments to IC Interpretation (ICI) 9, ICI 12, ICI 16, ICI 17, ICI 18, Amendments to ICI 14 and ICI 15.

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

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 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.

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

IC Interpretation 4, provides guidance on determining whether certain arrangements are, or contain, leases that are required to be accounted for accordance with FRS 117 *Leases*. Where an arrangement is within the scope of FRS 117, the Group applies FRS 117 in determining whether the arrangement is a finance or an operating lease. The adoption of ICI 4 is not expected to have a material impact to the Group.

Notes to the financial statements (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Improvements to FRSs (2010) contain amendments to ten FRSs and one Interpretation. IASB started the annual improvements process since 2008 to cater for amendments that are considered non-urgent but necessary. The objective of the annual improvements project is to enhance the quality of existing IFRSs and this is achieved by amending existing IFRSs to clarify guidance and wordings or to correct for relatively minor unintended consequence, conflicts or oversights.

IC Interpretation 19 provides guidance on accounting for debt for equity swaps. Equity instruments issued to a creditor to extinguish all or a part of a financial liability would be "consideration paid" in accordance with paragraph 41 of FRS 139. The equity instruments would be measured initially at the fair value of those equity instruments unless that fair value cannot be reliably measured, in which case the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement of the equity instruments would be recognised as a gain or loss in profit or loss.

The revised FRS 124 simplifies the definition of related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The changes from current practice among others include a partial exemption from disclosures for government-related entities. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

Prior to the issuance of the revised FRS 124, no disclosure is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The partial exemption from disclosures for government-related activities as permitted in the revised FRS 124 are intended to put users on notice that such related party transactions have occurred and to give an indication of their extent.

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 MASB as are necessary to effectuate the full convergence.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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.

Notes to the financial statements (cont'd)

1. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements (cont'd)

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 6, measurement of the recoverable amounts of cash generating units; and
- Note 11, valuation of trade receivables.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of the Group, which have been consistently applied to the periods presented in these financial statements, except for the adoption of the following standards, amendments and interpretations commencing from the annual period beginning on 1 January 2010:

- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- FRS 7 and Amendments to FRS 7, *Financial Instruments: Disclosure*
- FRS 101 and Amendments to FRS 101, *Presentations of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139 and Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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.

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests 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 profit or loss.

When the Group purchases a subsidiary's equity shares from minority interests 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 interests holders. 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.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Minority interests

Minority interests at the end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners 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 gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment to the underlying assets.

(b) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value which 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement,* with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 30.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets *(cont'd)*

(d) Available-for-sale financial assets *(cont'd)*

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(l)(i)).

Financial liabilities

All financial liabilities are measured at fair value on initial recognition and subsequently at amortised cost, other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Hedge accounting – Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iv) Hedge accounting – Cash flow hedge (cont'd)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment under the revaluation model

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 recognised to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

Property, plant and equipment under the amortised cost model

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.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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.

The gains or 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 profit or loss. 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 or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives 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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation (cont'd)

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 reviewed, and adjusted as appropriate at end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On 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.

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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating Lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position of the Group or the Company.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets - goodwill

Goodwill arises on business combinations 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.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the 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 profit or loss.

Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment property

Investment property is a property which is owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. 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(d).

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost until construction or development is complete, at which time it is reclassified as investment property.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. The investment property under construction is measured at cost.

Depreciation on buildings is charged to profit or loss 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.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 cost formula. 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 production or conversion costs and other costs incurred bringing them to their existing location and condition. In the case of work-in-progress and finished goods, 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) Current assets held for sale

Current assets (or disposal group comprising assets and liabilities) 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 (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(j) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(k) Cash and cash equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2(c).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax asset, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(ii) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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 the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

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 profit or loss in the year in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expense

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

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss.

(n) 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 liability 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 employee and the obligation can be estimated reliably.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Employee benefits (cont'd)

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) 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 end of the reporting period 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 economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or any settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss 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 profit or loss.

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 profit or loss 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.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss 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 profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

(o) 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.

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Contingent liabilities (cont'd)

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.

(p) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at 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 in profit or loss on the date that the Group's right to receive payment is established.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(q) Income tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. 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 loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

Notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income tax (cont'd)

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) 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.

(t) Operating segments

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

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the financial statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM	Short-term leasehold 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 2009, restated		30,350,000	4,228,328	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	388,353,368
Additions		-	-	803,169	463,483	-	477,480	-	100,000	264,950	27,382	13,132,576	15,269,040
Disposals/Write-offs		-	(180,000)	(255,544)	(15,000)	(162,000)	(62,388)	-	(296,806)	-	-	-	(971,738)
Transfers		-	-	-	3,176,438	4,363,506	600,919	-	374,027	(374,027)	-	(8,140,863)	-
Write down	18	-	-	-	(2,049,275)	-	-	-	-	-	-	-	(2,049,275)
At 31 December 2009/ 1 January 2010, restated		30,350,000	4,048,328	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	400,601,395
Additions		-	-	1,019,269	610,605	1,505,789	1,225,924	-	256,310	3,181,818	10,975	24,194,621	32,005,311
Disposals/Write-offs		-	-	-	(198,600)	-	(65,791)	-	(579,974)	(563,493)	-	-	(1,407,858)
Transfers		-	-	14,943,173	8,536,916	1,251,968	-	-	1,089,088	(1,089,088)	-	(24,732,057)	-
At 31 December 2010		30,350,000	4,048,328	100,749,825	227,848,506	38,737,458	9,726,822	2,583,519	5,447,877	4,864,381	1,514,931	5,327,201	431,198,848
Representing items at:													
Cost		-	4,048,328	99,980,993	227,848,506	38,737,458	9,726,822	2,583,519	5,447,877	4,864,381	1,514,931	5,327,201	400,080,016
Directors' valuation		30,350,000	-	768,832	-	-	-	-	-	-	-	-	31,118,832
At 31 December 2010		30,350,000	4,048,328	100,749,825	227,848,506	38,737,458	9,726,822	2,583,519	5,447,877	4,864,381	1,514,931	5,327,201	431,198,848

Notes to the financial statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)	Note	Freehold land RM	Short-term leasehold 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 2009, restated		-	568,124	14,687,391	82,321,364	3,137,580	3,967,759	96,666	4,186,058	1,456,894	702,689	-	111,124,525
Depreciation for the year	18	-	78,688	3,645,132	10,918,766	2,169,666	774,000	193,239	190,886	477,407	143,262	-	18,591,046
Disposals/Write-offs		-	(32,346)	(45,922)	(15,000)	(20,250)	(37,368)	-	(264,333)	-	-	-	(415,219)
Transfers		-	-	-	506,550	(506,550)	-	-	-	-	-	-	-
At 31 December 2009/ 1 January 2010, restated		-	614,466	18,286,601	93,731,680	4,780,446	4,704,391	289,905	4,112,611	1,934,301	845,951	-	129,300,352
Depreciation for the year	18	-	76,939	3,708,300	10,513,604	2,602,856	833,254	193,239	210,594	556,308	143,037	-	18,838,131
Disposals/Write-offs		-	-	-	(67,819)	-	(59,084)	-	(574,973)	(465,078)	-	-	(1,166,954)
Transfers		-	-	-	-	-	-	-	744,542	(744,542)	-	-	-
At 31 December 2010		-	691,405	21,994,901	104,177,465	7,383,302	5,478,561	483,144	4,492,774	1,280,989	988,988	-	146,971,529
Carrying amounts													
At 1 January 2009, restated		30,350,000	3,660,204	69,552,367	135,002,575	28,640,615	3,582,919	2,486,853	319,174	1,987,327	773,885	872,924	277,228,843
At 31 December 2009 / 1 January 2010, restated		30,350,000	3,433,862	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	271,301,043
At 31 December 2010		30,350,000	3,356,923	78,754,924	123,671,041	31,354,156	4,248,261	2,100,375	955,103	3,583,392	525,943	5,327,201	284,227,319

Notes to the financial statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Note	Freehold land RM	Short-term leasehold 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 2009, restated		21,600,000	3,299,500	54,192,912	192,692,131	25,973,595	4,695,352	11,700	2,695,780	1,642,011	179,588	306,982,569
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)
Transfers		-	-	-	(886,000)	886,000	-	-	85,376	(85,376)	-	-
Write down	18	-	-	-	(2,049,275)	-	-	-	-	-	-	(2,049,275)
At 31 December 2009/ 1 January 2010, restated		21,600,000	3,299,500	54,657,807	187,981,650	26,697,595	5,026,201	11,700	2,707,563	1,556,635	182,889	303,721,540
Additions		-	-	979,593	366,593	-	786,899	-	96,375	2,030,371	9,975,885	14,235,716
Disposals		-	-	-	(155,000)	-	(38,791)	-	(4,305)	(421,800)	-	(619,896)
Transfers		-	-	-	5,480,081	-	-	-	699,492	(699,492)	(5,480,081)	-
At 31 December 2010		21,600,000	3,299,500	55,637,400	193,673,324	26,697,595	5,774,309	11,700	3,499,125	2,465,714	4,678,693	317,337,360
Representing items at:												
Cost		-	3,299,500	55,637,400	193,673,324	26,697,595	5,774,309	11,700	3,499,125	2,465,714	4,678,693	295,737,360
Directors' valuation		21,600,000	-	-	-	-	-	-	-	-	-	21,600,000
At 31 December 2010		21,600,000	3,299,500	55,637,400	193,673,324	26,697,595	5,774,309	11,700	3,499,125	2,465,714	4,678,693	317,337,360

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company (cont'd)	Note	Freehold land RM	Short-term leasehold 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 2009, restated		-	432,411	11,677,514	66,680,928	1,486,763	2,625,632	328	2,684,123	846,197	-	86,433,896
Depreciation for the year	18	-	63,452	2,822,479	8,665,202	1,266,140	418,004	563	132,968	184,921	-	13,553,729
Disposals		-	-	-	(1,591,204)	(20,250)	(29,158)	-	(173,593)	-	-	(1,814,205)
At 31 December 2009/ 1 January 2010, restated		-	495,863	14,499,993	73,754,926	2,732,653	3,014,478	891	2,643,498	1,031,118	-	98,173,420
Depreciation for the year	18	-	63,452	2,811,174	7,589,932	1,559,604	448,410	563	176,283	196,909	-	12,846,327
Disposals		-	-	-	(24,219)	-	(38,609)	-	(4,305)	(366,837)	-	(433,970)
Transfers		-	-	-	-	-	-	-	576,927	(576,927)	-	-
At 31 December 2010		-	559,315	17,311,167	81,320,639	4,292,257	3,424,279	1,454	3,392,403	284,263	-	110,585,777
Carrying amounts												
At 1 January 2009, restated		21,600,000	2,867,089	42,515,398	126,011,203	24,486,832	2,069,720	11,372	11,657	795,814	179,588	220,548,673
At 31 December 2009 / 1 January 2010, restated		21,600,000	2,803,637	40,157,814	114,226,724	23,964,942	2,011,723	10,809	64,065	525,517	182,889	205,548,120
At 31 December 2010		21,600,000	2,740,185	38,326,233	112,352,685	22,405,338	2,350,030	10,246	106,722	2,181,451	4,678,693	206,751,583

Notes to the financial statements (cont'd)

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 and 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 14).

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 Burse 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	
	2010	**2009**
	RM	**RM**
Carrying amounts		
Freehold land	18,661,609	18,661,609
Buildings	999,839	1,243,261
	19,661,448	19,904,870

3.2 Security

The leased equipment secures lease obligations (see Note 15).

The following property, plant and equipment are charged as security for certain bank borrowings (see Note 15).

	Carrying amounts	
	2010	**2009**
Group	**RM**	**RM**
Fixed charges		
Freehold land	8,750,000	8,750,000
Leasehold land	616,738	630,225
Buildings (including those under construction)	36,355,513	27,594,139
	45,722,251	36,974,364
Debentures		
Plant and equipment	4,537,300	5,965,439
	50,259,551	42,939,803

Notes to the financial statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

3.3 Assets under construction

These comprise plant and machinery under installation and testing.

3.4 Short-term leasehold land

Short-term leasehold land comprises four (2009: four) parcels of land, the lease terms of which expire in 2048, 2052 and 2054. It is amortised to the profit or loss over its lease terms.

The carrying amounts of leasehold land at 1 January 2009 and 31 December 2009 have been reclassified following the adoption of the Amendments to FRS 117, *Leases*, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. INVESTMENT PROPERTY - COMPANY

	Factory building RM
Cost	
At 1 January 2009, 31 December 2009/1 January 2010 and 31 December 2010	7,401,433
Amortisation	
At 1 January 2009	2,588,112
Amortisation for the year (Note 18)	370,072
At 31 December 2009/1 January 2010	2,958,184
Amortisation for the year (Note 18)	370,072
At 31 December 2010	3,328,256
Carrying amounts	
At 1 January 2009	4,813,321
At 31 December 2009/1 January 2010	4,443,249
At 31 December 2010	4,073,177
Estimated fair value	
At 1 January 2009	7,927,000
At 31 December 2009/1 January 2010	7,927,000
At 31 December 2010	7,927,000

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

Notes to the financial statements (cont'd)

5. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	20,472,500	20,472,500

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

Subsidiaries	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
<u>Direct</u>			
Magic Network Sdn. Bhd.	Marketing and sale of galvanised products	100.00	100.00
Integrated Coil Coating Industries Sdn. Bhd.	Manufacture and sale of colour coated materials	100.00	100.00
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and prepainted galvanised iron steel sheets in coils	65.00	65.00
<u>Indirect through SSM</u>			
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	33.15	33.15
Star Shine Steel Products Sdn. Bhd.	Processing and trading of long and flat steel products	49.08	49.08
Star Shine Industries Sdn. Bhd.	Manufacturing and trading of steel tubes and pipes and drawer slides.	47.45	47.45

6. GOODWILL - GROUP

	2010 RM	2009 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.

Notes to the financial statements (cont'd)

6. GOODWILL - GROUP (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 RM176 million for the CGU in 2011, 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 20% upward and downward variations in the projected selling price of the steel products respectively, however, the projected recoverable amounts of the CGU acquired are still greater than its carrying amount.

7. DEFERRED TAX

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**
Property, plant and equipment	-	-	(27,685,000)	(23,833,000)	(27,685,000)	(23,833,000)
Revaluation reserve	-	-	(490,000)	(490,000)	(490,000)	(490,000)
Retirement benefits	730,000	642,000	-	-	730,000	642,000
Capital allowance carry-forwards	9,769,000	9,017,000	-	-	9,769,000	9,017,000
Tax loss carry-forwards	165,000	165,000	-	-	165,000	165,000
Other items	107,000	268,000	-	-	107,000	268,000
Tax assets/(liabilities)	10,771,000	10,092,000	(28,175,000)	(24,323,000)	(17,404,000)	(14,231,000)
Set off	(10,664,000)	(9,824,000)	10,664,000	9,824,000	-	-
Net tax assets/ (liabilities)	107,000	268,000	(17,511,000)	(14,499,000)	(17,404,000)	(14,231,000)

Notes to the financial statements (cont'd)

7. DEFERRED TAX (cont'd)

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

Company	Assets/(Liabilities) 2010 RM	2009 RM
Property, plant and equipment	(24,597,000)	(20,727,000)
Revaluation reserve	(490,000)	(490,000)
Retirement benefits	730,000	642,000
Capital allowance carry-forwards	9,584,000	8,160,000
Tax liabilities	(14,773,000)	(12,415,000)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2009 RM	Recognised in profit or loss RM	At 31.12.2009/ 1.1.2010 RM	Recognised in profit or loss RM	At 31.12.2010 RM
Property, plant and equipment	(21,765,000)	(2,068,000)	(23,833,000)	(3,852,000)	(27,685,000)
Revaluation reserve	(519,000)	29,000	(490,000)	-	(490,000)
Allowance for impairment losses on doubtful receivables	12,000	(12,000)	-	-	-
Retirement benefits	576,000	66,000	642,000	88,000	730,000
Capital allowance carry-forwards	11,194,000	(2,177,000)	9,017,000	752,000	9,769,000
Tax loss carry-forwards	97,000	68,000	165,000	-	165,000
Other items	-	268,000	268,000	(161,000)	107,000
	(10,405,000)	(3,826,000)	(14,231,000)	(3,173,000)	(17,404,000)
		(Note 20)		(Note 20)	
Company					
Property, plant and equipment	(19,092,000)	(1,635,000)	(20,727,000)	(3,870,000)	(24,597,000)
Revaluation reserve	(519,000)	29,000	(490,000)	-	(490,000)
Retirement benefits	576,000	66,000	642,000	88,000	730,000
Capital allowance carry-forwards	10,644,000	(2,484,000)	8,160,000	1,424,000	9,584,000
	(8,391,000)	(4,024,000)	(12,415,000)	(2,358,000)	(14,773,000)
		(Note 20)		(Note 20)	

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.

Notes to the financial statements (cont'd)

8. QUOTED INVESTMENTS - GROUP

	2010 RM	2009 RM
Non-current		
Quoted shares in Malaysia, at cost	42,200	42,200
Less: Allowance for impairment losses	(18,685)	(18,685)
	23,515	23,515
Market value of quoted shares	21,570	19,135

9. INVENTORIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At cost				
Raw materials	28,761,158	56,624,370	12,436,455	48,338,944
Manufactured inventories	42,402,244	28,953,311	23,827,581	19,777,077
Galvanised/Trading products	11,780,258	9,914,032	-	-
Consumables	15,308,146	9,222,776	15,034,417	9,097,385
Work-in-progress	36,243,143	27,000,337	34,885,153	22,969,628
	134,494,949	131,714,826	86,183,606	100,183,034
At net realisable value				
Raw materials	-	44,047	-	-
Manufactured inventories	3,435,388	3,989,593	2,446,877	2,058,762
	3,435,388	4,033,640	2,446,877	2,058,762
Total inventories	137,930,337	135,748,466	88,630,483	102,241,796

The Group and the Company evaluated their inventories as at the end of the reporting period 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 RM391,430 (2009: RM1,430,243) and RM253,360 (2009: RM595,090) respectively. The write down was included in the cost of sales for the year.

Notes to the financial statements (cont'd)

10. PROPERTY HELD FOR SALE - GROUP

	Buildings RM
At 1 January 2009	487,810
Disposal	(165,000)
At 31 December 2009/1 January 2010 and 31 December 2010	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 to one (2009: one) unit of the property has yet to be transferred to the Group as at the year end.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade				
Trade receivables	84,901,238	60,959,107	2,074,428	1,144,057
Less: Allowance for impairment losses on doubtful receivables	(2,538,849)	(2,749,180)	(124,814)	(124,814)
	82,362,389	58,209,927	1,949,614	1,019,243
Amount due from subsidiaries	-	-	71,282,638	67,049,460
	82,362,389	58,209,927	73,232,252	68,068,703
Non-trade				
Other receivables	248,469	238,867	60,669	45,435
Deposits	3,585,847	4,683,921	1,474,003	3,318,094
Prepayments	1,394,338	310,380	584,557	65,253
Amount due from a subsdiary	-	-	-	367,984
	5,228,654	5,233,168	2,119,229	3,796,766
Total	87,591,043	63,443,095	75,351,481	71,865,469

11.1 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.

Notes to the financial statements (cont'd)

11. TRADE AND OTHER RECEIVABLES (cont'd)

11.1 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 impairment losses on doubtful receivables to be adequate as at 31 December 2010 based on the information currently available, additional allowance may be necessary when information obtained subsequent to the end of the reporting period indicates a change in the expected future cash inflows from the receivables and/or change in economic and other events/conditions.

During the previous year, doubtful receivables written off against allowance for impairment losses on doubtful receivables made previously amounted to RM783,519 for the group.

11.2 Deposits of the Group and of the Company include an amount of RM2,465,404 (2009: RM3,922,765) and RM702,374 (2009: RM3,256,973) respectively paid for the purchase of materials, plant and equipment.

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

11.4 The non-trade balance with a subsidiary of RM367,984 in previous year represented the remaining consideration owing for machineries disposed of during that financial year.

11.5 Trade receivables include the following amounts denominated in US Dollar (USD):

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Denominated in US Dollar	976,603	135,087	318,185	-

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with licensed banks	14,069,517	12,698,765	1,264,439	1,237,826
Cash and bank balances	12,228,103	7,011,291	552,138	327,482
	26,297,620	19,710,056	1,816,577	1,565,308

Included in fixed deposits of the Group is an amount of RM12,805,076 (2009: RM11,460,939) pledged for banking facilities granted to certain subsidiaries (Note 15).

Notes to the financial statements (cont'd)

13. SHARE CAPITAL

	Group and Company			
	Amount		Number of shares	
	2010 RM	2009 RM	2010	2009
Authorised				
Ordinary shares of RM0.50 each	450,000,000	500,000,000	900,000,000	1,000,000,000
Redeemable convertible preferences share of RM0.50 each	50,000,000	-	100,000,000	-
	500,000,000	500,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up				
Ordinary shares of RM0.50 each				
Opening and closing balance	90,923,729	90,923,729	195,534,900	195,534,900
Redeemable convertible preferences share of RM0.50 each				
Opening balance	-	-	-	-
Issued for cash	10,863,050	-	21,726,100	-
Closing balance	10,863,050	-	21,726,100	-
Total	101,786,779	90,923,729	217,261,000	195,534,900

Redeemable Convertible Preference Shares

On 5 August 2010, the Company issued 21,726,100 redeemable convertible preference shares of RM0.50 each at an issue price of RM0.60 for a total cash consideration of RM13,035,660 for working capital purpose. The total consideration received was RM12,831,931 net off with transaction cost of RM203,729.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company and rank equally with regards to the Company's residual assets, except that redeemable preference shareholders participate only to the extent of the par value of the shares.

The redeemable convertible preference shares ("RCPS") shall confer on the holders thereof the following rights and privileges and be subject to the following conditions:

i) Each RCPS shall be convertible, at the option of the holder thereof, at any time after its date of issue ("original date of issue") but prior to redemption, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares as is determined by dividing the issue price by the RCPS conversion price in effect at the time of conversion. The RCPS conversion price shall initially be equal to the issue price per RCPS.

ii) No fractional shares shall be issued upon conversion of the RCPS. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay cash equal to such fraction multiplied by:

   (1) where the shares are listed and quoted on Bursa Securities at the conversion time, the arithmetic mean of the daily volume weighted average price of the ordinary shares during the period of 5 market days immediately preceding the conversion time; or
   (2) where the shares cease to be listed and quoted on Bursa Securities at the conversion time, the fair market value of the shares as determined in good faith by the Board.

13. SHARE CAPITAL (cont'd)

Redeemable Convertible Preference Shares *(cont'd)*

Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of RCPS the holder is at the time converting into shares and the aggregate number of shares issuable upon such conversion.

iii) The RCPS shall rank ahead both as regards payment of dividend and repayment of capital in priority to all classes of shares of YKGI including the shares of YKGI and are not transferable.

iv) The holder of RCPS are not entitled to participate in the profits or assets of YKGI beyond such rights as are expressly set out in the Memorandum and Article and except in the event of the winding-up of YKGI as hereinafter provided.

v) The RCPS shall carry the right to receive a non-cumulative dividend at a rate to be determined by the Board provided always that such rate shall not be less than 10% above that declared on the shares in issue in any financial year.

vi) The RCPS will not be listed on Bursa Securities and/or any other foreign stock exchange.

vii) The holder of the RCPS will be entitled to vote in each of the following circumstances and in no others:

(1) when a dividend (or part of a dividend) in respect of the RCPS is in arrears;
(2) to reduce the Company's share capital or share premium account;
(3) to vary, modify, abrogate or otherwise effect the rights and privileges attached to the RCPS;
(4) to wind up, dissolve, amalgamate, merge or consolidate the Company with any other body corporate;
(5) to dispose the whole or a substantial part of the Company's property, business and undertakings;
(6) during the winding up of the Company; and
(7) to alter the Memorandum and Articles of the Company.

viii) Whenever a holder of a RCPS has the right to vote at a general meeting of the Company, that holder has the same right to vote (both on a show of hands and on a poll) as a holder of a share and has the same rights as the holder of a share in respect of all proceedings at that general meeting.

ix) A holder of a RCPS has the same rights as a holder of a share in relation to receiving notices, reports and audited accounts and attending meetings of the Company.

Notes to the financial statements (cont'd)

14. RESERVES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 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	53,457,681	48,783,940	45,595,659	44,071,106
Warrant reserve	6,843,721	6,843,721	6,843,721	6,843,721
Share premium	1,968,881	-	1,968,881	-
	70,120,809	63,478,187	58,849,955	55,356,521

(i) Revaluation reserve

This comprises surplus from the revaluation of freehold land and buildings (see Notes 3). A sum of RM5,400,000 was utilised for the rights issue undertaken on 9 July 2008.

(ii) Capital reserve

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

(iii) 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.

(iv) 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) to distribute out of its retained earnings at 31 December 2010 approximately RM15,235,000 as franked dividends and RM29,182,000 as normal exempt dividends. The remaining retained earnings are distributable as single-tier exempt dividends under the single-tier company income tax system enacted via the Finance Act 2007.

The single-tier 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 2010 amounting to RM111,726,000 (2009: RM102,228,000) 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.

(v) Share premium

This arose from the issuance of redeemable convertible preference share at price above par value of RM0.50 each during the year.

Notes to the financial statements (cont'd)

15. LOANS AND BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-current				
Term loans				
- secured	23,822,936	17,479,339	-	-
- unsecured	48,172,532	54,886,701	48,172,532	53,886,701
Finance lease liabilities				
- secured	13,736,893	16,112,744	6,595,243	10,611,671
	85,732,361	88,478,784	54,767,775	64,498,372
Current				
Term loans				
- secured	2,629,270	1,582,014	-	-
- unsecured	13,502,000	12,752,000	12,502,000	11,752,000
Finance lease liabilities				
- secured	8,366,444	7,333,162	5,730,329	5,157,492
Bankers' acceptances and revolving credits				
- secured	40,382,972	16,104,588	-	-
- unsecured	137,963,257	151,542,764	121,553,257	145,122,768
Bank overdrafts				
- unsecured	16,273,537	7,546,845	13,158,782	7,313,844
	219,117,480	196,861,373	152,944,368	169,346,104
Total	304,849,841	285,340,157	207,712,143	233,844,476

Security

Overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of fixed deposits (see Note 12).
- Secured by fixed charges over subsidiaries' freehold land, short-term leasehold land and buildings (erected or to be erected thereon) [see Note 3].
- 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 RM4,066,143 (2009: RM4,187,082) are also guaranteed by a direct subsidiary.

Notes to the financial statements (cont'd)

15. LOANS AND BORROWINGS (cont'd)

Significant covenants on loans and borrowings

The Company is required to maintain a gearing ratio not exceeding 2 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 2010 is RM50,179,892 (2009: RM60,496,934).

Finance lease liabilities are payable as follows:

	2010			2009		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group						
Less than one year	9,556,734	1,190,290	8,366,444	8,605,601	1,272,439	7,333,162
Between one and five years	14,842,170	1,105,277	13,736,893	17,469,157	1,356,413	16,112,744
	24,398,904	2,295,567	22,103,337	26,074,758	2,628,852	23,445,906
Company						
Less than one year	6,258,396	528,067	5,730,329	5,898,836	741,344	5,157,492
Between one and five years	6,901,418	306,175	6,595,243	11,218,306	606,635	10,611,671
	13,159,814	834,242	12,325,572	17,117,142	1,347,979	15,769,163

16. EMPLOYEE BENEFITS

Retirement benefits

	Group & Company 2010 RM	2009 RM
Present value of unfunded obligations	3,406,640	3,068,372
Unrecognised actuarial loss	(486,395)	(499,221)
Recognised liability for defined benefit obligations	2,920,245	2,569,151

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.

Notes to the financial statements (cont'd)

16. EMPLOYEE BENEFITS (cont'd)

Movement in the liability for defined benefit obligations

	Group & Company 2010 RM	Group & Company 2009 RM
Liability for defined benefit obligations at 1 January	2,569,151	2,284,568
Benefits paid by the plan	(21,000)	(54,000)
Current service costs and interest (see below)	359,268	335,940
Actuarial losses recognised (see below)	12,826	2,643
	372,094	338,583
Liability for defined benefit obligations at 31 December	2,920,245	2,569,151

Expenses recognised in profit or loss *(Note 18)*

	Group & Company 2010 RM	Group & Company 2009 RM
Administrative expenses		
Current service costs	185,744	180,992
Interest on obligation	173,524	154,948
Actuarial losses	12,826	2,643
	372,094	338,583

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period date (expressed as weighted averages):

	Group & Company 2010	Group & Company 2009
Discount rate at 31 December	6	6
Average age of directors	48	47
Average years of service of directors	12	11
Average age of employees	32	31
Average years of service of employees other than directors	6	5

Historical information

	2009 RM	2008 RM	2007 RM	2006 RM
Present value of the defined benefit obligation	3,068,372	2,586,460	2,470,450	2,371,886
Unrecognised actuarial loss	(499,221)	(297,892)	(301,595)	(306,285)

Notes to the financial statements (cont'd)

17. TRADE AND OTHER PAYABLES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade				
Trade payables	20,246,824	18,611,631	9,357,775	9,223,578
Non-trade				
Other payables	1,355,496	1,112,082	20,000	74,114
Accrued expenses	3,552,970	3,534,953	2,000,768	2,100,568
	4,908,466	4,647,035	2,020,768	2,174,682
Total	25,155,290	23,258,666	11,378,543	11,398,260

18. PROFIT BEFORE TAXATION

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Profit before taxation is arrived at after charging:					
Allowance for impairment losses on doubtful receivables		75,587	1,389,276	-	-
Amortisation of investment property	4	-	-	370,072	370,072
Auditors' remuneration:					
- statutory audit		110,000	94,000	36,000	34,000
- other services		38,400	34,500	22,800	18,500
Bad debts written off		-	43,574	-	-
Depreciation of property, plant and equipment	3	18,838,131	18,591,046	12,846,327	13,553,729
Foreign exchange loss					
- realised		30,449	870,433	-	884,632
Interest expense on:					
- bank overdrafts		975,087	472,060	909,708	407,704
- term loans		4,372,867	4,202,104	2,736,407	3,004,897
- bankers' acceptances and revolving credits		5,663,148	4,424,326	4,115,022	3,383,716
- finance lease liabilities		1,499,808	1,382,641	776,190	1,040,605
- others		982,440	309,725	982,440	309,718
Personnel expenses (including key management personnel):					
- contributions to state plans		2,147,999	2,022,806	1,052,950	916,413
- wages, salaries and others		24,216,301	20,794,830	13,751,890	10,928,766
- expenses related to defined benefit plan	16	372,094	338,583	372,094	338,583
Property, plant and equipment written off		182	-	182	-
Rental of premises and land		634,473	521,174	607,756	495,980
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)

18. PROFIT BEFORE TAXATION (cont'd)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before taxation is arrived at after crediting:				
Bad debts recovered	103,336	-	-	-
Dividend income from:				
- subsidiaries (unquoted)	-	-	2,250,000	3,000,000
- shares quoted in Malaysia	1,555	-	-	-
Gain on disposal of property, plant and equipment	327,778	120,649	104,555	215,054
Foreign exchange gain				
- unrealised	79,240	246,004	79,240	246,004
- realised	2,163,908	-	2,163,908	-
Interest income on:				
- overdue trade receivables	217,209	261,131	26,417	66,264
- fixed deposits	306,675	398,974	30,658	47,174
- others	4,831	-	12,874	22,692
Rental income from property leased out	43,420	46,310	560,900	415,910
Reversal of allowance for impairment loss on doubtful receivables	285,918	-	-	-

19. KEY MANAGEMENT PERSONNEL COMPENSATIONS

Compensations to key management personnel are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors of the Company				
- Fees	782,000	316,500	365,000	239,000
- Short term employee benefits	4,045,964	3,831,167	2,649,042	2,442,680
	4,827,964	4,147,667	3,014,042	2,681,680
Directors of subsidiaries				
- Fees	366,000	61,000	-	-
- Short term employee benefits	1,983,565	2,262,816	-	-
	2,349,565	2,323,816	-	-
Other key management personnel				
- Short term employee benefits	1,565,515	1,047,146	1,565,515	1,444,646
Total	8,743,044	7,518,629	4,579,557	4,126,326

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.

Notes to the financial statements (cont'd)

20. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax expense				
Malaysian - current year	1,613,000	1,075,500	261,000	202,000
- prior years	(37,295)	315,631	(37,864)	456,234
Total current tax	1,575,705	1,391,131	223,136	658,234
Deferred tax expense (Note 7)				
- current year	2,578,000	3,611,000	1,735,000	3,785,000
- prior year	595,000	215,000	623,000	239,000
Total deferred tax	3,173,000	3,826,000	2,358,000	4,024,000
Total income tax expense	4,748,705	5,217,131	2,581,136	4,682,234

Reconciliation of effective tax expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit for the year	12,517,440	10,357,522	6,412,925	10,907,453
Total income tax expense	4,748,705	5,217,131	2,581,136	4,682,234
Profit excluding tax	17,266,145	15,574,653	8,994,061	15,589,687
Income tax calculated using Malaysian tax rate of 25% (2009: 25%)	4,339,000	3,894,000	2,249,000	3,898,000
Non-deductible expenses	28,000	801,500	122,000	473,000
Tax exempt income	-	-	(375,000)	(375,000)
Double deduction for qualifying expenses	-	(9,000)	-	(9,000)
Utilisation of reinvestment allowance	(176,000)	-	-	-
	4,191,000	4,686,500	1,996,000	3,987,000
Under provision in prior years	557,705	530,631	585,136	695,234
Income tax expense	4,748,705	5,217,131	2,581,136	4,682,234

Notes to the financial statements (cont'd)

21. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2010 RM	2009 RM
Profit attributable to ordinary shareholders	9,562,113	9,938,273

	2010	2009
Weighted average number of shares at 1 January and 31 December	195,534,900	195,534,900
Basic earnings per ordinary share (sen)	4.9	5.1

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2010 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	2010 RM	2009 RM
Profit attributable to ordinary shareholders	9,562,113	9,938,273

Weighted average number of ordinary shares (diluted)

	2010	2009
Weighted average number of ordinary shares at 31 December (basic)	195,534,900	195,534,900
Effect of outstanding warrant	3,020,800	-
Weighted average number of ordinary shares at 31 December (diluted)	198,555,700	195,534,900

The average market value of the Company's shares for purpose of calculating the dilutive effect of warrant was based on quoted market prices for the period during which the warrant were outstanding. The exercise price of the warrants issued on 9 July 2008 is lower than the average market value of the ordinary shares of the Company during the year, resulting in the dilutive effect. From the date of issuance of the warrants to 31 December 2009, the exercise price of the said warrants is higher than the average market price of the ordinary shares of the Company, and hence has been ignored for the purposes of the computation of the diluted earnings per share in last year.

	2010 sen	2009 sen
Diluted earnings per ordinary share	4.8	5.1

Notes to the financial statements (cont'd)

22. DIVIDENDS

Dividend per share

	2010 sen	2009 sen
Dividend per ordinary share – gross	1.250	2.500
Dividend per redeemable convertible preference share – gross	1.375	-

The dividend per share disclosed above relates to the total dividends paid and proposed for the financial year.

Dividends recognised in the year by the Company comprise:

	Sen per share (net of tax)	Total RM	Date of payment
2010			
Final 2009 ordinary	2.500	4,888,372	31 May 2010
2009			
Final 2008 ordinary – taxable	0.750, net of tax	1,466,512	29 May 2009

The Directors are proposing a first and final ordinary dividend of 1.250 sen tax exempt per ordinary share and a preference dividend of 1.375 sen tax exempt per redeemable convertible preference share totalling RM2,444,186 and RM298,734 respectively for the year ended 31 December 2010. The dividends will be paid when approved by shareholders at the forthcoming annual general meeting and recognised in subsequent financial reports.

Notes to the financial statements (cont'd)

23. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on or after 1 January 2010.

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables (L&R);
(ii) Available-for-sale financial assets (AFS); and
(iii) Other liabilities (OL).

2010	Carrying amount RM	L&R/ (OL) RM	AFS RM
Financial assets			
Group			
Quoted investments	23,515	-	23,515
Trade and other receivables	82,584,858	82,584,858	-
Cash and cash equivalents	26,297,620	26,297,620	-
	108,905,993	108,882,478	23,515
Company			
Trade and other receivables	73,292,921	73,292,921	-
Cash and cash equivalents	1,816,577	1,816,577	-
	75,109,498	75,109,498	-
Financial liabilities			
Group			
Loans and borrowings	(304,849,841)	(304,849,841)	-
Trade and other payables	(25,155,290)	(25,155,290)	-
	(330,005,131)	(330,005,131)	-
Company			
Loans and borrowings	(207,712,143)	(207,712,143)	-
Trade and other payables	(11,378,543)	(11,378,543)	-
	(219,090,686)	(219,090,686)	-

23. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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.

(c) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from customers and subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

(i) Risk management objectives, policies and processes for managing the risk

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

(ii) Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, there are no significant concentrations of credit risk other than the amount due from the subsidiaries of RM71,282,638 (2009: RM67,049,460). The maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are from regular customers. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Receivables amounting to RM66,813,818 (2009: RM43,853,873) of the Group are secured by financial guarantees given by banks and/or corporate/personal guarantees of shareholders or directors of the counterparties.

Notes to the financial statements (cont'd)

23. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk (cont'd)

Receivables (cont'd)

(iii) Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Net RM
2010			
Not past due	54,289,253	-	54,289,253
Past due 0-30 days	19,723,534	-	19,723,534
Past due 31-120 days	7,971,327	(115,072)	7,856,255
Past due 121-180 days	686,416	(219,622)	466,794
Past due more than 180 days	2,453,177	(2,204,155)	249,022
	85,123,707	(2,538,849)	82,584,858
2009			
Not past due	40,387,849	-	40,387,849
Past due 0-30 days	13,046,474	-	13,046,474
Past due 31-120 days	4,558,599	(9,200)	4,549,399
Past due 121-180 days	584,806	(540,733)	44,073
Past due more than 180 days	2,594,246	(2,199,247)	394,999
	61,171,974	(2,749,180)	58,422,794

Company	Gross RM	Individual impairment RM	Net RM
2010			
Not past due	48,002,579	-	48,002,579
Past due 0-30 days	15,191,526	-	15,191,526
Past due 31-120 days	10,098,816	-	10,098,816
Past due more than 180 days	124,814	(124,814)	-
	73,417,735	(124,814)	73,292,921
2009			
Not past due	40,829,512	-	40,829,512
Past due 0-30 days	27,255,413	-	27,255,413
Past due 31-120 days	29,213	-	29,213
Past due more than 180 days	124,814	(124,814)	-
	68,238,952	(124,814)	68,114,138

23. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk (cont'd)

Receivables (cont'd)

(iii) Impairment losses (cont'd)

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group 2010 RM	Company 2010 RM
At 1 January	2,749,180	124,814
Impairment loss recognised	75,587	-
Impairment loss reversed	(285,918)	-
At 31 December	2,538,849	124,814

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

(i) Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the performances and financial positions of the subsidiaries to ensure they are able to meet their obligation when due.

(ii) Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM60,855,851 (2009: RM29,523,962) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since their fair value on initial recognition was not material.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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.

23. FINANCIAL INSTRUMENTS (cont'd)

(d) Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group **2010**	**Carrying amount RM**	**Contractual interest rate %**	**Contractual cash flows RM**	**Under 1 year RM**	**1-2 years RM**	**2-5 years RM**	**More than 5 years RM**
Non-derivative financial liabilities							
Finance lease liabilities	22,103,337	3.49 – 9.49	24,398,904	9,556,734	9,163,833	5,678,337	-
Secured bankers' acceptances	40,382,972	3.50 – 5.38	40,382,972	40,382,972	-	-	-
Unsecured bankers' acceptances	137,963,257	1.20 – 4.33	137,963,257	137,963,257	-	-	-
Secured term loans	26,452,206	3.80 – 7.10	36,183,950	4,229,297	4,229,297	10,815,453	16,909,903
Unsecured term loans	61,674,532	3.91 – 9.75	67,526,884	16,119,420	29,327,376	19,930,880	2,149,208
Unsecured bank overdrafts	16,273,537	6.55 – 7.55	16,273,537	16,273,537	-	-	-
Trade and other payables	25,155,290	–	25,155,290	25,155,290	-	-	-
	330,005,131		347,884,794	249,680,507	42,720,506	36,424,670	19,059,111

Company **2010**	**Carrying amount RM**	**Contractual interest rate %**	**Contractual cash flows RM**	**Under 1 year RM**	**1-2 years RM**	**2-5 years RM**	**More than 5 years RM**
Non-derivative financial liabilities							
Finance lease liabilities	12,325,572	4.92 – 6.13	13,159,814	6,258,396	5,981,921	919,497	-
Unsecured bankers' acceptances	121,553,257	1.20 – 4.33	121,553,257	121,553,257	-	-	-
Unsecured term loans	60,674,532	4.74 – 9.75	66,498,262	15,090,797	29,327,376	19,930,880	2,149,209
Unsecured bank overdrafts	13,158,782	6.55 – 7.55	13,158,782	13,158,782	-	-	-
Trade and other payables	11,378,543	–	11,378,543	11,378,543	-	-	-
	219,090,686		225,748,658	167,439,775	35,309,297	20,850,377	2,149,209

23. FINANCIAL INSTRUMENTS (cont'd)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales, purchase and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The giving rise to this risk is primarily US Dollar (USD).

(i) Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

(ii) Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	2010 *Denominated in USD* RM	2009 *Denominated in USD* RM
Trade receivables	976,603	135,087
Unsecured bankers' acceptances	(8,292,257)	(23,945,768)
Net exposure	(7,315,654)	(23,810,681)
Company		
Trade receivables	318,185	-
Unsecured bankers' acceptances	(8,292,257)	(23,945,768)
Net exposure	(7,974,072)	(23,945,768)

(iii) Currency risk sensitivity analysis

A 10 percent strengthening of the Ringgit Malaysia (RM) against USD at the end of the reporting period would have increased post-tax profit or loss of the Group and the Company by RM731,565 and RM797,407 respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10 percent weakening of RM against USD at the end of the reporting period would have had equal but opposite effect of the Group and the Company on USD to RM731,565 and RM797,407 respectively, on the basis that all other variables remain constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Notes to the financial statements (cont'd)

23. FINANCIAL INSTRUMENTS (cont'd)

(e) Market risk (cont'd)

Interest rate risk (cont'd)

(i) Risk management objectives, policies and processes for managing the 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 exercise 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.

(ii) Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Fixed rate Instruments				
Financial liabilities	(26,640,637)	(28,888,067)	(12,325,572)	(15,769,163)
Floating rate instruments				
Financial assets	14,069,517	12,698,765	1,264,439	1,237,826
Financial liabilities	(278,209,204)	(256,452,090)	(195,386,571)	(218,075,313)
	(264,139,687)	(243,753,325)	(194,122,132)	(216,837,487)

(iii) Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100bp increase RM	**100bp decrease RM**
Group		
2010		
Floating rate instruments	(2,641,397)	2,641,397
Company		
2010		
Floating rate instruments	(1,941,221)	1,941,221

23. FINANCIAL INSTRUMENTS (cont'd)

(e) Market risk (cont'd)

Other price risk

Equity price risk arises from the Group's investments in equity securities.

(i) Risk management objectives, policies and processes for managing the risk

The carrying amount of quoted investments as at the end of the reporting period is RM23,515 (2009: RM23,515) (see Note 8). They have not been written down to their fair value as the amount involved is immaterial.

The exposure to other price risk is not material and hence sensitivity analysis is not presented.

(f) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with their carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Quoted shares	23,515	21,570	23,515	19,135
Finance lease liabilities	22,103,337	22,103,337	23,445,906	23,445,906
Secured term loans	26,452,206	25,897,376	19,061,353	18,667,188
Unsecured term loans	61,674,532	61,674,532	67,638,701	67,638,701
Company				
Finance lease liabilities	12,325,572	12,325,572	15,769,163	15,769,163
Unsecured term loans	60,674,532	60,674,532	65,638,701	65,638,701

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

(i) Investments in equity securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Notes to the financial statements (cont'd)

23. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value of financial instruments (cont'd)

(iii) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2010 %	2009 %
Finance leases liabilities	3.49 – 9.49	4.19 – 9.03
Secured term loans	3.80 – 7.10	3.80 – 7.80
Unsecured term loans	3.91 – 9.75	3.97 – 8.55

24. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and markets and to sustain the future development of its business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-equity ratio at not more than 2.5 times. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010 RM	2009 RM
Total borrowings (note 15)	304,849,841	285,340,157
Less: Cash and cash equivalents (note 12)	(26,297,620)	(19,710,056)
Net debt	278,552,221	265,630,101
Total equity	187,522,770	167,061,771
Debt-to-equity ratios	1.5	1.6

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Company is also required to maintain a maximum gearing level of 2.0 times to comply with certain bank covenants, failing which the affected facilities and borrowings are subject to recall. The Company has not breached this covenant.

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Corporate guarantees granted:				
- to suppliers of a subsidiary	1,000,000	1,000,000	-	-
- for banking facilities of direct subsidiaries	-	-	79,379,000	82,379,000
	1,000,000	1,000,000	79,379,000	82,379,000

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Company	
	2010 RM	2009 RM
Less than one year	540,000	513,000
Between one and five years	1,755,000	2,295,000
	2,295,000	2,808,000

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Property, plant and equipment				
- Authorised but not contracted for	14,070,000	20,649,000	10,470,000	8,743,000
- Contracted but not provided for and payable within one year	38,683,000	24,952,000	19,899,000	9,257,000
	52,753,000	45,601,000	30,369,000	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 5;
(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.

Significant related party transactions of the Group and of the Company, other than compensations to key management personnel compensations (as disclosed in Note 19) and those disclosed elsewhere in the financial statements, are as follows:

Transactions with subsidiaries

	Company	
	2010 RM	2009 RM
Nature of transactions		
Sales of galvanised and other steel products	(345,349,671)	(246,102,858)
Income from rental of premises	(528,000)	(384,000)
Shearing charges – income	(10,990)	(3,247)
Slitting charges – expense	-	27,171
Tolling charges – expense	21,159	-
Purchase of steel related products	474,655	1,396,082
Sales of property, plant and equipment	-	(720,000)
Interest income	(34,460)	(88,648)

Transactions with substantial shareholders of the Company

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Nature of transactions				
Purchase of consumables and raw materials	167,679,292	152,673,811	167,679,292	152,673,811
Freight and handling charges	471,291	375,890	471,291	375,890
Sales of galvanised and other steel products	(3,190,618)	(3,513,115)	-	-

Notes to the financial statements (cont'd)

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Nature of transactions				
Insurance premium paid	1,343,569	1,467,470	1,229,973	1,383,268
Purchase of consumables and raw materials	1,865,392	1,520,624	1,629,691	1,331,972
Sale of galvanised and coated steel products	(49,896,329)	(42,554,066)	(9,995,532)	(5,810,576)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Nature of transactions				
Purchase of property, plant and equipment	-	100,000	-	100,000
Secretarial service rendered	-	10,000	-	10,000
Rental of premises and land	631,680	509,340	631,680	509,340
Income from rental of premises	(26,400)	(25,900)	(26,400)	(25,900)
Repayment of finance leases for acquisition of property, plant and equipment *	510,511	458,812	391,699	340,000

* *Interest is charged at fixed rates of 2.90% to 3.30% (2009: 2.90% to 4.00%) flat per annum.*

The amount due from subsidiaries is disclosed in Note 11 to the financial statements.

The outstanding balances with other related parties are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Amount due from	9,178,475	8,149,983	1,332,216	657,651
Amount due to	(3,758,542)	(5,247,941)	(1,641,217)	(5,247,941)

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

29. OPERATING SEGMENT

Operating 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.

Notes to the financial statements (cont'd)

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

30.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed in note 2(c).

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements as described in the hedge accounting policy [see Note 2(c)(iv)].

Financial guarantee contracts

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies do not have a material impact to the financial instruments of the Company subsisting as at 1 January 2010 nor to those arising from transactions entered into during the year ended 31 December 2010.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for current and prior periods.

30.2 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

Notes to the financial statements (cont'd)

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (cont'd)

30.3 FRS 117, Leases

The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the amendment to FRS 117.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

31. COMPARATIVE FIGURES

FRS 117, Leases

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	31.12.2009		1.1.2009	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Group				
Cost				
Property, plant and equipment	271,301,043	267,867,181	277,228,843	273,568,639
Prepaid lease payments	-	3,433,862	-	3,680,204
Company				
Cost				
Property, plant and equipment	205,548,120	202,744,483	220,548,673	217,681,584
Prepaid lease payments	-	2,803,637	-	2,867,089

32. SUBSEQUENT EVENTS

One of the subsidiaries, Star Shine Marketing Sdn. Bhd. ("SSM") had on 9 March 2011 entered into several share sale agreements for:

(i) The acquisition of 1,078,000 ordinary shares of Star Shine Steel Products Sdn. Bhd. ("SSSP"), representing the remaining 24.50% of the equity interest in SSSP not already owned by SSM from Dato' Dr. Hii Wi Sing, Dato' Soh Thian Lai, Ir. Michael Hii Ee Sing, Cheah Kok Teong, Dato' Hii Ngo Sing, Arthur Hii Lu Choon, Christopher Hii Lu Ming, Alexander Hii Lu Kwong and Victor Hii Lu Thian, for a total purchase consideration of RM1,874,277 to be satisfied by the issuance of 1,171,423 new shares at an issue price of RM1.60 per share;

(ii) The acquisition of 980,000 ordinary shares of Star Shine Global Trading Sdn. Bhd. ("SSGT"), representing the remaining 49.00% of the equity interest in SSGT not already owned by SSM from Wong Kim Sing, Dato' Soh Thian Lai, Ir. Michael Hii Ee Sing, Wee Kay Sing, Dato' Hii Ngo Sing, Anna Hee Ik Nang @ Anna Hii, Dato' Dr. Hii Wi Sing, Arthur Hii Lu Choon, Christopher Hii Lu Ming, Alexander Hii Lu Kwong and Victor Hii Lu Thian, for a total purchase consideration of RM1,748,379 to be satisfied by the issuance of 1,092,737 new shares at an issue price of RM1.60 per share; and

Notes to the financial statements (cont'd)

32. SUBSEQUENT EVENTS (cont'd)

(iii) The acquisition of 1,620,000 ordinary shares of Star Shine Industries Sdn. Bhd. ("SSI"), representing the remaining 27.00% of the equity interest in SSI not already owned by SSM from Dato' Soh Thian Lai, Lu Kang Eing, Chin Hin Fatt, Choong Chee Sham, Ir. Michael Hii Ee Sing, Dato' Dr. Hii Wi Sing, Christopher Hii Lu Ming, Arthur Hii Lu Choon, Alexander Hii Lu Kwong and Victor Hii Lu Thian, for a total purchase consideration of RM1,933,018 to be satisfied by the issuance of 1,208,136 new shares at an issue price of RM1.60 per share.

As part of a group reorganisation, SSM had simultaneously entered into a Share Swap and Reorganisation Agreement with Star Shine Holdings Berhad ("SHB') and the shareholders of SSM ("Swap Vendors") to:

(i) acquire from the Swap Vendors all the 21,472,296 shares of SSM ("Swap Shares") held by the Swap Vendors representing the entire equity interest of SSM after the acquisitions; and

(ii) accept the transfer from SSM of all the shares in SSSP, SSGT and SSI held by SSM after the acquisitions for a total consideration of RM36,499,998 to be satisfied by the issuance of 364,999,980 new SHB shares at an issue price of RM0.10 per SHB Share.

Upon the completion of the group reorganisation, the entire shareholdings of SSM, SSSP, SSGT and SSI will be held by SHB, which in turn will be a 54.49% subsidiary of the Company.

Notes to the financial statements (cont'd)

SUPPLEMENTARY FINANCIAL INFORMATION

33. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM	Company 2010 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	75,184,788	59,799,422
- Unrealised	(16,888,760)	(14,203,763)
Less: consolidation adjustments	(4,838,347)	-
Total retained earnings	53,457,681	45,595,659

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

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

In the opinion of the Directors,

a) the financial statements set out on pages 35 to 98 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 2010 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 33 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Dr. Hii Wi Sing

Ir. Michael Hii Ee Sing

Kuching,

Date: 16 March 2011

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 35 to 98 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 16 March 2011

Aw Chiew Lan

Before me:

PESURUHJAYA SUMPAH
NO. Q 019
TANG KING HUNG
MALAYSIA

TANG KING HUNG
Commissioner For Oaths
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 statements of financial position as at 31 December 2010 of the Group and of the Company, and statements of comprehensive income, changes in equity and cash flows 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 35 to 97.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2010 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 the subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

Independent Auditors' Report

To The Members Of Yung Kong Galvanising Industries Berhad (cont'd)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Lee Hean Kok
Approval Number: 2700/12/11 (J)
Chartered Accountant

Kuching,

Date: 16 March 2011

Analysis Of Shareholdings
as at 31 March 2011

There are two (2) classes of share, i.e. ordinary shares of RM0.50 each and redeemable convertible preference shares of RM0.50 each.
The voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 2,080
There is only one (1) preference shareholder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Holdings	No. of Holders	Total Holdings	Percentage of Issued Capital
Less than 100 shares	47	2,852	0.00 *
100 - 1,000 shares	198	81,936	0.04
1,001 - 10,000 shares	1,006	5,509,331	2.82
10,001 - 100,000 shares	705	21,472,513	10.98
100,001 to less than 5% of issued shares	121	59,691,882	30.53
5% and above of issued shares	3	108,776,386	55.63
Total	2,080	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	53,445,994	27.3
2	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	35,999,994	18.41
3	Hii Wi Sing	19,330,398	9.89
4	Ting Chuo Kiew	3,931,690	2.01
5	Hu Ik Ming @ Rose Hii Ik Ming	3,125,514	1.60
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	1,544,895	0.79
11	Arthur Hii Lu Choon	1,509,600	0.77
12	Alexander Hii Lu Kwong	1,491,600	0.76
13	Christopher Hii Lu Ming	1,391,300	0.71
14	Cartaban Nominees (Tempatan) Sdn Bhd Axa Affin General Insurance Berhad	1,363,200	0.70
15	Tan Pak Nang	1,300,000	0.66
16	Ling Eng Leh	1,237,600	0.63
17	Yung Kong Holdings Sdn Bhd	1,100,000	0.56
18	Yong Ai Ting	1,098,000	0.56
19	Hii Lu Foong	1,005,400	0.51
20	Elizabeth Hii Lu Yen	1,000,750	0.51
21	Victor Hii Lu Thian	997,500	0.51
22	Wong Kiew Ing	942,100	0.48
23	Jane Hii Lu Yea	914,797	0.47
24	Hii Siew Kew	800,000	0.41
25	Meshes Holding Sdn Bhd	762,000	0.39
26	Che' Rita Hii	717,800	0.37
27	"JF APEX Nominees(Tempatan) Sdn Bhd AISB for Alexander Hii Lu Kwong (STA 3)"	674,000	0.34
28	Hii Hua Sing	612,647	0.31
29	Lee Sze Ming	571,848	0.29
30	Lim Jit Hai	563,400	0.29
	Total	148,548,200	75.96

Analysis Of Shareholdings
as at 31 March 2011 (cont'd)

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of substantial shareholders as at 31 March 2011 are as follows:-

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Yung Kong Co Bhd	53,445,994	27.33	-	-
2	Marubeni-Itochu Steel Inc.	35,999,994	18.41	-	-
3	Dato' Hii Ngo Sing	2,938,473	1.50	58,744,591 (1)	30.04
4	Dato' Dr Hii Wi Sing	19,330,398	9.89	58,744,591 (1)	30.04
5	Arthur Hii Lu Choon	1,509,600	0.77	58,744,591 (1)	30.04
6	Ir Michael Hii Ee Sing	138,100	0.07	62,008,791 (2)	31.71
7	Victor Hii Lu Thian	1,343,200 (3)	0.69	58,744,591 (1)	30.04
8	Francis Hii Lu Sheng	274,300	0.14	58,744,591 (1)	30.04
9	Alexander Hii Lu Kwong	2,165,600 (4)	1.11	58,744,591 (1)	30.04

Notes
(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.
(3) 345,700 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.
(4) 674,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

DIRECTORS' INTEREST

The directors' interests in shares in the Company and related corporations as per the Register of Directors' shareholdings as at 31 March 2011 are as follows:-

In The Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	19,330,398	9.89	64,108,181 (1)	32.79
2	Arthur Hii Lu Choon	1,509,600	0.77	58,771,991 (3)	30.06
3	Ir Michael Hii Ee Sing	138,100	0.07	62,421,191 (2)	31.92
4	Victor Hii Lu Thian	1,343,200 (6)	0.69	58,744,591 (4)	30.04
5	Huong Hie Hee	142,000	0.07	89,000 (5)	0.05
6	Jee Hee Teck	-	-	-	-
7	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
8	Francis Hii Lu Sheng	274,300	0.14	58,894,991 (3)	30.12
9	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	2,165,600 (7)	1.11	58,759,591 (3)	30.05
10	Yoshiki Kaneko	-	-	-	-
11	Ong Soo Seng (Alternate to Yoshiki Kaneko)	-	-	-	-

Notes
(1) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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 Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn 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) 345,700 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.
(7) 674,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

Analysis Of Shareholdings
as at 31 March 2011 (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[8]	71.00
2	Ir Michael Hii Ee Sing	-	-	12,420,000[9]	69.00
3	Arthur Hii Lu Choon	540,000	3.00	11,700,000[10]	65.00
4	Victor Hii Lu Thian	540,000	3.00	11,700,000[10]	65.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	540,000	3.00	11,700,000[10]	65.00

Notes
(8) Deemed interested by virtue of family substantial interests in YKGI and the interests of his children in the Company.
(9) Deemed interested by virtue of family substantial interests in YKGI and Mt Sungai Sdn Bhd.
(10) 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[11]	57.00
2	Ir Michael Hii Ee Sing	100,000	5.00	1,020,000[12]	51.00
3	Arthur Hii Lu Choon	40,000	2.00	1,020,000[12]	51.00
4	Victor Hii Lu Thian	40,000	2.00	1,020,000[12]	51.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	40,000	2.00	1,020,000[12]	51.00

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 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[13]	75.98
2	Ir Michael Hii Ee Sing	220,000	5.00	3,322,000[14]	75.50
3	Arthur Hii Lu Choon	7,000	0.16	3,322,000[14]	75.50
4	Victor Hii Lu Thian	7,000	0.16	3,322,000[14]	75.50
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	7,000	0.16	3,322,000[14]	75.50

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.

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[15]	74.35
2	Ir Michael Hii Ee Sing	180,000	3.00	4,380,000[16]	73.00
3	Arthur Hii Lu Choon	27,000	0.45	4,380,000[16]	73.00
4	Victor Hii Lu Thian	27,000	0.45	4,380,000[16]	73.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	27,000	0.45	4,380,000[16]	73.00

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

Redeemable Convertible Preference Shares ("RCPS") Shareholder

	Shareholder	No. of RCPS	%
1	Nippon Steel Corporation	21,726,100	100.00

Analysis of Warrant Holdings
as at 31 March 2011

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

DISTRIBUTION SCHEDULE FOR WARRANTS

Size of Holdings	No. of Holders	Total Holdings	Percentage of Warrants Issued
Less than 100 warrants	20	1,494	0.00 *
100 - 1,000 warrants	67	47,673	0.08
1,001 - 10,000 warrants	424	1,903,667	2.92
10,001 - 100,000 warrants	358	14,288,790	21.92
100,001 to less than 5% of issued warrants	81	26,594,178	40.80
5% and above of issued warrants	3	22,342,498	34.28
Total	953	65,178,300	100.00

** less than 0.01%*

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS

	Name of Warrant Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	11,999,998	18.41
2	Yung Kong Co Bhd	6,130,000	9.40
3	Hii Wi Sing	4,212,500	6.46
4	Ting Chuo Kiew	1,320,200	2.03
5	Low Suan Kong	1,311,800	2.01
6	Chan Ah Luan	1,091,700	1.67
7	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koh Lye Thiam	1,021,000	1.57
8	Hii Ngo Sing	979,491	1.50
9	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Hiew Seek Ling	930,000	1.43
10	Hii Brothers Enterprises Sdn Bhd	922,300	1.42
11	Hu Ik Ming @ Rose Hii Ik Ming	822,688	1.26
12	Mt Sungai Sdn Bhd	804,800	1.23
13	Lee Kim Soon	732,100	1.12
14	James A/K Tiam	700,000	1.07
15	Lee Swee Huat	548,700	0.84
16	B-OK Sdn Bhd	512,000	0.79
17	Chua Chee Tong	488,800	0.75
18	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koo Tai Ping @ Koh Kian Tee	436,800	0.67
19	Ong Cheok Leng	426,900	0.65
20	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Pek Kiam Kek (MM0606)	400,000	0.61
21	Ong Beng Kee	400,000	0.61
22	Yung Kong Holdings Sdn Bhd	400,000	0.61
23	Ting Kee Wei	392,000	0.60
24	Yong Ai Ting	366,000	0.56
25	Chan Eng Hock	350,000	0.54
26	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tang Sing Ling	350,000	0.54
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Kam Seng (IPH)	330,000	0.51
28	Siew Kek Kee	320,000	0.49
29	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ling Tiong Kin (8047512)	314,000	0.48
30	Chan Pui Fun	310,000	0.48
	Total	39,323,777	60.31

Analysis of Warrant Holdings
as at 31 March 2011 (cont'd)

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 31 March 2011 are as follows:-

		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	4,212,500	6.46	9,444,899(1)	14.49
2	Arthur Hii Lu Choon	250,000	0.38	7,934,099(3)	12.17
3	Ir Michael Hii Ee Sing	48,100	0.07	9,173,299(2)	14.07
4	Victor Hii Lu Thian	-	-	7,924,699(4)	12.16
5	Huong Hie Hee	-	-	-	-
6	Jee Hee Teck	-	-	-	-
7	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
8	Francis Hii Lu Sheng	-	-	7,924,699(4)	12.16
9	Yoshiki Kaneko	-	-	-	-
10	Alexander Hii Lu Kwong	-	-	7,929,699(3)	12.17
11	Ong Soo Seng	-	-	-	-

Notes

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

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

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Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2010

Location	Tenure	Land Area/Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of Building (Year)	Carrying Amount (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	16	6,674
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	12	154
* GM2333, Lot 817, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	-/11520 M^2	Industrial Building	Dec 2001 Completed	9	4,073
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	July 2002 acquired Nov 2007 revalued	6	52,276
Lot 6472 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	3.695 Ha/ 2.155 Ha	Industrial Land and Buildings	Dec 2005 acquired Nov 2007 revalued	3	46,962
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	16	968
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	16	626
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	3	507
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	9	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(d)(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 2010 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 :-

Nature of RRPT with YKGI Group	Names of Related Party(ies)	Relationship of Related Party(ies) with YKGI Group	Actual value of RRPT as at 31 December 2010 (RM)
Purchase of YKGI Products from YKGI, ICCI and SSP	Star Shine Marketing Sdn Bhd ("SSM")	Subsidiary where certain Directors have substantial interests	212,823,698
		Total	212,823,698
Purchase of YKGI Products from YKGI, ICCI	Star Shine Steel Products Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	9,744,962
		Total	9,744,962
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	30,578,843
		Total	30,578,843
Purchase of YKGI Products from YKGI, SSM and SSGT	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	35,913,545
		Total	35,913,545
Sale of YKGI products to SSI	SSP	Deemed subsidiary where certain Directors have substantial interests	2,382,353
		Total	2,382,353
Sale of furniture hardware, accessories, steel tubes and pipes, channels and purlins to SSM, SSGT and SSP	SSI	Deemed subsidiary where certain Directors have substantial interests	1,768,767
		Total	1,768,767
Purchase of long steel and metal products from SSM & SSGT	SSP	Deemed subsidiary where certain Directors have substantial interests	42,518,721
		Total	42,518,721
Purchase of YKGI Products from MN	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	3,190,618
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	9,593,403
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	17,903,127
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	8,529
	Eastern Advance Sdn Bhd	Company connected to certain Directors	974,583
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	265,794
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	7,499,208
	Golden Shogun Sdn Bhd	Company connected to certain Directors	1,364,720
		Total	40,799,982
Purchase of raw materials	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	110,493,453
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	57,132,362
		Total	167,625,815
Purchase of YKGI Products from YKGI Group	Continental Strength Sdn Bhd	Company connected to certain Directors	11,725,836
		Total	11,725,836
Hire purchase loan and term loan to finance purchase of vehicles and equipments for the operations of factories by the YKGI Group	Yung Kong Credit Corporation Berhad	Company connected to certain Directors	3,412,000
		Total	3,412,000

Additional Information (cont'd)

4. EFFECT OF PROPOSED ADDITIONAL REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

The effects of the Proposed Additional RCPS Issuance to the share capital, earnings, dividends, net assets ("**NA**"), gearing and the substantial shareholders' shareholding of YKGI are as follows:

Share Capital

The effect of the Proposed Additional RCPS Issuance on the share capital of YKGI (assuming all the Outstanding Warrants are exercised) is set out below:-

	No. of Shares ('000)
Issued and paid-up ordinary share capital as at 31 March 2011	195,535
Assuming full conversion of Outstanding Warrants	65,178
	260,713
Assuming full conversion of Existing RCPS	21,726
Assuming full conversion of Additional RCPS	7,242
ENLARGED ISSUED AND PAID UP CAPITAL	289,681

Earnings

The proceeds, if any, of the issuance of the Additional RCPS will be utilized to repay YKGI's bank borrowings. Hence, the issuance of the Additional RCPS, if any, is expected to contribute positively to the earnings of the Group arising from the repayment of bank borrowings. As such, the earnings per Share ("**EPS**") is expected to improve accordingly.

Nonetheless, there will be a corresponding reduction in EPS of YKGI as a result of the increase in the number of YKGI Shares after the conversion of the Additional RCPS.

Dividend rate

The Proposed Additional RCPS Issuance is not expected to affect the dividend policy of YKGI Group. The level of dividends to be declared for future financial years would be determined by the Board of Directors of YKGI after taking into consideration the performance and cashflow position of the Group as well as the prevailing economic conditions.

Additional Information (cont'd)

NA and Gearing

Based on the audited financial statements of the YKGI Group as at 31 December 2009, the effects of the Proposed Additional RCPS Issuance on the NA and gearing of YKGI Group (assuming all the Outstanding Warrants are exercised) are as follows:-

Group Level	Audited as at 31 December 2009 RM'000	(I) After Existing RCPS Issuance RM'000	(II) After (I) and assuming full exercise of Outstanding Warrants RM'000	(III) After (I and II) and issuance of Additional RCPS RM'000	(IV) After (I and II) and assuming full conversion of Existing and Additional RCPS RM'000
Share Capital	90,924	90,924	123,513	123,513	137,997
Warrant Reserve	6,843	6,843	-	-	-
Redeemable Convertible Preference Shares	-	10,863	10,863	14,484	-
Share Premium	-	2,173	2,173	2,897	2,897
Revaluation Reserve	6,058	6,058	6,058	6,058	6,058
Capital Reserve	1,793	1,793	8,636	8,636	8,636
Retained Profit	48,784	48,604	48,604	48,604	48,604
Shareholders' Funds /NA	154,402	167,258	199,847	204,192	204,192
Minority interest	12,660	12,660	12,660	12,660	12,660
Total Equity	167,062	179,918	212,507	216,852	216,852
No. of Shares in issue ('000)	195,535	195,535	260,713	260,713	289,681
NA per Share attributable to the owner of the Company (RM)	0.79	0.86	0.77	0.78	0.70
Total borrowings (RM'000)	285,340	272,484	239,895#	235,550*	235,550
Gearing ratio (times)	1.85	1.63	1.20	1.15	1.15

Notes:-

 # Assuming the proceeds from exercise of Outstanding Warrants of RM32.589 million are used to repay bank borrowings.

** Assuming the proceeds from the issuance of Additional RCPS of RM4.345 million are used to repay bank borrowings.*

Additional Information (cont'd)

Substantial Shareholders' Shareholding

The effect of the Proposed Additional RCPS Issuance on the shareholding of the substantial shareholders' of YKGI (assuming all the Outstanding Warrants are exercised) is illustrated below:-

Substantial shareholders	Existing as at 31 March 2011				(I) Assuming full exercise of Outstanding Warrants				(II) After (I) and issuance of Additional RCPS				(III) After (I) and (II) and assuming full conversion of Existing and Additional RCPS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Yung Kong Co Bhd	53,446	27.3	-	-	59,576	22.9	-	-	59,576	22.9	-	-	59,576	22.9	-	-
Marubeni-Itochu Steel Inc.	36,000	18.4	-	-	48,000	18.4	-	-	48,000	18.4	-	-	48,000	18.4	-	-
Dato' Hii Ngo Sing	2,938	1.5	58,745[a]	30.0	3,917	1.5	66,670[a]	25.6	3,917	1.5	66,670[a]	25.6	3,917	1.5	66,670[a]	23.0
Dato' Dr. Hii Wi Sing	19,330	9.9	58,745[a]	30.0	23,543	9.0	66,670[a]	25.6	23,543	9.0	66,670[a]	25.6	23,543	9.0	66,670[a]	23.0
Ir Michael Hii Ee Sing	138	0.1	62,009[b]	31.7	186	0.1	71,042[b]	27.2	186	0.1	71,042[b]	27.2	186	0.1	71,042[b]	24.5
Arthur Hii Lu Choon	1,510	0.8	58,745[a]	30.0	1,760	0.7	66,670[a]	25.6	1,760	0.7	66,670[a]	25.6	1,760	0.7	66,670[a]	23.0
Victor Hii Lu Thian	1,343	0.7	58,745[a]	30.0	1,343	0.5	66,670[a]	25.6	1,343	0.5	66,670[a]	25.6	1,343	0.5	66,670[a]	23.0
Alexander Hii Lu Kwong	2,166	1.1	58,745[a]	30.0	2,166	0.8	66,670[a]	25.6	2,166	0.8	66,670[a]	25.6	2,166	0.8	66,670[a]	23.0
Francis Hii Lu Sheng	274	0.1	58,745[a]	30.0	274	0.1	66,670[a]	25.6	274	0.1	66,670[a]	25.6	274	0.1	66,670[a]	23.0
NSC	-	-	-	-	-	-	-	-	-	-	-	-	28,968	10.0	-	-

Notes:-

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

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

Contacts of YKGI Group of Companies

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STAR SHINE STEEL PRODUCTS SDN BHD (619745-P)
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Website: http://www.starshinegroup.com
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SOUTHERN BRANCH

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75100 Melaka Malaysia
Tel: +606 288 3130 Fax: +606 288 3136

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth 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, 13 May 2011 at 11:00 am to transact the following business, with or without modifications:-

AGENDA

Ordinary Business

a. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **Resolution 1**

b. To declare a first and final dividend of 1.375 sen per redeemable convertible preference share, tax exempt, in respect of the financial year ended 31 December 2010. **Resolution 2**

c. To consider and if thought fit, to pass the following resolution :-

"THAT, subject to passing of the Resolution 2 above, the Company be authorised to declare a first and final dividend of 1.25 sen per ordinary share, tax exempt, in respect of the financial year ended 31 December 2010." **Resolution 3**

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

i) Dato' Dr Hii Wi Sing **Resolution 4**
ii) Ir Michael Hii Ee Sing **Resolution 5**
iii) Mr Jee Hee Teck **Resolution 6**

e. To re-elect the director, Mr Yoshiki Kaneko, who retires pursuant to Article 108 of the Company's Articles of Association. **Resolution 7**

f. To appoint Messrs KPMG as auditors of the Company for the ensuing year and to authorise the directors to fix their remuneration. **Resolution 8**

Special Business

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

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 9**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

h. *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 10**

"THAT approval be hereby given to the Company and 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 15) of the Circular to Shareholders dated 21 April 2011 ("Circular"), with the specific related parties mentioned therein subject further to the following:-

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(i) 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

(ii) 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 party involved in each type of the recurrent related party transactions made and their relationship with the Company.

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

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

(ii) 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 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(iii) 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 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 procedures set out in point 3(d) of the Circular."

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

Proposed issuance of up to 7,242,033 additional Redeemable Convertible Preference Shares of Yung Kong Galvanising Industries Berhad ("YKGI") of RM0.50 each at an issue price of RM0.60 each to Nippon Steel Corporation ("NSC") ("Proposed Additional RCPS Issuance") **Resolution 11**

"THAT, subject to the approval of the relevant authorities or parties (if required) being obtained, pursuant to Resolution 2 passed by the shareholders of YKGI in the extraordinary general meeting held on 31 July 2010 which authorised the Directors of YKGI to allot new RCPS and issue such number of new ordinary shares of RM0.50 each ("Shares") credited as fully paid up pursuant to any conversion of the RCPS to NSC as a result of the conversion of any outstanding warrants which were issued on 9 July 2008 and expiring on 8 July 2013 with the exercise price of RM0.50 per Share in accordance with the Deed Poll, up to 10% of the then total issued and paid up share capital, at an issue price of RM0.60 each, it is hereby confirm that the Directors of YKGI are authorised to allot the additional RCPS of up to 7,242,033 and issue such number of new Shares credited as fully paid up pursuant to any conversion of the RCPS and that such approval shall remain in full force and effect for the duration of the conversion period.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

AND THAT such number of new RCPS shall rank pari passu with the existing RCPS in issue.

AND THAT such new Shares arising from the conversion of the RCPS shall rank pari passu in all respects with the existing Shares, except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the date of allotment of the new Shares.

AND THAT the Directors of YKGI be and are hereby authorised to sign and execute all documents, and do all such acts and things as may be required for or in connection with and to give effect to and implement the Proposed Additional RCPS Issuance with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities as the Directors of YKGI may deem fit, necessary, appropriate or expedient in the best interests of the Company."

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

Proposed amendment to the Company's Articles of Association **Resolution 12**

"THAT the following sentence be inserted immediately after the conclusion of the existing Article 145(a) of the Company's Articles of Association:-

Where the Members or persons entitled thereto have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts."

k. 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 (MAICSA 7021367)
Ir Michael Hii Ee Sing (LS 000872)
Company Secretaries

Kuching, Sarawak
Dated : 21 April 2011

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes on Special Business:-

(a) ***Ordinary resolution in relation to authority to issue shares pursuant to Section 132D of the Companies Act, 1965***
The proposed Resolution No. 9 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a new mandate to provide flexibility to the Company to issue new securities without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(b) ***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. 10 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 15) 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.

(c) ***Ordinary resolution in relation to proposed issuance of up to 7,242,033 additional Redeemable Convertible Preference Shares of YKGI OF RM0.50 each at an issue price of RM0.60 each to Nippon Steel Corporation (proposed Resolution No. 11)***
On 5 August 2010, YKGI issued 21,726,100 Redeemable Convertible Preference Shares of YKGI of RM0.50 each at an issue price of RM0.60 ("Existing RCPS") to NSC.

Pursuant to the conditional subscription agreement entered into between YKGI and NSC on 4 March 2010 in relation to the issuance of the Existing RCPS by YKGI to NSC at the issue price of RM0.60 each, YKGI will also issue up to 7,242,033 new additional RCPS ("Additional RCPS"), if required, as a result of the conversion of any outstanding warrants ("Outstanding Warrants"), if any, which were issued on 9 January 2008 and expiring on 8 July 2013 with an exercise price of RM0.50 per ordinary share of RM0.50 each ("Share") in accordance with the Deed Poll ("Proposed Additional RCPS Issuance") .

For more information on the effects of the Proposed Additional RCPS Issuance to the share capital, earnings, dividends, net assets, gearing and the substantial shareholders' shareholding of YKGI, please refer to pages 109 to 111 of the Annual Report 2010.

(d) ***Special resolution in relation to proposed amendment to the Company's Articles of Association***
The proposed Resolution No. 12 is to amend the Company's Articles of Association in line with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the eDividend.

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 said 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 1.25 sen per ordinary share, tax exempt, in respect of the financial year ended 31 December 2010, if approved at the Thirty-Fourth Annual General Meeting, will be payable on 31 May 2011 to depositors whose names appear in the Record of Depositors on 20 May 2011.

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

(a) shares transferred to the depositor's securities account before 4:00 pm on 20 May 2011 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 (MAICSA 7021367)
Ir Michael Hii Ee Sing (LS 000872)
Company Secretaries

Kuching, Sarawak
Dated : 21 April 2011

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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-Fourth 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, 13 May 2011 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 2010 and the Reports of the Directors and Auditors thereon.		
2.	Declaration of first and final dividend of 1.375 sen per redeemable convertible preference shares.		
3.	Declaration of first and final dividend of 1.25 sen per ordinary shares.		
4.	Re-election of Dato' Dr Hii Wi Sing as director.		
5.	Re-election of Ir Michael Hii Ee Sing as director.		
6.	Re-election of Mr Jee Hee Teck as director.		
7.	Re-election of Mr Yoshiki Kaneko as director.		
8.	Appointment of Messrs KPMG as auditors.		
Special Business			
9.	Ordinary Resolution - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	Ordinary Resolution - Renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature.		
11.	Ordinary Resolution - Proposed issuance of up to 7,242,033 additional Redeemable Convertible Preference Shares of Yung Kong Galvanising Industries Berhad of RM0.50 each at an issue price of RM0.60 each to Nippon Steel Corporation		
12.	Special Resolution - Amendment 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 2011

....
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.*

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STAMP

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

Fold here


China
Japan
U.S.A.
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and
Middle
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榕光钢铁有限公司

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(Company No. 032939-U)

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