YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)

ANNUAL REPORT 2011

A Leading Diversified Corporation
Creating & Delivering Excellent Value

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)	2007	2008	2009	2010	2011
Revenue	461,882	479,278	341,483	466,399	429,342
Profit/(loss) before tax	20,556	4,800	15,575	17,266	(24,692)
Profit/(loss) attributable to owners of the Company	14,427	1,230	9,938	9,562	(17,969)
Issued and paid-up capital	65,178	97,767	97,767	108,630	108,630
Shareholders' funds	123,752	145,930	154,402	171,908	151,019
Total Assets	507,803	461,414	493,124	538,379	531,858
Weighted average number of ordinary share in issue* (share)	149,910	172,722	195,535	195,535	195,535
Basic earnings/(loss) per share (sen) - restated**	10	1	5	5	(9)
Net assets per share of RM0.50 (sen)	95	75	79	88	77

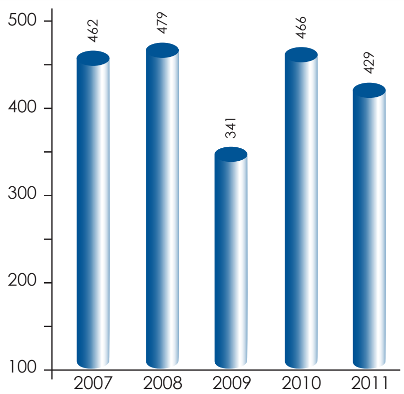
Dividends

	2007	2008	2009	2010	2011
Rate	5% TE	2% Taxed	5% TE	2.5% TE	Nil
Net Amount (RM'000)	3,258.9	1,466.5	4,888.4	2,444.2	0.0

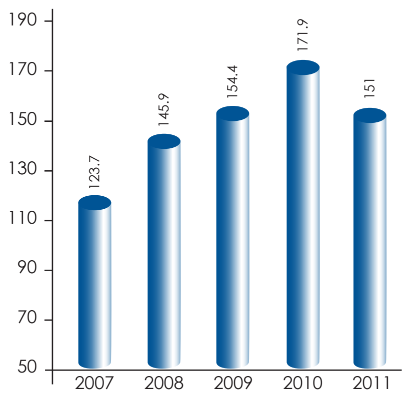
* The weighted average number of ordinary share in issue has been restated as a result of the share split and rights issue during year 2008.

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

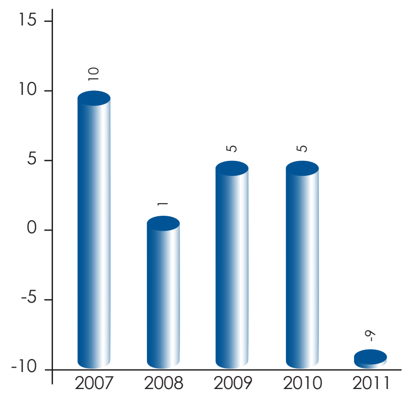
Group Revenue (RM million)



Shareholders' Funds (RM million)



Earnings Per Share (sen)



YUNG KONG GALVANISING INDUSTRIES BERHAD
COMPANY NO. 032939-U

Contents

Chairman's Statement

Let me take this opportunity to express my sincere thanks to all our shareholders and stakeholders for their understanding and continued support accorded at all times.

Dato' Dr Hii Wi Sing

INDUSTRY TREND

The weak economic recovery and also the financial debt crisis experienced globally in the past year had greatly affected the performance of the global steel industry in year 2011, resulting in many major steel mills unable to meet their desired production, sales and profit margin expectations.

This softening of industrial demand that affected many developed countries has not spared their steel industry business and is forecasted to prevail in the foreseeable future thus making it difficult for any plan for significant growth of the industry.

We, however, were not totally isolated to these global and regional uncertainties. On a brighter note, Malaysia with its many announced economic plans with some already initiated, expects more development projects to be implemented in the coming years, and definitely these would gradually spur the anticipated demand for steel products domestically. The demand for our steel products will be mainly from the local building and construction sector.

PERFORMANCE

As we had cautiously anticipated in our 2010 report, however, for year 2011 our business sector had suffered from the state of global turmoil and the slow recovery of the economy. The fall in demand, rising operation costs, constant volatility of prices between raw materials and finished products prices, had caused industry players to perform poorly especially during the 2nd half of the year 2011. The industry requires radical changes to adapt to the new environment.

Our financial performance was impeded by higher costs of operation, mainly due to the low production as a result of insufficient raw material of Hot Rolled Coils (HRC). This was primarily due to a petition filed by the sole local producer of HRC to the Government in May 2011 and the Government's subsequent initiation of an investigation into imposing a "Safeguard Measure" of 35% on imported HRC. As a result of the said petition, the Government announced an "investigation" which took a period of four (4) months. Hence, much anxiety was caused in the industry as any importation of the material during the period would have had a direct impact creating greater financial risks to our company. Also, faced with the only option of sourcing a comparatively higher price of locally produced HRC, a weak market demand and depressed selling prices of our finished products, coupled with competition from other

Chairman's Statement (cont'd)

local manufacturers and lower prices of similar imported finished products, the challenges we faced to sustain our operations and to generate profitability was insurmountable.

We acknowledge with much regret, that since 1989, our Group registered a first-ever net loss before tax of RM24.69 million for the financial year ended 31 December 2011 as compared to pretax profit of RM17.27 million in year 2010. Our Group's turnover for year 2011 was RM429.34 million, lower by 8% against RM466.40 million achieved in the previous financial year.

DIVIDEND

Under such unfavourable conditions, the Board accepted the situation and did not recommend any payment of dividend for the year under review.

DIRECTORATE

On behalf of the Board of Directors, I would like to extend my special thanks and sincere appreciation to Mr Arthur Hii Lu Choon who had strongly recommended the restructuring plan of transformation and realignment of Yung Kong Galvanising Industries Bhd. (YKGI) Group's activities into a singular strategic management system in creating synergy. With his total commitment to the change, Mr Arthur Hii Lu Choon had strongly recommended Dato' Soh Thian Lai to lead the reorganizing and streamlining of the YKGI Group's activities. He relinquished his position as Managing Director of YKGI to give leeway for a management reorganization and realignment of the YKGI Group. Effective 15 March 2012, he has assumed the position of Executive Deputy Chairman of YKGI Group.

Simultaneously, we welcome the appointment of Dato' Soh Thian Lai to be the Managing Director and Group Chief Executive Officer of YKGI Group with effect from 15 March 2012. Dato' Soh who is currently the Executive Chairman/ Group Managing Director of Starshine Holdings Sdn. Bhd. ("Starshine Group") will take on the added responsibility of managing the YKGI Group. He is a fellow member of MIM and with his in-depth knowledge in management and his vast experience of 26 years involvement in the steel industry, Dato' Soh has been empowered the task of integrating the resources of the two Groups to enhance greater synergy and efficiency in our operations.

Also, at the same time, Mr Christopher Hii Lu Ming has been appointed as an Alternate Director to Dato' Dr Hii Wi Sing in the YKGI Board.

Board of Directors

Chairman's Statement (cont'd)

DEVELOPMENT

1. **Group management reorganization - realignment of Group operations.**

   As from 15 March 2012, with the appointment of Dato' Soh Thian Lai as Managing Director and Group CEO of YKGI, the Group will undergo a management reorganization. The entire YKGI, including the business operations of its subsidiaries, will be transformed and realigned into a singular strategic management system with an aim to create synergy. This will involve a turnaround phase, consolidation phase, and sustainability phase to reposition ourselves in creating growth and profitability by increasing sales, improving yield, improving cash-flow, reducing costs, streamlining operations and reducing duplication and wastage of resources of the entire Group. Dato' Soh, who has been ably managing the Star Shine Group of Companies since its inception in year 1998 is in the best position to carry out this integration of all the business activities of the Group within the shortest time frame as necessary.

2. **Expansion programmes**

   Our company's "Trimming and Slitting Line" was commissioned as scheduled in the middle of year 2011.

   One of our subsidiaries under Starshine Group has just commissioned a "Flying Shear Line", one of its kind in this region.

   As planned, a "Continuous Colour Coating Line" is expected to be commissioned by the 3rd quarter of year 2012.

   Apart from the above capital expenditures, our major expansion plans are currently put on hold until the situation of the steel industry becomes clear and when our business operations improve.

   There is no provision for any further major capital expenditure within the foreseeable future and we will concentrate on consolidating our existing resources for a much better performance.

PROSPECTS

With the forthcoming delivery of various projects under the Economic Transformation Programmes initiated by the Government, couple with the greater participation of the Private Sector, Malaysia is expected to record a moderate growth in the steel consumption in the coming years. We are looking forward in actively participating and capitalizing on the opportunities available in our areas of expertise.

However, in this highly challenging environment especially in a very volatile pricing situation and with the current iron and steel policy, seeking profitability in this business sector requires a very cautious and clear understanding of the sector. For our domestic market, we will strive to pass especially the high costs of the raw materials into our finished products to compete for our market share. This is indeed a great challenge to us in this industry.

We will endeavour to be more aggressive and competitive with a new synergy created by the integration of our Group's operations and the management will also endeavour to produce positive results for the Group within the shortest possible period, barring unforeseen circumstances.

APPRECIATION

Let me take this opportunity to express my sincere thanks to all our shareholders and stakeholders for their understanding and continued support accorded at all times.

My heartfelt appreciation and thanks also go to our management team and our supporting staff for their dedication, hard work and contribution with a very positive outlook during these difficult times.

Thank you.

Dato' Dr Hii Wi Sing
Board Chairman
1 April 2012

Management Discussion and Analysis

BUSINESS AND OPERATIONS

The Group is principally engaged in the manufacture and sale of galvanized and coated steel products for domestic market while certain subsidiaries are primarily involved in the processing and trading of long and flat steel products, manufacturing steel tubes and pipes and drawer slides.

The production process includes manufacture of Hot Rolled Coils ("HRC") into Cold Rolled Coils ("CRC"), thereafter into Galvanised Iron Coils ("GIC") and subsequently into Prepainted Galvanised Iron Coils ("PPGIC").

The main production lines of the Group are as follows:

Production Line	Products	Rated Capacity
Push-Pull Pickling Line	Pickled & Oiled Coils ("P&O")	250,000 MT p.a
Cold Rolling Mill	Cold Rolled Coils	200,000 MT p.a.
Continuous Galvanising Line	Galvanised Iron Coils	150,000 MT p.a.
Continuous Colour Coating Lines	Prepainted Galvanised Iron Coils	80,000 MT p.a.

Other downstream production facilities of the Group include the following:

- Shearing lines
- Slitting lines
- Roll-forming machines
- Recoiling lines
- Straightening machines
- Pipe lines
- Stamping machines

The Group's main products are GIC and PPGIC. The P&O, CRC, GIC and PPGIC can be sold as finished products, or be further processed into downstream products such as cut sheets, slitted coils, roofing products, trusses, purlins and roofing accessories. Other products from the subsidiaries are pipes & tubes, wire rod, CQ Bars, HD wire and drawer slides.

The Group's products are distributed through the marketing arms namely Starshine Holdings Sdn Bhd and its subsidiaries for Peninsular Malaysia market and Magic Network Sdn Bhd for Sabah and Sarawak market. YKGI Group's products are mainly sold in domestic market with less than 2% are for export.

OBJECTIVES AND STRATEGIES

The vision of the Group is to be a leading diversified corporation creating and delivering excellent value. The long term objective of the Group is to achieve revenue growth and sustainability.

YKGI is one of the few companies that have full fledged of production facilities ranging from Pickling line to the downstream of shearing and slitting lines.

Strategic alliances are established with customers and suppliers in order to capitalize on bulk orders to achieve economy of scale.

REVIEW OF FINANCIAL RESULTS

During the financial year 2011, the Group achieved total revenue of RM429.34 million, a reduction of 8% as compared to RM466.40 million registered in the previous financial year. Gross profit margin has dropped from 12.3% achieved in year 2010 to 5.3% in 2011. Administrative expenses increased by RM3.47 million, partly due to written off of the listing expenses incurred by a subsidiary and its group of companies amounted to RM0.90 million, written off of goodwill amounted to RM1.44 million and allowance for impairment loss on doubtful debts of RM0.52 million.

Finance cost were RM1.79 million higher than previous financial year due to higher borrowings by the Group in financing the capital expenditure.

Management Discussion and Analysis (cont'd)

REVIEW OF OPERATING ACTIVITIES

The revenue of the Group can be further analysed as follows:

	Coils & Sheets RM'000	Long products, tube & others RM'000	Trading products RM'000	Total RM'000
Revenue from external customers				
2011	329,004	63,779	36,559	429,342
2010	379,259	55,273	31,867	466,399
Increase/(decrease)	(50,255)	8,506	4,692	(37,057)
	-10.7%	+1.8%	+1.0%	-7.9%

In May 2011, Megasteel Sdn Bhd, the major HRC producer in Malaysia, has filed a petition requesting for safeguard investigation pursuant to Section 10 of the Safeguards Act 2006 (Act 657) to Ministry of International Trade and Industry ("MITI") for HRC (the first case since the Act being implemented). Since then, the steel industry in Malaysia became very uncertain. YKGI, in mitigating the risks associated with this issue, has also frozen importation pending decision by MITI, thus resulted interrupted supply of HRC for production and sales. Even though MITI has announced the termination of investigation by Government on 23 August 2011, the chain effect of the shortage of raw materials has lasted for six (6) months. Revenue from the Group's main products, ie coils & sheets, has dropped by 10.7%. Overall the production volume has dropped by 30% resulted in high cost of production been absorbed, which in turn affected the gross profit margin of the Group to drop from 12.3% in year 2010 to 5.3% in year 2011.

OUTLOOK

The immediate focus of the Group is on the transformation of the Group from a loss making entity into profitability.

YKGI Group is streamlining its business operations. The streamlining of the business is a strategic move to consolidate YKGI Group's on-going cost saving exercise across its industry value chain, to reduce duplication and wastages in resources. The Group has established three (3) Strategic Business Unit ("SBU") to play a role of contributing profit to the Group. Each SBU is monitored by its own budget. Raw material supply resumes to normal level to cater for intended production capacity.

Following the appointment of Dato' Soh Thian Lai as Managing Director of the Group, the management in Peninsular Malaysia's operation is now under one single strategic system for better synergy and to eliminate duplication.

Moving forward, the expected implementation of Economic Transformation Programs and Entry Point Projects by the Government will spur the demands on our products. The Malaysian Iron and Steel Industry Federation ("MISIF") and Malaysia Steel Association ("MSA") are actively seeking Government's aid to regulate the mechanism on the rampant cheap imported steel products into Malaysia. We are eager to see the Government's new policy be implemented promptly which will definitely create more opportunities for the local steel players to fulfil the demands for the domestic requirements. Strategic business plans are in place to capture the market shares. The management is cautiously optimistic in managing towards achieving the transformation plan of the Group with short time frame, barring unforeseen circumstances.

Corporate Information

BOARD OF DIRECTORS

Dato' Dr Hii Wi Sing *DIMP*
Executive Chairman

Mr Arthur Hii Lu Choon
Deputy Executive Chairman

Dato' Soh Thian Lai *DIMP*
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 Christopher Hii Lu Ming
(to Dato' Dr Hii Wi Sing)

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

Asian Finance Bank Berhad
CIMB 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

LEGAL ADVISORS

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

AUDITORS

KPMG (AF: 0758)

INTERNAL AUDITORS

Ernst & Young Advisory Services Sdn Bhd

SHARE REGISTRAR

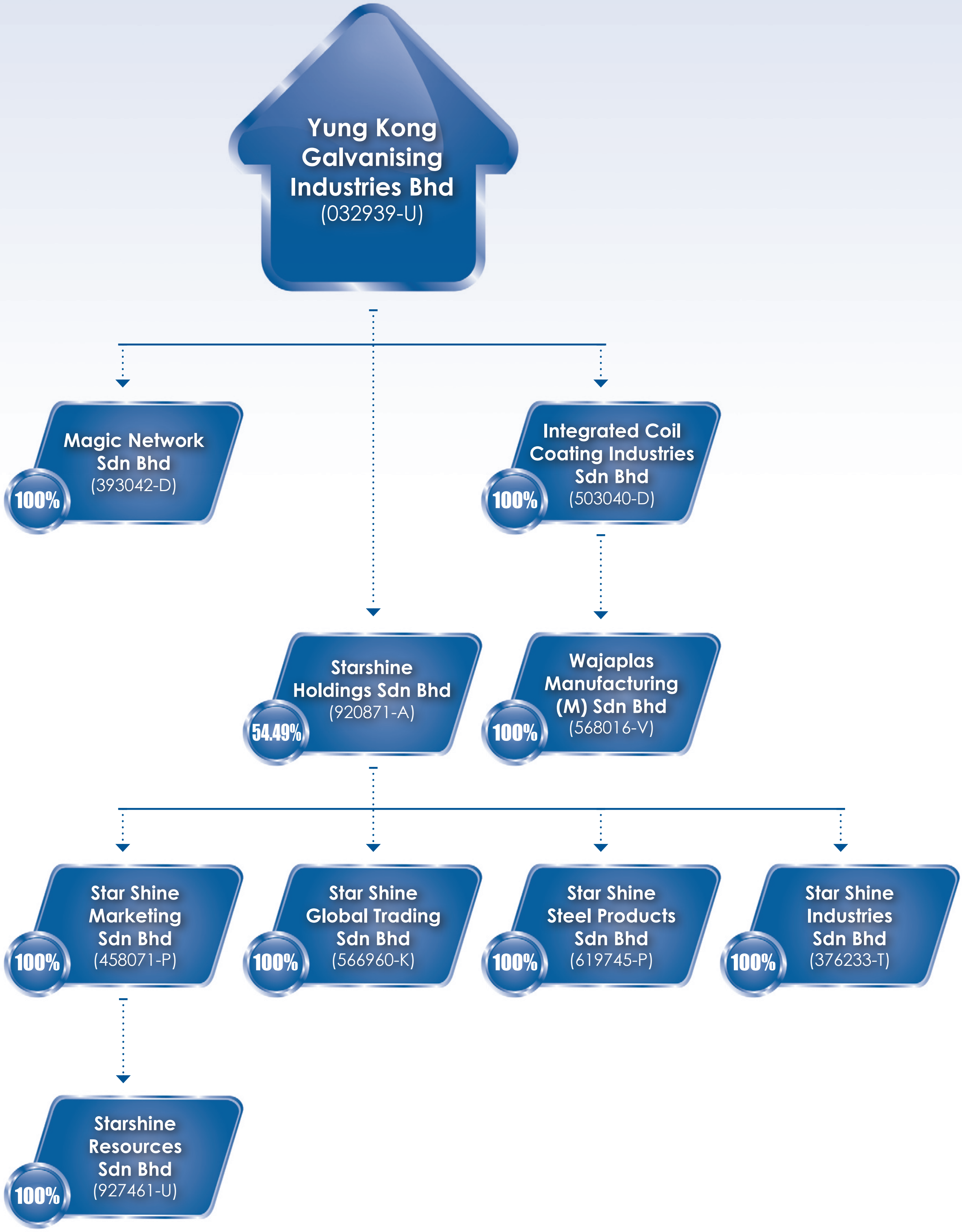
Tricor Investor Services Sdn Bhd
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Phone : +60 3 2264 3883
Fax : +60 3 2282 1886

REGISTERED ADDRESS

Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching, Sarawak, Malaysia
Phone : +60 82 433 888
Fax : +60 82 433 889
Email : **ykgi@ykgi.com.my**
Website : **http://www.ykgi.com.my**

Corporate Structure

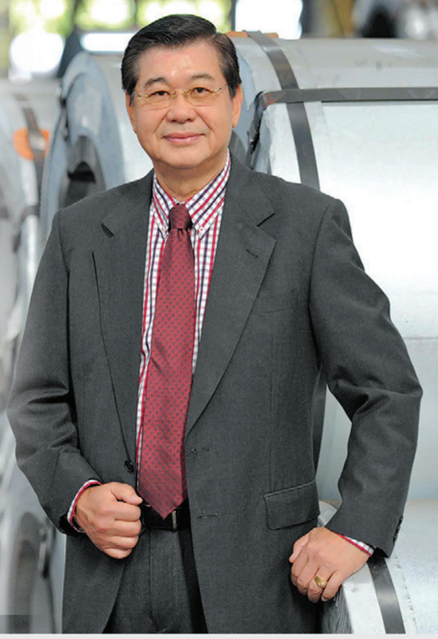
(after acquisitions and reorganization as at 15 February 2012)



Directors' Profile

DATO' DR HII WI SING DIMP

62 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 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 been involved in the steel industries business since early 1970s. Dato' Dr Hii is innovative and creative in the progression of the Group's growth.

He has attended four (4) out of five (5) Board meetings held in the financial year ended 30 December 2011. As at 30 March 2012, his shareholdings in the Company and Group are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad ("YKGI")	19,700,198	10.08	62,938,781*	32.19
Starshine Holdings Sdn Bhd ("SSH")	18,149,592	4.97	198,884,181#	54.49

* *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 in the Company.*

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

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

40 Malaysian
Deputy Executive Chairman

Mr Arthur Hii was first appointed to the Board on 6 December 1999. He is a Chartered Accountant. 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 was appointed as the Deputy Executive Chairman on 15 March 2012. On 15 March 2012, he relinquished the posts of Managing Director and Chief Executive Officer. 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 four (4) out of five (5) Board meetings. He is the Chairman of the Risk Management Committee.

Directors' Profile (cont'd)

As at 30 March 2012, his shareholdings in the Company and Group are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,534,600	0.79	59,034,491*	30.19
Starshine Holdings Sdn Bhd ("SSH")	10,408,986	2.85	198,884,181#	54.49

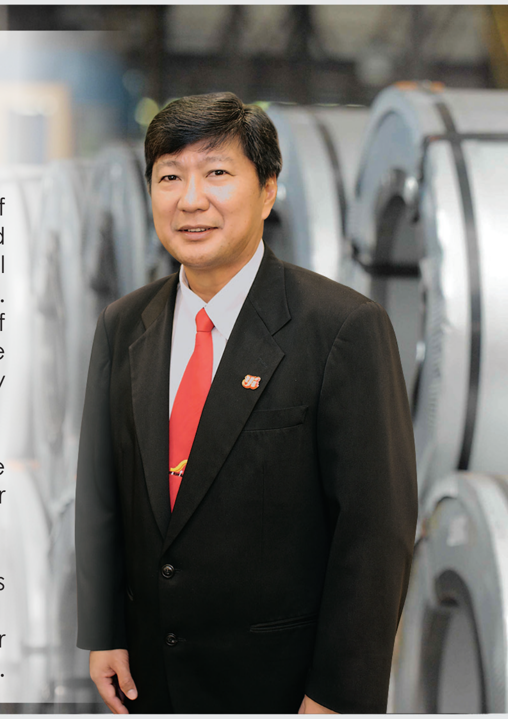
* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.*

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

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.

DATO' SOH THIAN LAI DIMP

51 Malaysian
Managing Director / Chief Executive Officer



Dato' Soh was appointed to the Board as Managing Director and Chief Executive Officer on 15 March 2012 to provide long term strategic inputs and assist in achieving the vision and mission of YKGI. He graduated from Tunku Abdul Rahman College with a Diploma in Technology (Materials Engineering) in 1985. Then, in 1991 he obtained a Diploma in Management from Malaysian Institute of Management and later obtained a Masters of Business Administration from the University of Bath, UK in 1994. In 2010, MIM had upgraded Dato' Soh to Fellow Member for his vast experience in Management.

Dato' Soh has vast experience in the steel industry since early 1980s. Over the years, Dato' Soh has been instrumental in the development and success of our Group.

As Dato' Soh was only appointed to the Board on 15 March 2012, there was no Board meeting applicable to him in respect of the financial year ended 31 December 2011. Dato' Soh has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

As at 30 March 2012, his shareholdings in the Company and Group are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad ("YKGI")	356,400	0.18	-	-
Starshine Holdings Sdn Bhd ("SSH")	8,671,044	2.38	50,180,077*	13.75

* *Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd.*

Directors' Profile (cont'd)

IR MICHAEL HII EE SING

57 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 Board of Yung Kong Co Bhd.

During the financial year, he has attended all the five (5) Board meetings held. He is a member and secretary of the Risk Management Committee and Employee Retirement Scheme Committee and also acts as the secretary to the Audit, Nomination and Remuneration Committees.

As at 30 March 2012, 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	62,683,691*	32.06
Starshine Holdings Sdn Bhd ("SSH")	8,241,081	2.26	211,123,208#	57.84

* *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.*

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

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.

VICTOR HII LU THIAN

36 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 and Risk Management Committees.

Directors' Profile (cont'd)

He attended all the five (5) Board meetings held during the financial year. As at 30 March 2012, his shareholdings in the Company and Group are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,485,800	0.76	59,007,091*	30.18
Starshine Holdings Sdn Bhd ("SSH")	10,408,986	2.85	198,884,181#	54.49

* *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.*

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

49 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.

He attended four (4) out of five (5) Board meetings, which were held during the financial year. As at 30 March 2012, 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	59,157,491*	30.25
Starshine Holdings Sdn Bhd ("SSH")	-	-	198,884,181#	54.49

* *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.*

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.

Directors' Profile (cont'd)

YOSHIKI KANEKO
59 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-Itochu Steel Inc. in 2010.

He has attended all the four (4) Board meetings applicable to him during the financial year ended 31 December 2011. He also sits on the board of subsidiary of the 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
44 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 2011. Ms Huong is the Chairperson of both the Audit and Remuneration Committees and is a member of the Nomination Committee.

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

Ms Huong Hie Hee has no family relationship with the Directors and major shareholders of the Company. She does not have any conflict of interests with the Company. As at 30 March 2012, her shareholding in the Company is as follows:

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

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

Directors' Profile (cont'd)

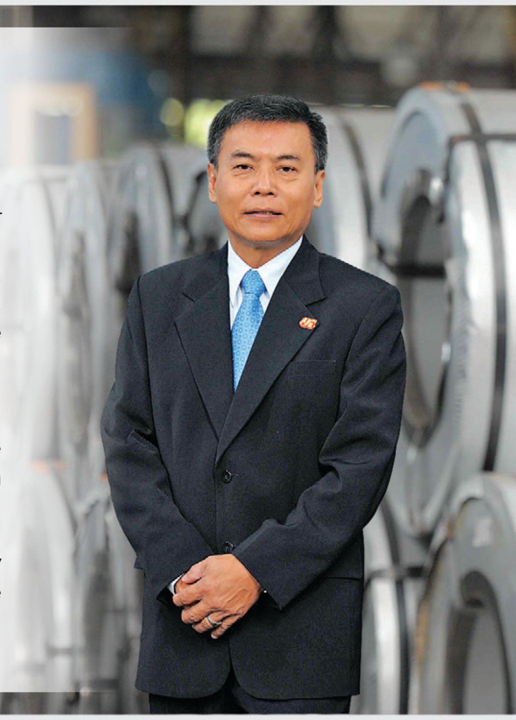
JEE HEE TECK

62 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 2011, 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

61 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 2011, 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 Anak 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 23 to 26 and Statement on Internal Control on pages 21 to 22 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

As at 31 December 2011, the Board consists of nine (9) members and is balanced, with one-third (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 Directors

There 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 9 to14 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 2011.

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 Secretaries, confirmed by the Board and signed by the Chairman of the meeting. The Company Secretaries attend 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 meetings.

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 Secretaries on new statutory requirements as well as applicable regulatory requirements.

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

All Directors have complied with the attendance requirements in respect of the Board meetings as set out by Bursa Malaysia Securities Berhad. The detail of the attendance of each individual Director is outlined in their respective profile on pages 9 to 14 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 23 to 26 of this Annual Report.

b) ***Nomination Committee ("NC")***, set up on 13 March 2001, comprising three (3) Independent Directors and two (2) Non-Independent Non-Executive Directors, is responsible for the assessment and recommendation of new Directors to the Board, and for the annual review of the required mix

Statement on Corporate Governance (cont'd)

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 2011, the NC held three (3) meetings.

c) ***Remuneration Committee ("RC")***, formed on 13 March 2001, comprises solely of three (3) Independent Directors, is responsible for making recommendations to the Board the remuneration of Executive Directors and Key Personnel based on an acceptable framework.

The RC met three (3) times during the financial year ended 31 December 2011.

d) ***Strategic Management Committee ("SMC")*** was established on 19 October 2001. During the financial year under review, it met two (2) times. SMC was dissolved on 27 July 2011 as its functions will be concurrently carried out by the RMC.

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 2011, it met four (4) times.

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

Details of the membership for each Board Committee as at 31 December 2011 are as follows:

Names	Designation	AC	NC	RC	RMC	ERS
Dato' Dr Hii Wi Sing	Executive Chairman				M	M
Arthur Hii Lu Choon	Managing Director / Chief Executive Officer				C	
Ir Michael Hii Ee Sing	Group Executive Director				M	M
Victor Hii Lu Thian	Executive Director				M	M
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			
Yoshiki Kaneko	Non–Independent Non–Executive Director					

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

Statement on Corporate Governance (cont'd)

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 all the Directors during the financial year ended 31 December 2011 are as follow:

Title of Training/Seminar

1 Challenges in International Financial Reporting Standards
2 How to successfully implement a KPI System within an Organisation
3 Cost Reduction and Profit Improvement Strategies
4 Makmal Transformasi Ekonomi Sarawak
5 Sarawak Domestic Investment Seminar
6 Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP)
7 Transaction by Directors & Practical Issues and Solutions
8 Compliance Requirements & Practical Issues In Relation To Foreign Companies Under The Company Act 1965
9 Broadening the Horizon of Company Secretaries
10 2012 KPMG Japanese Tax Budget Seminar
11 Ernst & Young 2012 Budget Seminar
12 KPMG Tax Seminar 2011 – The 2012 Budget Proposals
13 National Tax Seminar 2011
14 Budget 2010 Proposals & Recent Development
15 IFRS Convergence in 2012, Deferred Taxation And FRS Application Challenges
16 Coverage, Transform, Sustain: TOWARDS WORLD CLASS EXCELLENCE
17 The New Corporate Governance Blueprint and Regulatory Updates Seminar 2011 "What Directors and Co-Sec Should Know"

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 Remuneration Committee ("RC") carries out annual review and recommendations are submitted to the Board on the overall remuneration packages for Directors and Key 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 follow:

- The RC carries out annual review on the performances and recommends the remuneration of Directors and Key Personnel to the Board of Directors;
- The Board as a whole, determines the remuneration of the Non-Executive Directors; and
- The Directors are paid directors' fees annually and allowances for attendance at Board meetings.

Statement on Corporate Governance (cont'd)

Meetings of the RC are held at least once a year, and as and when necessary. The Board is of the opinion that matters in relation to Directors' remuneration are of a personal nature. However, in compliance with the Listing Requirements, the fees and remuneration paid to the Directors during the financial year ended 31 December 2011, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	87,000	173,000
Salary	1,790,927	-
Ex-Gratia	346,025	-
Allowances	193,780	48,420
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM750,001 to RM800,000	1	-
RM650,001 to RM700,000	1	-
RM600,001 to RM650,000	1	-
RM300,001 to RM350,000	1	-
RM 50,001 to RM100,000	1	1
RM 50,000 and below	-	4

3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

Publications and Corporate Announcements

A key channel of communication with shareholders and investors is the Annual Report of the YKGI Group of Companies. The Company maintains a regular policy of disseminating information that is material for shareholders' attention via announcements made through Bursa LINK.

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

Senior Independent Director's contact

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

General Meetings

The Company uses the general 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 meeting.

At the general meeting, the Directors welcome the opportunity to gather the views of shareholders. Notices of each general meeting are issued on a timely manner in accordance to the Company's Articles of Association to all shareholders who are entitled to receive such notices, and in the case of special businesses, a statement explaining the effect of the proposed resolutions is provided.

Statement on Corporate Governance (cont'd)

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

4. ACCOUNTABILITY AND AUDIT

4.1 *Financial Reporting*

Directors have implemented a quality control procedure to ensure that all financial reports have been prepared based on applicable Financial Reporting Standards, Guidelines and Policies. These financial reports also undergo a review process by the AC before approval by the Board. In compliance with statutory requirements, the annual financial statements are subjected to audit by an independent external auditor.

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

4.2 *Internal Control*

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

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 21 to 22 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 without the presence 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 25 to 26 of this Annual Report.

The total amount of audit and non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2011 by the Company's external auditors, Messrs. KPMG, and a firm or company affiliated to KPMG are set out below:-

	RM
Audit fees	116,000
Non-audit fees	39,900

Statement on Internal Control

INTRODUCTION

This Statement on Internal Control is made pursuant to Bursa Malaysia Securities Berhad Listing Requirements requires the Board to include in its Annual Report a statement about the state of its internal control. 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.

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 2011 that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Berhad 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 for maintaining sound internal control systems 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 risk profile, rather than eliminate the risks that may impede the achievement of business objectives and goals of the Group. 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 and fraud.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring and managing the significant risks that may affect the achievement of business objectives. The control structure and process which has been instituted throughout the Group is updated and reviewed from time to time to suit the changes in the business environment and this on-going process has been in place for the whole financial year under review.

CONTROL STRUCTURE

The key processes that the Board have established and put in place of the system of internal controls include the following:-

RISK MANAGEMENT

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The RMC is tasked to review, monitor, evaluate and update the Group Risk Register on an going basis. 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.

Statement on Internal Control (cont'd)

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 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.

AUDIT COMMITTEE

The Audit Committee ("AC") meets on quarterly basis to review the internal control issues identified in reports prepared by Internal Auditors, the external auditors and the management. AC needs to oversee on the internal audit's independence, scope of work and resources. AC also reviews the Internal Audit Plan, internal audit activities and external audit plan and etc. The details of the AC's activities are highlighted in the Audit Committee Report.

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 authority, responsibility and accountability to each business unit and operation unit.
- Various Board Committees are set up to assist the Board to perform its oversight functions such as Nomination Committee, Remuneration Committee and Employee Retirement Scheme Committee. 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 2011.

1. MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

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

During the financial year ended 31 December 2011, the Committee met five (5) times. 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 / 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 being discussed. 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 Secretaries, confirmed by the Committee and signed by the Chairperson of the Committee. The Company Secretaries attend all the Audit Committee's meetings.

The details of training / seminar attended by each of the Committee members are set out on page 18 of this Annual Report.

2. COMPOSITION AND TERMS OF REFERENCE

The Committee has no executive power but has 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 have 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. Fulfill 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

Report Of Audit Committee (cont'd)

or External Auditors to consider any matter within the scope and responsibilities of the Committee. At least twice a year, the Committee holds meetings with the External and Internal Auditors without the presence of the other Directors and employees.

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, without the presence 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 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.

Report Of Audit Committee (cont'd)

- Number of Committee meetings held during the financial year and details of attendance of each member.
- Summary of the activities of the Committee to discharge its duties for the financial year.
- Summary of the activities of the Internal Audit Function to discharge its functions and duties.

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

b. To ensure the co-ordination of external audit with internal audit.
c. Such other matters and duties as the Committee considers appropriate or as authorised by the Board of Directors.

2.6 Vacancy and Review

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

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

2.7 Reporting of Breaches to Bursa Securities

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

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, the following activities were carried out during the financial year ended 31 December 2011:

3.1 Financial Reporting

a. Reviewed the quarterly unaudited/audited financial results of the Company and the Group with the Managing Director / 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 / 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, Statement of Corporate Governance and Audit Committee Report prior to the Boards of Directors' 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 as stated therein.
c. Reviewed and monitored the implementation status of the audit recommendations made by auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures.
d. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.
e. Met with the internal auditors excluding the attendance of the Directors and employees twice during the year under review.

Report Of Audit Committee (cont'd)

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. Assessment of the performance of the auditors and made recommendations to the Board of Directors for approval on their appointment and remuneration.
c. Update on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements.
d. Met with the external auditors excluding the attendance of the other Directors and employees twice during the year under review.

3.4 Related Party Transactions

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

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. As the services engaged had expired in Year 2011, we are in the process of finalising the engagement services for the next three (3) years cycle (i.e. 2012 to 2014).

During the financial year ended 31 December 2011, the internal auditors had carried out three (3) audit visits for the Group according to the internal audit plan. The Committee has also met the internal auditors, without the presence 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 2011 was RM 84,878.

Corporate Social Responsibilities ("CSR")

CSR at Workplace

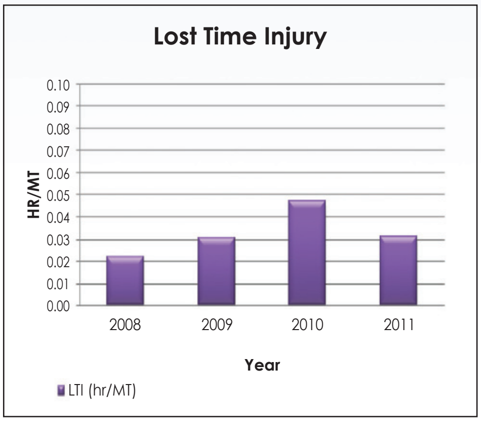
YKGI strives to have a community of jolly people, who are a bunch of jolly people who labour with joy and rejoice in a job well done. The Company is committed to provide a pleasant working "home" for the people. They are helpful, courteous and professional to each other.

"Jolly People, Creating & Delivering Excellent Value"

Being A Better Employer

The jolly people are the most important asset and YKGI demonstrates the commitment by employing high practices and standards. An appropriately qualified workforce is vital to the ongoing success of the business, providing training and development to equip the jolly people with the skills they need to perform their roles effectively, safely and joyfully.

YKGI promotes flexibility in the approach to both work styles and lifestyles, investing in programs and tools that help employees balance between job, family, and other personal responsibilities.



Safety & Health

YKGI's continuous effort in creating a conducive workplace is realising. Safety and health awareness campaign has brought down LTI significantly and we shall initiate more improvement measures to ensure LTI is further reduced in the consecutive year.

Category	2008	2009
Lost Time Injury ("LTI")	23.5 Days	21.17 Days
	2010	**2011**
	37 Days	29 Days

Recreations and Sports

In YKGI, life could never be wonderous with annual family day, sports day and numerous recreation activities. The Recreation Organising Committee (ROC) is doing marvelous job to make the jolly people in freshing mind and supporting sportsmanship. YKGI believes the sustainable achievement is supported by healthy work force, therefore aggresively promoting balance lifestyles and healthy mind.

Category	2008	2009	2010	2011
Recreation & Sports Activities	5 Days	7 Days	14 Days	17 days

"Fun @ Family Day"

" Limbo Rock takes you to the limit "

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

"Sports Day - Run, Pull & Jump"

Employee Development

For leaders, school never ends. There has never been a time when it was so critical for leaders and organisations to continue learning. Because of this permanent need for learning organisations and leaders, the idea of a coaching organisation is taking hold.

Category	2008	2009	2010	2011
Training Hours per Employee	56 hours / year	72 hours / year	147 hours / year	142 hours / year

"Team Building"

"Leaders with Talents"

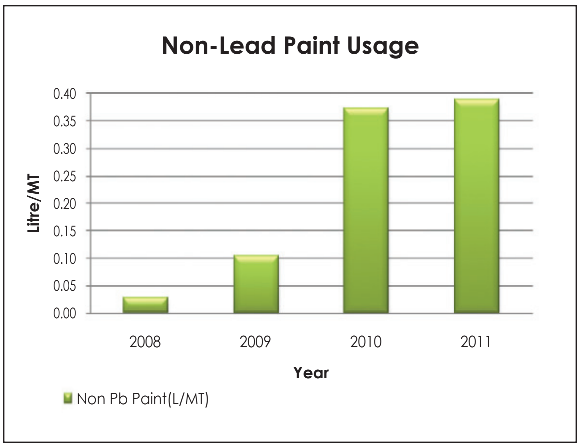
Corporate Social Responsibilities ("CSR") (cont'd)

CSR at Marketplace

Environmental issues are increasingly becoming important in managing any business today. Green purchase is the affirmative selection and acquisition of products and services that most effectively minimize negative environmental impacts over their life cycle of manufacturing, transportation, use and recycling or disposal. Thus, the Company is increasing the purchase of non-lead paint in the effort to conceptualise the green purchase. Drastically, the non-lead paint consumption is showing significant growth and is continuous growing every year.

Green Purchase – Non-Lead

Category	2008	2009	2010	2011
Non-Lead Paint Usage	1200 litres	3000 litres	7000 litres	9000 litres



CSR at Communities

Many companies now view CSR as a strategic investment and perhaps this is why some are focusing less on donations and more on CSR investments. YKGI is seeing more focus on CSR activities that are directly related to the Company core activities and is seeing more direct investment on internal CSR, such as workplace activities. YKGI still maintain the current needy organisation with the annual donation, focusing on less fortunate and academics.

Community Aids

Category	Cases 2011	Contribution
Assistance Fund	- Children Education Assistance Fund - National Kidney Foundation - Kuching Autistic Association - PERKATA - Persatuan Bagi Orang Buta Sarawak - Sarawak Heart Foundation - Majlis Kebajikan Sosial - Sarawak Children's Cancer Society - others	RM30,323.40
Blood Donation	- Blood Donation	35 pints

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

CSR at Environment

Anyone with children has a stake in future generations and the ability of the environment to support life. But environmental good practice is also about business efficiency - it's about the best use of valuable raw materials, and feeding the benefits of action straight through to the bottom line.

Recycling Initiatives

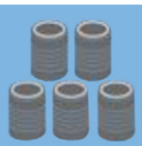
Category	2008	2009	2010	2011
Steel Recycle Per Tonne Product	14.35 kg/MT	28.88 kg/MT	30.17 kg/MT	15.71 kg/MT

Schedule Waste (SW) Initiatives

Category	2008	2009	2010	2011
SW Output Per Tonne Product	0.335 kg/MT	0.298 kg/MT	0.489 kg/MT	0.403 kg/MT

YKGI energy consumption efficiency has come to another optimum point, making the process greener and environmental friendly.

Did you know ...



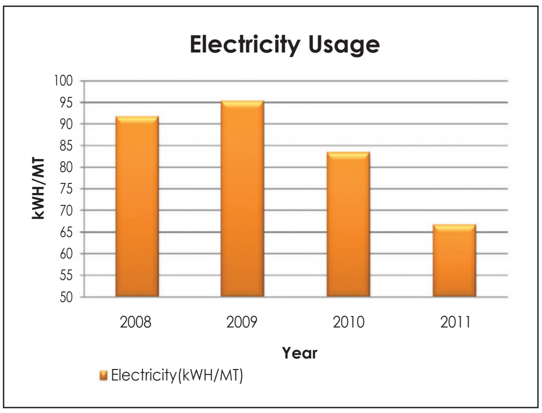
More steel is recycled worldwide annually than all other materials put together. More than 500 million tonnes of scrap is melted each year.

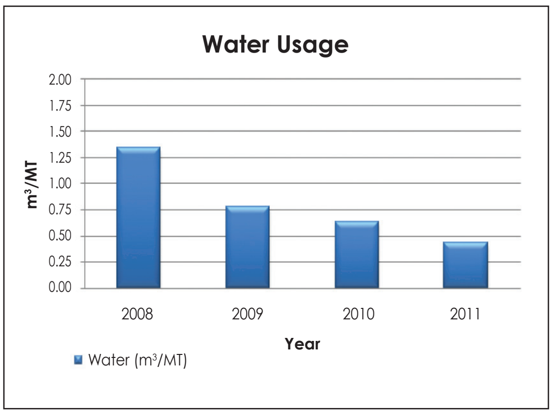
Did you know ...

Across the whole steel sector, Co_2 emissions per tonne of crude steel output are now 50% lower than what they were 40 years ago. Many plants - especially in Western Europe - are now near the technical limit of what can be achieved with existing technology.

Electricity Consumption Initiatives

Category	2008	2009	2010	2011
Consumption Per Tonne Product	91.48 kWH/MT	95.01 kWH/MT	83.11 kWH/MT	66.60 kWH/MT





Water Consumption Initiatives

Category	2008	2009	2010	2011
Consumption Per Tonne Product	1.34 m^3/MT	0.78 m^3/MT	0.64 m^3/MT	0.44 m^3/MT

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 the Company at the end of the financial year, and of the results of their operations and cash flows for the financial year.

In preparing the financial statements, the Board of Directors 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 of Directors 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 15 to 20 of this Annual Report.

Directors' report
for the year ended 31 December 2011

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

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
Loss for the year attributable to:		
Owners of the Company	17,969,076	7,653,715
Non-controlling interests	1,981,609	-
	19,950,685	7,653,715

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 1.25 sen per ordinary share and 1.375 sen tax exempt per redeemable convertible preference share totalling RM2,444,183 and RM298,733 respectively in respect of the year ended 31 December 2010 on 31 May 2011.

The Directors did not recommend any dividend to be paid in respect of the year ended 31 December 2011.

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	Christopher Hii Lu Ming (appointed on 15 March 2012)
Ir. Michael Hii Ee Sing	-
Arthur Hii Lu Choon	Alexander Hii Lu Kwong
Tadashi Hamada (resigned on 31 March 2011)	Yoshiki Kaneko (resigned on 31 March 2011)
Yoshiki Kaneko (appointed on 1 April 2011)	Ong Soo Seng (appointed on 1 April 2011)
Huong Hie Hee	-
Jee Hee Teck	-
Victor Hii Lu Thian	-
Philip Anak Dreba @ Philip Aso Dreba	-
Francis Hii Lu Sheng	-
Dato'Soh Thian Lai (appointed on 15 March 2012)	

Directors' report
for the year ended 31 December 2011 (cont'd)

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 shares and warrants over 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 1.1.2011	Bought	Sold	Swapped	At 31.12.2011	At 1.1.2011	Bought	Sold	Swapped	At 31.12.2011
Interests in the Company										
Dato' Dr. Hii Wi Sing	19,330,398	279,050	-	-	19,609,448	63,805,281	565,400	-	-	64,370,681
Ir. Michael Hii Ee Sing	138,100	-	-	-	138,100	62,118,291	565,400	-	-	62,683,691
Arthur Hii Lu Choon	1,509,600	12,500	-	-	1,522,100	58,469,091	565,400	-	-	59,034,491
Alexander Hii Lu Kwong	2,165,600	112,500	-	-	2,278,100	58,456,691	565,400	-	-	59,022,091
Victor Hii Lu Thian	1,343,200	130,100	-	-	1,473,300	58,441,691	565,400	-	-	59,007,091
Huong Hie Hee	142,000	-	-	-	142,000	89,000	-	-	-	89,000
Francis Hii Lu Sheng	274,300	-	-	-	274,300	58,592,091	565,400	-	-	59,157,491
Interests in subsidiaries										
Starshine Holdings Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	-	-	-	18,149,592	18,149,592	-	-	-	209,293,167	209,293,167
Ir. Michael Hii Ee Sing	-	-	-	8,241,081	8,241,081	-	-	-	211,123,208	211,123,208
Arthur Hii Lu Choon	-	-	-	10,408,986	10,408,986	-	-	-	198,884,181	198,884,181
Alexander Hii Lu Kwong	-	-	-	10,408,986	10,408,986	-	-	-	198,884,181	198,884,181
Victor Hii Lu Thian	-	-	-	10,408,986	10,408,986	-	-	-	198,884,181	198,884,181
Star Shine Marketing Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	540,000	-	-	(540,000)	-	11,700,000	-	-	9,772,296	21,472,296
Ir. Michael Hii Ee Sing	-	-	-	-	-	12,420,000	-	-	9,052,296	21,472,296
Arthur Hii Lu Choon	540,000	-	-	(540,000)	-	11,700,000	-	-	9,772,296	21,472,296
Alexander Hii Lu Kwong	540,000	-	-	(540,000)	-	11,700,000	-	-	9,772,296	21,472,296
Victor Hii Lu Thian	540,000	-	-	(540,000)	-	11,700,000	-	-	9,772,296	21,472,296

Directors' report
for the year ended 31 December 2011 (cont'd)

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of ordinary shares									
	Direct interests					Deemed interests				
	At 1.1.2011	Bought	Sold	Swapped	At 31.12.2011	At 1.1.2011	Bought	Sold	Swapped	At 31.12.2011
Interests in subsidiaries (cont'd)										
Star Shine Steel Products Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	280,000	-	-	(280,000)	-	3,329,000	-	-	1,071,000	4,400,000
Ir. Michael Hii Ee Sing	220,000	-	-	(220,000)	-	3,322,000	-	-	1,078,000	4,400,000
Arthur Hii Lu Choon	7,000	-	-	(7,000)	-	3,322,000	-	-	1,078,000	4,400,000
Alexander Hii Lu Kwong	7,000	-	-	(7,000)	-	3,322,000	-	-	1,078,000	4,400,000
Victor Hii Lu Thian	7,000	-	-	(7,000)	-	3,322,000	-	-	1,078,000	4,400,000
Star Shine Global Trading Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	80,000	-	-	(80,000)	-	1,060,000	-	-	940,000	2,000,000
Ir. Michael Hii Ee Sing	100,000	-	-	(100,000)	-	1,020,000	-	-	980,000	2,000,000
Arthur Hii Lu Choon	40,000	-	-	(40,000)	-	1,020,000	-	-	980,000	2,000,000
Alexander Hii Lu Kwong	40,000	-	-	(40,000)	-	1,020,000	-	-	980,000	2,000,000
Victor Hii Lu Thian	40,000	-	-	(40,000)	-	1,020,000	-	-	980,000	2,000,000
Star Shine Industries Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	180,000	-	-	(180,000)	-	4,407,000	-	-	1,593,000	6,000,000
Ir. Michael Hii Ee Sing	180,000	-	-	(180,000)	-	4,380,000	-	-	1,620,000	6,000,000
Arthur Hii Lu Choon	27,000	-	-	(27,000)	-	4,380,000	-	-	1,620,000	6,000,000
Alexander Hii Lu Kwong	27,000	-	-	(27,000)	-	4,380,000	-	-	1,620,000	6,000,000
Victor Hii Lu Thian	27,000	-	-	(27,000)	-	4,380,000	-	-	1,620,000	6,000,000

Directors' report
for the year ended 31 December 2011 (cont'd)

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of warrants over ordinary shares of the Company							
	Direct interests				Deemed interests			
	At 1.1.2011	Bought	Sold	At 31.12.2011	At 1.1.2011	Bought	Sold	At 31.12.2011
Dato' Dr. Hii Wi Sing	4,212,500	-	-	4,212,500	15,468,699	-	(11,434,700)	4,033,999
Ir. Michael Hii Ee Sing	48,100	-	-	48,100	15,197,099	-	(11,336,700)	3,860,399
Arthur Hii Lu Choon	250,000	-	-	250,000	13,957,899	-	(11,336,700)	2,621,199
Alexander Hii Lu Kwong	-	-	-	-	13,953,499	-	(11,336,700)	2,616,799
Victor Hii Lu Thian	-	-	-	-	13,948,499	-	(11,336,700)	2,611,799

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 and Starshine Holdings Sdn. Bhd, the nominal values of their ordinary shares are RM0.50 per share and RM0.10 per share respectively.

(The rest of this page is intentionally left blank.)

Directors' report
for the year ended 31 December 2011 (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 and 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 preceding 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

There were neither changes in the authorised, issued and paid-up capitals of the Company, nor issuances of debentures by the Company, during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

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 2011 (2010:65,178,300). None of the said warrants has been exercised during the current year.

Save as disclosed, no options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income 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.

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.

Directors' report
for the year ended 31 December 2011 (cont'd)

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

In the opinion of the Directors, except for the gain on the deemed disposal of a subsidiary of RM8,444,447 recognised in the individual financial statements of the Company (see Note 18 to the financial statements), the financial performance of the Group and of the Company for the financial year ended 31 December 2011 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

Arthur Hii Lu Choon

Kuching,

Date: 30 March 2012

Statements of Financial Position

as at 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Assets					
Property, plant and equipment	3	317,087,204	284,227,319	221,714,454	206,751,583
Investment property	4	-	-	3,703,107	4,073,177
Investment in subsidiaries	5	-	-	26,416,977	20,472,500
Goodwill	6	-	1,437,871	-	-
Deferred tax assets	7	83,000	107,000	-	-
Quoted investments	8	23,515	23,515	-	-
Total non-current assets		317,193,719	285,795,705	251,834,538	231,297,260
Inventories	9	117,537,139	137,930,337	86,524,359	88,630,483
Property held for sale	10	322,810	322,810	-	-
Trade and other receivables	11	71,402,764	82,610,858	57,959,658	73,292,921
Deposits and prepayments	12	2,316,197	4,980,185	1,441,087	2,058,560
Current tax recoverable		1,194,036	441,639	395,047	324,864
Cash and bank balances	13	21,891,308	26,297,620	2,306,120	1,816,577
Total current assets		214,664,254	252,583,449	148,626,271	166,123,405
Total assets		531,857,973	538,379,154	400,460,809	397,420,665
Equity					
Share capital	14	101,786,779	101,786,779	101,786,779	101,786,779
Reserves	14	49,232,093	70,120,809	48,453,324	58,849,955
Total equity attributable to owners of the Company		151,018,872	171,907,588	150,240,103	160,636,734
Non-controlling interests	2(a)(iv)	13,793,828	15,615,182	-	-
Total equity		164,812,700	187,522,770	150,240,103	160,636,734
Liabilities					
Loans and borrowings	15	91,079,503	85,732,361	51,626,506	54,767,775
Deferred tax liabilities	7	12,180,000	17,511,000	10,803,000	14,773,000
Employee benefits	16	3,246,816	2,920,245	3,246,816	2,920,245
Total non-current liabilities		106,506,319	106,163,606	65,676,322	72,461,020
Trade and other payables	17	45,285,354	25,155,290	30,607,344	11,378,543
Loans and borrowings	15	215,156,600	219,117,480	153,937,040	152,944,368
Current tax liabilities		97,000	420,008	-	-
Total current liabilities		260,538,954	244,692,778	184,544,384	164,322,911
Total liabilities		367,045,273	350,856,384	250,220,706	236,783,931
Total equity and liabilities		531,857,973	538,379,154	400,460,809	397,420,665

The notes on pages 44 to 100 are an integral part of these financial statements.

Statements of Comprehensive Income
for the year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue					
- sales of galvanized and coated steel products, building and construction materials		429,342,433	466,399,046	299,853,635	372,680,356
Cost of sales		(406,381,541)	(409,043,169)	(296,320,942)	(346,018,828)
Gross profit		22,960,892	57,355,877	3,532,693	26,661,528
Other income		1,531,894	3,356,619	10,640,129	5,158,604
Selling and distribution expenses		(6,091,095)	(5,681,314)	(2,190,484)	(2,120,555)
Administrative expenses		(28,266,316)	(24,800,402)	(13,749,138)	(11,255,698)
Results from operating activities	18	(9,864,625)	30,230,780	(1,766,800)	18,443,879
Finance income	20	452,214	528,715	314,139	69,949
Finance costs	21	(15,279,802)	(13,493,350)	(10,041,237)	(9,519,767)
Net finance costs		(14,827,588)	(12,964,635)	(9,727,098)	(9,449,818)
(Loss)/Profit before tax		(24,692,213)	17,266,145	(11,493,898)	8,994,061
Income tax income/(expense)	22	4,741,528	(4,748,705)	3,840,183	(2,581,136)
(Loss)/Profit and total comprehensive (loss)/income for the year		(19,950,685)	12,517,440	(7,653,715)	6,412,925
(Loss)/Profit attributable to:					
Owners of the Company		(17,969,076)	9,562,113	(7,653,715)	6,412,925
Non-controlling interests		(1,981,609)	2,955,327	-	-
(Loss)/Profit and total comprehensive income for the year		(19,950,685)	12,517,440	(7,653,715)	6,412,925
Basic earnings per ordinary share (sen)	23	(9.2)	4.9		
Diluted earnings per ordinary share (sen)	23	(8.9)	4.8		

The notes on pages 44 to 100 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

Group	Note	Ordinary share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Redeemable convertible preference shares RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company									
		Non-distributable						*Distributable*			
At 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
Total comprehensive income for the year		-	-	-	-	-	-	9,562,113	9,562,113	2,955,327	12,517,440
Issue of redeemable convertible preference shares	14	-	-	1,968,881	-	10,863,050	-	-	12,831,931	-	12,831,931
Dividends paid to owners of the Company	24	-	-	-	-	-	-	(4,888,372)	(4,888,372)	-	(4,888,372)
At 31 December 2010 / At 1 January 2011		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
Changes arising from group restructuring	32	-	-	-	(178,631)	-	-	1,907	(176,724)	160,255	(16,469)
Total comprehensive loss for the year		-	-	-	-	-	-	(17,969,076)	(17,969,076)	(1,981,609)	(19,950,685)
Dividends paid to owners of the Company	24	-	-	-	-	-	-	(2,742,916)	(2,742,916)	-	(2,742,916)
At 31 December 2011		90,923,729	6,843,721	1,968,881	5,879,195	10,863,050	1,792,700	32,747,596	151,018,872	13,793,828	164,812,700
		(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)				

The notes on pages 44 to 100 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011 (cont'd)

		Non-distributable					*Distributable*	
Company	**Note**	**Ordinary share capital RM**	**Warrant reserve RM**	**Share premium RM**	**Revaluation reserve RM**	**Redeemable convertible preference shares RM**	**Retained earnings RM**	**Total RM**
At 1 January 2010		90,923,729	6,843,721	-	4,441,694	-	44,071,106	146,280,250
Total comprehensive income for the year		-	-	-	-	-	6,412,925	6,412,925
Issue of redeemable convertible preference shares	14	-	-	1,968,881	-	10,863,050	-	12,831,931
Dividend paid to owners of the Company	24	-	-	-	-	-	(4,888,372)	(4,888,372)
At 31 December 2010 / 1 January 2011		90,923,729	6,843,721	1,968,881	4,441,694	10,863,050	45,595,659	160,636,734
Total comprehensive loss for the year		-	-	-	-	-	(7,653,715)	(7,653,715)
Dividend paid to owners of the Company		-	-	-	-	-	(2,742,916)	(2,742,916)
At 31 December 2011		90,923,729	6,843,721	1,968,881	4,441,694	10,863,050	35,199,028	150,241,103
		(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	

The notes on pages 44 to 100 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2011

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from operating activities				
(Loss)/Profit before tax	(24,692,213)	17,266,145	(11,493,898)	8,994,061
Adjustments for:				
Amortisation of investment property (Note 4)	-	-	370,070	370,072
Depreciation of property, plant and equipment (Note 3)	20,177,586	18,838,131	13,441,798	12,846,327
Dividend income	(375)	(1,555)	(1,175,000)	(2,250,000)
Finance income	(452,214)	(528,715)	(314,139)	(69,949)
Finance costs	15,279,802	13,493,350	10,041,237	9,519,767
Gain on disposal of property, plant and equipment	(222,609)	(327,778)	(176,915)	(104,555)
Property, plant and equipment written off	-	182	-	182
Provision for retirement benefits (Note 16)	367,091	372,094	367,091	372,094
Unrealised foreign exchange gain	-	(79,240)	-	(79,240)
Gain on deemed disposal of a subsidiary	-	-	(8,444,477)	-
Impairment loss on investment in subsidiaries	-	-	2,500,000	-
Goodwill written off	1,437,871	-	-	-
Operating profit before changes in working capital	11,894,939	49,032,614	5,115,767	29,598,759
Changes in inventories	20,393,198	(2,181,871)	2,106,124	13,611,313
Changes in trade and other receivables, deposits and prepayments	11,405,865	(24,147,948)	15,950,736	(3,486,012)
Changes in trade and other payables	20,130,064	1,896,624	19,228,801	(19,717)
Cash generated from operations	63,824,066	24,599,419	42,401,428	39,704,343
Income tax refunded/(paid)	(1,639,676)	(1,123,447)	-	197,694
Interest paid	(9,303,299)	(7,620,675)	(6,776,682)	(6,007,170)
Interest received	39,884	217,209	275,027	26,417
Retirement benefits paid (Note 16)	(40,520)	(21,000)	(40,520)	(21,000)
Net cash from operating activities	52,880,455	16,051,506	35,859,253	33,900,284
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(45,116,654)	(25,309,726)	(12,616,066)	(12,407,716)
Proceeds from disposal of property, plant and equipment	936,400	568,500	712,300	290,300
Interest received	452,331	311,506	39,112	43,532
Dividends received	375	1,555	975,000	1,875,000
Increase in deposits pledged to banks	(568,110)	(1,344,137)	-	-
Net cash used in investing activities	(44,295,658)	(25,772,302)	(10,889,654)	(10,198,884)

Statements of Cash Flows
for the year ended 31 December 2011 (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Cash flows from financing activities				
Proceeds from issuance of redeemable convertible preference shares	-	12,831,931	-	12,831,931
Net proceeds from/(repayment of) term loans	10,695,167	1,426,684	(12,502,000)	(4,964,170)
Net proceeds from/ (repayment of) bankers' acceptances and revolving credits	1,318,130	10,778,117	6,803,743	(23,490,271)
Repayment of finance lease liabilities	(8,574,518)	(8,038,154)	(5,733,117)	(5,271,590)
Dividends paid to owners of the Company	(2,742,916)	(4,888,372)	(2,742,916)	(4,888,372)
Interest paid	(6,016,505)	(5,872,675)	(3,264,556)	(3,512,597)
Net cash (used in)/from financing activities	(5,320,642)	6,237,531	(17,438,846)	(29,295,069)
Net increase/(decrease) in cash and cash equivalents	3,264,155	(3,483,265)	7,530,753	(5,593,669)
Cash and cash equivalents at beginning of year	(2,780,993)	702,272	(11,342,205)	(5,748,536)
Cash and cash equivalents at end of year [Note (ii)]	483,162	(2,780,993)	(3,811,452)	(11,342,205)

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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Paid in cash	45,116,654	25,309,726	12,616,066	12,407,716
In the form of finance lease assets	6,186,060	6,340,000	16,277,858	1,828,000
Deposits paid in prior years	2,465,404	355,585	63,585	-
Total (see Note 3)	53,768,118	32,005,311	28,957,509	14,235,716

(ii) Cash and cash equivalents

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with licensed banks (Note 13)	14,672,397	14,069,517	1,299,211	1,264,439
Cash and bank balances (Note 13)	7,218,911	12,228,103	1,006,909	552,138
Bank overdrafts (Note 15)	(8,034,960)	(16,273,537)	(6,117,572)	(13,158,782)
	13,856,348	10,024,083	(3,811,452)	(11,342,205)
Less: Deposits pledged (Note 13)	(13,373,186)	(12,805,076)	-	-
	483,162	(2,780,993)	(3,811,452)	(11,342,205)

The notes on pages 44 to 100 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 principal places of business and registered office of the Company are as follows:

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.

Registered office

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the Group and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

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 authorised for issue by the Board of Directors on 30 March 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

FRS / 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
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 January 2012
Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Asset*	1 January 2012
Amendments to FRS 112, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*	1 July 2012
Amendments to FRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
FRS 10, *Consolidated Financial Statements*	1 January 2013
FRS 11, *Joint Arrangements*	1 January 2013
FRS 12, *Disclosure of Interests in Other Entities*	1 January 2013
FRS 13, *Fair Value Measurement*	1 January 2013
FRS 119, *Employee Benefits* (2011)	1 January 2013
FRS 127, *Separate Financial statements* (2011)	1 January 2013
FRS 128, *Investments in Associates and Joint Ventures* (2011)	1 January 2013
IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*	1 January 2014
FRS 9, *Financial Instruments* (2009)	1 January 2015
FRS 9, *Financial Instruments* (2010)	1 January 2015
Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*	1 January 2015

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

For the reason explained below, the Group will however not adopt the above FRSs, Amendments and Interpretations.

The Malaysian Accounting Standards Board ("MASB"), in furtherance with its objective of converging the accounting framework for entities other than private entities in Malaysia with International Financial Reporting Standards (IFRS), announced on 19 November 2011 the issuance of Malaysian Financial Reporting Standards (MFRS). Entities other than private entities shall apply the MFRS framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141, *Agriculture* and/or IC Interpretation 15, *Agreements for the Construction of Real Estate*.

An entity subject to the application of MFRS 141 and/or IC Interpretation 15 may continue to apply Financial Reporting Standards (FRS) as its financial reporting framework for annual reporting periods beginning on or after 1 January 2012. The entity shall comply with the MFRS framework for annual periods beginning on or after 1 January 2013.

In view of the foregoing, the Group will adopt MFRS from the financial year ending 31 December 2012 and will not adopt the FRSs, Amendments and Interpretations listed in the preceding page.

(b) Basis of measurement

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

In addition, as the Group and the Company recorded net current liabilities of some RM46 million and RM36 million respectively as at 31 December 2011, their financial statements are prepared on the going concern basis which contemplates the realisation of assets and discharge of liabilities by the Group and the Company in the normal course of business. To address the going concern issue, the Board of Directors has laid out an action plan to turn around the Group and improve its operational cash flows via, *inter alia*, cost down measures, improvement in production yield, wastage reduction, increase in sales volumes and improvement in debtor collection period. Although having a buffer of unutilised banking facilities of some RM80 million as at 31 December 2011, the Group also plans to dispose its non-core assets and if necessary raise additional borrowings and new capital, among the measures being contemplated. Despite the critical judgement exercised in formulating, and the uncertainty in the actualisation of these plans, the Group and the Company are confident of their ability to continue as a going concern.

(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.

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 1(b), going concern assumption used in the preparation of the financial statements.
- Note 3, impairment assessment of property, plant and equipment.
- 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, and have been applied consistently by the Group entities, unless otherwise disclosed.

(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.

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 or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

For 1 January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisition between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisition prior to 1 January 2006

For acquisition 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.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest 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.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separated Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standards and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceeded their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(v) 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 associates are eliminated against the investment to the extent of the Group's interest in the associates. 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

(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.

Notes to the Financial Statements (cont'd)

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial instruments** (cont'd)

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

Financial assets (cont'd)

(a) ***Financial assets at fair value through profit or loss*** (cont'd)

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.

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(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities (cont'd)

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) Derecognition

A financial asset or a part thereof 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 thereof 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 the 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

Property, plant and equipment under the revaluation model

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.

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.

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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(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.

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. Leasehold land which in substance is a operating lease is classified as prepaid lease payments.

(f) Intangible assets - goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they 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).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

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.

Depreciation on buildings is charged to profit or loss on a straight-line basis over their estimated useful life of 50 years.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investment property (cont'd)

Determination of fair value

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of raw materials, manufactured inventories and work-in-progress is determined using the weighted average 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.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity accounted investees ceases once classified as held for sale or distribution.

(j) 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 with original maturities of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(i) Financial assets (cont'd)

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) Other assets

The carrying amounts of other assets [except for inventories, deferred tax asset, investment property that is measured at fair value and 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 (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating units or or a group of 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 or cash-generating units.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating units or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a groups of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(ii) Other assets (cont'd)

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.

(l) 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 financial 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.

(m) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee benefits (cont'd)

(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, and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(n) Contingent liabilities

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group (see Note 27), 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company'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 in profit or loss as it accrues using the effective interest method 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.

(p) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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 be applied 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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)

(p) 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.

(q) 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.

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.

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.

(r) Earnings per ordinary 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, adjusted for own shares held.

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.

(s) 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, to make decisions about resources to be allocated to the segment and to 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 2010		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/ 1 January 2011		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
Additions		9,982,928	-	1,436,555	-	484,703	2,397,480	-	789,206	-	47,000	38,630,246	53,768,118
Disposals/Write-offs		-	-	(595,272)	(471,765)	-	(12,695)	-	(865,287)	-	-	(180)	(1,945,199)
Transfers		-	-	(168,000)	152,761	(152,761)	6,614,226	-	6,000	-	-	(6,452,226)	-
At 31 December 2011		40,332,928	4,048,328	101,423,108	227,529,502	39,069,400	18,725,833	2,583,519	5,377,796	4,864,381	1,561,931	37,505,041	483,021,767
Representing items at:													
Cost		9,982,928	4,048,328	101,423,108	227,529,502	39,069,400	18,725,833	2,583,519	5,377,796	4,864,381	1,561,931	37,505,041	452,671,767
Directors' valuation		30,350,000	-	-	-	-	-	-	-	-	-	-	30,350,000
At 31 December 2011		40,332,928	4,048,328	101,423,108	227,529,502	39,069,400	18,725,833	2,583,519	5,377,796	4,864,381	1,561,931	37,505,041	483,021,767

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 2010		-	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/ 1 January 2011		-	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
Depreciation for the year	18	-	76,937	3,850,527	12,320,142	1,351,957	990,766	193,238	172,361	893,708	144,041	183,909	20,177,586
Disposals/Write-offs		-	-	(108,423)	-	-	(811,255)	-	(294,874)	-	-	-	(1,214,552)
Transfers		-	-	183,909	-	-	-	-	695,062	(695,062)	-	(183,909)	-
At 31 December 2011		-	768,342	25,920,914	116,497,607	8,735,259	5,658,072	676,382	5,065,323	1,479,635	1,133,029	-	165,934,563
Carrying amounts													
At 1 January 2010		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 / 1 January 2011		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
At 31 December 2011		40,332,928	3,279,986	75,502,194	111,031,895	30,334,141	13,067,761	1,907,137	312,473	3,384,746	428,902	37,505,041	317,087,204

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 2010		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/ 1 January 2011		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
Additions		-	-	1,342,853	2,199,312	-	607,702	-	-	98,187	24,709,455	28,957,509
Disposals		-	-	(595,272)	(12,695)	-	(822,057)	-	(162,620)	-	(180)	(1,592,824)
Transfers		-	-	(168,000)	6,614,226	-	-	-	260,000	(260,000)	(6,446,226)	-
At 31 December 2011		21,600,000	3,299,500	56,216,981	202,474,167	26,697,595	5,559,954	11,700	3,596,505	2,303,901	22,941,742	344,702,045
Representing items at:												
Cost		-	3,299,500	56,216,981	202,474,167	26,697,595	5,559,954	11,700	3,596,505	2,303,901	22,941,742	323,102,045
Directors' valuation		21,600,000	-	-	-	-	-	-	-	-	-	21,600,000
At 31 December 2011		21,600,000	3,299,500	56,216,981	202,474,167	26,697,595	5,559,954	11,700	3,596,505	2,303,901	22,941,742	344,702,045

Notes to the Financial Statements (cont'd)

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 2010		-	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/ 1 January 2011		-	559,315	17,311,167	81,320,639	4,292,257	3,424,279	1,454	3,392,403	284,263	-	110,585,777
Depreciation for the year	18	-	63,451	2,727,183	9,123,936	306,053	548,898	562	94,730	393,076	183,909	13,441,798
Disposals		-	-	(108,423)	-	-	(768,941)	-	(162,620)	-	-	(1,039,984)
Transfers		-	-	166,013	17,896	-	-	-	225,333	(225,333)	(183,909)	-
At 31 December 2011		-	622,766	20,095,940	90,462,471	4,598,310	3,204,236	2,016	3,549,846	452,006	-	122,987,591
Carrying amounts												
At 1 January 2010		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 / 1 January 2011		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
At 31 December 2011		21,600,000	2,676,734	36,121,041	112,011,696	22,099,285	2,355,718	9,684	46,659	1,851,895	22,941,742	221,714,454

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 Bursa Malaysia Securities Berhad, based on an independent valuation determined using the open market value method.

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

	Group	
	2011	**2010**
	RM	**RM**
Carrying amounts		
Freehold land	18,661,609	18,661,609
Buildings	756,415	999,839
	19,418,024	19,661,448

3.2 *Security*

In addition to assets under finance lease which secure the lease obligations of the Group and the Company, the following property, plant and equipment are charged as security for certain bank borrowings (see Note 15).

	Carrying amounts	
	2011	**2010**
Group	**RM**	**RM**
Fixed charges		
Freehold land	18,732,928	8,750,000
Leasehold land	603,252	616,738
Buildings (including those under construction)	35,695,542	36,355,513
	55,031,722	45,722,251
Under debentures		
Plant and equipment	2,866,702	4,537,300
	57,898,424	50,259,551

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 (2010: four) parcels of land, the lease terms of which expire in 2048, 2052 and 2054. The leasehold land is amortised to profit or loss over its lease terms.

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

3.5 *Impairment review of property, plant and equipment*

Due to operating losses of a plant of the Company, the Company has evaluated whether the underlying buildings and plant and machineries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by a professional valuation firm by reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets. The valuation by its nature entails a critical judgement. The carrying amount of the affected assets is not impaired as at year end as its estimated fair value less costs to sell is higher than its carrying amount.

4. INVESTMENT PROPERTY – COMPANY

	Factory building RM
Cost	
At 1 January 2010, 31 December 2010/1 January 2011 and 31 December 2011	7,401,433
Amortisation	
At 1 January 2010	2,958,184
Amortisation for the year (Note 18)	370,072
At 31 December 2010/1 January 2011	3,328,256
Amortisation for the year (Note 18)	370,070
At 31 December 2011	3,698,326
Carrying amounts	
At 1 January 2010	4,443,249
At 31 December 2010/1 January 2011	4,073,177
At 31 December 2011	3,703,107
Estimated fair value	
At 1 January 2010	7,927,000
At 31 December 2010/1 January 2011	7,927,000
At 31 December 2011	7,927,000

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

5. INVESTMENT IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	28,916,977	20,472,500
Less: Impairment loss	(2,500,000)	-
	26,416,977	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 2011 %	Effective ownership interest 2010 %
Direct			
Magic Network Sdn. Bhd. ("MN")	Marketing and sale of galvanised products	100.00	100.00
Integrated Coil Coating Industries Sdn. Bhd. ("ICCI")	Manufacture and sale of colour coated materials	100.00	100.00
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	54.49	-
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and prepainted galvanised iron steel sheets in coils	54.49	-
Star Shine Global Trading Sdn. Bhd. ("SSGT")	Trading of flat steel products	54.49	-
Star Shine Steel Products Sdn. Bhd. ("SSSP")	Processing and trading of long and flat steel products	54.49	-
Star Shine Industries Sdn. Bhd. ("SSI")	Manufacturing and trading of steel tubes and pipes and drawer slides	54.49	-
Indirect through SSM			
Starshine Resources Sdn. Bhd. ("SSR")	Dormant	54.49	-
SSGT	Trading of flat steel products	-	33.15
SSSP	Processing and trading of long and flat steel products	-	49.08
SSI	Manufacturing and trading of steel tubes and pipes and drawer slides	-	47.45

Notes to the Financial Statements (cont'd)

6. GOODWILL – GROUP

	2011 RM	2010 RM
Cost and carrying amounts		
Opening balances	1,437,871	1,437,871
Write-off during the year (Note 18)	(1,437,871)	-
	-	1,437,871

The goodwill has been written off during the year as the subsidiary has ceased operation as at 31 December 2011.

7. DEFERRED TAX

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2011 RM**	**2010 RM**	**2011 RM**	**2010 RM**	**2011 RM**	**2010 RM**
Property, plant and equipment		-	(29,224,000)	(27,685,000)	(29,224,000)	(27,685,000)
Revaluation reserve	-	-	(490,000)	(490,000)	(490,000)	(490,000)
Retirement benefits	812,000	730,000	-	-	812,000	730,000
Capital allowance carry-forwards	15,929,000	9,769,000	-	-	15,929,000	9,769,000
Tax loss carry-forwards	871,000	165,000	-	-	871,000	165,000
Other items	5,000	107,000	-	-	5,000	107,000
Tax assets/(liabilities)	17,617,000	10,771,000	(29,714,000)	(28,175,000)	(12,097,000)	(17,404,000)
Set off	(17,534,000)	(10,664,000)	17,534,000	10,664,000	-	-
Net tax assets/ (liabilities)	83,000	107,000	(12,180,000)	(17,511,000)	(12,097,000)	(17,404,000)

	Assets/(Liabilities)	
Company	**2011 RM**	**2010 RM**
Property, plant and equipment	(26,734,000)	(24,597,000)
Revaluation reserve	(490,000)	(490,000)
Retirement benefits	812,000	730,000
Capital allowance carry-forwards	14,949,000	9,584,000
Tax loss carry-forwards	660,000	-
Deferred tax liabilities	(10,803,000)	(14,773,000)

7. DEFERRED TAX (cont'd)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2010 RM	Recognised in profit or loss RM	At 31.12.2010/ 1.1.2011 RM	Recognised in profit or loss RM	At 31.12.2011 RM
Property, plant and equipment	(23,833,000)	(3,852,000)	(27,685,000)	(1,539,000)	(29,224,000)
Revaluation reserve	(490,000)	-	(490,000)	-	(490,000)
Allowance for impairment losses on doubtful receivables	-	-	-		
Retirement benefits	642,000	88,000	730,000	82,000	812,000
Capital allowance carry-forwards	9,017,000	752,000	9,769,000	6,160,000	15,929,000
Tax loss carry-forwards	165,000	-	165,000	706,000	871,000
Other items	268,000	(161,000)	107,000	(102,000)	5,000
	(14,231,000)	(3,173,000)	(17,404,000)	5,307,000	(12,097,000)
		(Note 22)		(Note 22)	

Company	At 1.1.2010 RM	Recognised in profit or loss RM	At 31.12.2010/ 1.1.2011 RM	Recognised in profit or loss RM	At 31.12.2011 RM
Property, plant and equipment	(20,727,000)	(3,870,000)	(24,597,000)	(2,137,000)	(26,734,000)
Revaluation reserve	(490,000)	-	(490,000)	-	(490,000)
Retirement benefits	642,000	88,000	730,000	82,000	812,000
Capital allowance carry-forwards	8,160,000	1,424,000	9,584,000	5,365,000	14,949,000
Tax loss carry-forwards	-	-	-	660,000	660,000
	(12,415,000)	(2,358,000)	(14,773,000)	3,970,000	(10,803,000)
		(Note 22)		(Note 22)	

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.

8. OTHER INVESTMENTS - GROUP

	Quoted shares in Malaysia 2011 RM	2010 RM
Non-current		
Available for sales financial assets	42,200	42,200
Less: Impairment loss	(18,685)	(18,685)
	23,515	23,515
Market value of quoted investment (Note 25)	13,275	21,570

9. INVENTORIES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At cost				
Raw materials	16,045,609	28,761,158	15,422,010	12,436,455
Manufactured inventories	34,737,033	42,402,244	18,708,915	23,827,581
Galvanised/Trading products	15,614,584	11,780,258	-	-
Consumables	17,212,316	15,308,146	17,212,316	15,034,417
Work-in-progress	17,066,009	36,243,143	18,319,530	34,885,153
	100,675,551	134,494,949	69,662,771	86,183,606
At net realisable value				
Manufactured inventories	16,861,588	3,435,388	16,861,588	2,446,877
Total inventories	117,537,139	137,930,337	86,524,359	88,630,483

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 RM1,448,445 (2010: RM391,430) and RM1,448,445 (2010: RM253,360) respectively. The write down was included in the cost of sales for the year.

10. PROPERTY HELD FOR SALE – GROUP

	Buildings RM
At 1 January 2010 and 31 December 2010/1 January 2011 and 31 December 2011	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 the property has yet to be transferred to the Group as at the year end.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade				
Trade receivables	74,031,811	84,901,238	1,752,853	2,074,428
Less: Allowance for impairment losses on doubtful receivables	(3,057,053)	(2,538,849)	(124,814)	(124,814)
	70,974,758	82,362,389	1,628,039	1,949,614
Amount due from subsidiaries	-	-	56,072,095	71,282,638
	70,974,758	82,362,389	57,700,134	73,232,252

Notes to the Financial Statements (cont'd)

11. TRADE AND OTHER RECEIVABLES (cont'd)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Non-trade				
Other receivables	428,006	248,469	259,524	60,669
Total	71,402,764	82,610,858	57,959,658	73,292,921

11.1 Assessment of impairment losses on doubtful receivables

The Group's normal trade credit term ranges from 30 to 90 days. The main collectability risk of trade receivables is customer insolvencies. Management determines allowance for impairment losses on 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 judgmental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

Specific allowance is made for debts which are considered doubtful when the trade accounts become inactive or when the amounts are under litigation. Write-off of debts against specific allowance is made only when avenues of recovery have been exhausted and the amounts are considered to be irrecoverable. Although management considers the allowance for impairment losses on doubtful receivables to be adequate as at 31 December 2011 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 year, there are no doubtful receivables written off against allowance for impairment losses on doubtful receivables made previously by the Group.

11.2 The trade balances due from subsidiaries are unsecured and do not bear interest unless they are not paid within the agreed credit term.

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

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Denominated in US Dollar	80,825	976,603	-	318,185

12. DEPOSITS AND PREPAYMENTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Deposits	813,765	3,585,847	914,799	1,474,003
Prepayments	1,502,432	1,394,338	526,288	584,557
	2,316,197	4,980,185	1,441,087	2,058,560

Deposits of the Group and of the Company include an amount of RM713,523 (2010: RM2,465,404) and RM713,523 (2010: RM702,374) respectively paid for the purchase of materials, plant and equipment.

Notes to the Financial Statements (cont'd)

13. CASH AND BANK BALANCES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash in hand	22,272	21,658	1,607	2,930
Cash at bank	7,196,639	12,206,445	1,005,302	549,208
	7,218,911	12,228,103	1,006,909	552,138
Fixed deposits with original maturities exceeding 3 months	1,299,211	1,264,441	1,299,211	1,264,439
Fixed deposits pledged to banks	13,373,186	12,805,076	-	-
	14,672,397	14,069,517	1,299,211	1,264,439
	21,891,308	26,297,620	2,306,120	1,816,577

Included in fixed deposits of the Group is an amount of RM13,373,186 (2010: RM12,805,076) pledged for banking facilities granted to certain subsidiaries (Note 15).

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	Amount 2011 RM	Number of shares 2011	Amount 2010 RM	Number of shares 2010
Authorised				
Ordinary shares of RM0.50 each	450,000,000	900,000,000	450,000,000	900,000,000
Redeemable convertible preferences shares of RM0.50 each	50,000,000	100,000,000	50,000,000	100,000,000
	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Issued and fully paid up				
Ordinary shares of RM0.50 each				
Opening and closing balance	90,923,729	195,534,900	90,923,729	195,534,900
Redeemable convertible preferences shares of RM0.50 each				
Opening balance	10,863,050	21,726,100	-	-
Issued for cash	-	-	10,863,050	21,726,100
Closing balance	10,863,050	21,726,100	10,863,050	21,726,100
Total	101,786,779	217,261,000	101,786,779	217,261,000

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 purposes. The total consideration received was RM12,831,931 net of transaction cost of RM203,729.

14. CAPITAL AND RESERVES (cont'd)

14.1 Share capital (cont'd)

***Redeemable Convertible Preference Shares** (cont'd)*

The holders of the preference shares are entitled to receive dividends as declared from time to time 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 preference shares.

The redeemable convertible preference shares ("RCPS") 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.

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.

14. CAPITAL AND RESERVES (cont'd)

14.1 *Share capital (cont'd)*

***Redeemable Convertible Preference Shares** (cont'd)*

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 ordinary shares and has the same rights as the holder of ordinary shares in respect of all proceedings at that general meeting.

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

14.2 *Reserves*

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Revaluation reserve	5,879,195	6,057,826	4,441,694	4,441,694
Capital reserve	1,792,700	1,792,700	-	-
Retained earnings	32,747,596	53,457,681	35,199,028	45,595,659
Warrant reserve	6,843,721	6,843,721	6,843,721	6,843,721
Share premium	1,968,881	1,968,881	1,968,881	1,968,881
	49,232,093	70,120,809	48,453,324	58,849,955

The movements in each category of reserves are disclosed in the statement of changes in equity.

The nature and purpose of each category of reserves are as follows:

(i) Revaluation reserve

This comprises surplus from the revaluation of freehold land and buildings (see Note 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 2011 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.

14. CAPITAL AND RESERVES (cont'd)

14.2 Reserves (cont'd)

(iv) Retained earnings – Section 108 tax credit (cont'd)

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 2011 amounting to RM119,033,000 (2010: RM111,726,000) 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 year 2010.

15. LOANS AND BORROWINGS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-current				
Term loans				
- secured	30,224,671	23,822,936	-	-
- unsecured	49,837,499	48,172,532	49,837,499	48,172,532
Finance lease liabilities				
- secured	11,017,333	13,736,893	1,789,007	6,595,243
	91,079,503	85,732,361	51,626,506	54,767,775
Current				
Term loans				
- secured	4,180,716	2,629,270	-	-
- unsecured	14,579,019	13,502,000	14,579,019	12,502,000
Finance lease liabilities				
- secured	8,697,546	8,366,444	4,883,449	5,730,329
Bankers' acceptances and revolving credits				
- secured	40,810,359	40,382,972	-	-
- unsecured	138,854,000	137,963,257	128,357,000	121,553,257
Bank overdrafts				
- unsecured	8,034,960	16,273,537	6,117,572	13,158,782
	215,156,600	219,117,480	153,937,040	152,944,368
Total	306,236,103	304,849,841	205,563,546	207,712,143

15. LOANS AND BORROWINGS (cont'd)

Security

Overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of fixed deposits (see Note 13).
- Secured by fixed charges over certain 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 certain subsidiaries' present and future assets.
- Covered by a corporate guarantee from the Company and one of its direct subsidiaries.

Finance leases liabilities

Company and subsidiaries

The finance lease liabilities are secured on the respective finance lease assets. Certain finance lease liabilities of indirect subsidiaries amounting to RM6,710,267 (2010: RM4,066,143) are also guaranteed by an indirect subsidiary.

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 2011 is RM38,934,702 (2010: RM50,179,892).

Finance lease liabilities are payable as follows:

	2011			2010		
	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	9,773,050	1,075,504	8,697,546	9,556,734	1,190,290	8,366,444
Between one and five years	11,873,797	1,165,053	10,708,744	14,842,170	1,105,277	13,736,893
More than five years	312,000	3,411	308,589	-	-	-
	21,958,847	2,243,968	19,714,879	24,398,904	2,295,567	22,103,337
Company						
Less than one year	5,100,195	216,746	4,883,449	6,258,396	528,067	5,730,329
Between one and five years	1,889,805	100,798	1,789,007	6,901,418	306,175	6,595,243
	6,990,000	317,544	6,672,456	13,159,814	834,242	12,325,572

Notes to the Financial Statements (cont'd)

16. EMPLOYEE BENEFITS

Retirement benefits

	Group and Company 2011 RM	2010 RM
Present value of unfunded obligations	3,723,496	3,406,640
Unrecognised actuarial loss	(476,680)	(486,395)
Recognised liability for defined benefit obligations	3,246,816	2,920,245

Liability for defined benefit obligations

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

Movement in present value of defined benefit obligations

	Group and Company 2011 RM	2010 RM
Defined benefit obligations at 1 January	2,920,245	2,569,151
Benefits paid by the plan	(40,520)	(21,000)
Current service costs and interest (see below)	357,376	359,268
Actuarial losses recognised (see below)	9,715	12,826
	367,091	372,094
Defined benefit obligations at 31 December	3,246,816	2,920,245

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

	2011 RM	2010 RM
Administrative expenses		
Current service costs	179,263	185,744
Interest on obligation	178,113	173,524
Actuarial losses	9,715	12,826
	367,091	372,094

Actuarial assumptions

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

	Group and Company 2011	2010
Discount rate at 31 December	6	6
Average age of directors	49	48
Average years of service of directors	13	12
Average age of employees	33	32
Average years of service of employees other than directors	7	6

Notes to the Financial Statements (cont'd)

16. EMPLOYEE BENEFITS (cont'd)

Historical information

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

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade				
Trade payables	41,118,496	20,246,824	28,916,531	9,357,775
Non-trade				
Other payables	1,362,988	1,355,496	25,700	20,000
Accrued expenses	2,803,870	3,552,970	1,665,113	2,000,768
	4,166,858	4,908,466	1,690,813	2,020,768
Total	45,285,354	25,155,290	30,607,344	11,378,543

18. RESULTS FROM OPERATING ACTIVITIES

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Profit for the year is arrived at after charging:					
Allowance for impairment loss on doubtful receivables		518,204	75,587	-	-
Amortisation of investment property	4	-	-	370,070	370,072
Auditors' remuneration:					
- audit fees					
- KPMG Malaysia		116,000	110,000	36,000	36,000
- non-audit fees					
- KPMG Malaysia		39,900	38,400	18,200	22,800
Bad debts written off		9,300	-	-	-
Depreciation of property, plant and equipment	3	20,177,586	18,838,131	13,441,798	12,846,327
Foreign exchange loss					
- realised		2,587	30,449	-	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,327,815	2,147,999	1,114,234	1,052,950
- wages, salaries and others		25,111,886	24,216,301	13,747,890	13,751,890
- expenses related to defined benefit plan	16	367,091	372,094	367,091	372,094

18. RESULTS FROM OPERATING ACTIVITIES (cont'd)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Profit for the year is arrived at after charging: (cont'd)					
Property, plant and equipment written off		-	182	-	182
Impairment loss					
- goodwill	6	1,437,871	-	-	-
- investment in subsidiary	5	-	-	2,500,000	-
Rental of premises and land		650,339	634,473	624,759	607,756
And after crediting:					
Bad debts recovered		-	103,336	-	-
Dividend income from:					
- subsidiaries (unquoted)		-	-	1,175,000	2,250,000
- shares quoted in Malaysia		375	1,555	-	-
Gain on disposal of property, plant and equipment		222,609	327,778	176,915	104,555
Gain on deemed disposal of a subsidiary		-	-	8,444,447	-
Foreign exchange gain					
- unrealised		-	79,240	-	79,240
- realised		129,547	2,163,908	125,125	2,163,908
Rental income from property leased out		39,900	43,420	615,900	560,900
Reversal of impairment loss on receivables		-	285,918	-	-

19. KEY MANAGEMENT PERSONNEL COMPENSATIONS

Compensations to key management personnel are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Company				
- Fees	410,500	782,000	260,000	365,000
- Short term employee benefits	3,702,352	4,045,964	2,664,164	2,649,042
	4,112,852	4,827,964	2,924,164	3,014,042
Directors of subsidiaries				
- Fees	167,500	366,000	-	-
- Short term employee benefits	2,957,376	1,983,565	-	-
	3,124,876	2,349,565	-	-

Notes to the Financial Statements (cont'd)

19. KEY MANAGEMENT PERSONNEL COMPENSATIONS (cont'd)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Other key management personnel				
- Short term employee benefits	1,575,818	1,565,515	1,575,818	1,565,515
Total	8,813,546	8,743,044	4,499,982	4,579,557

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.

20. FINANCE INCOME

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest income of financial assets that are not at fair value through profit or loss				
- recognised before impairment	452,214	528,715	314,139	69,949

21. FINANCE COST

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- Loans	4,752,976	4,372,867	8,906,053	2,736,407
- Bank overdrafts	1,196,424	975,087	522,710	909,708
- Other borrowings	9,330,402	8,145,396	612,474	5,873,652
	15,279,802	13,493,350	10,041,237	9,519,767

22. INCOME TAX (INCOME)/EXPENSE

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Recognised in profit or loss				
Current tax expense				
Malaysian - current year	401,000	1,613,000	17,000	261,000
- prior years	164,472	(37,295)	112,817	(37,864)
Total current tax	565,472	1,575,705	129,817	223,136

Notes to the Financial Statements (cont'd)

22. INCOME TAX (INCOME)/EXPENSE (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
***Recognised in profit or loss** (cont'd)*				
Deferred tax (income)/ expense (Note 7)				
- current year	(5,133,000)	2,578,000	(4,032,000)	1,735,000
- prior year	(174,000)	595,000	62,000	623,000
Total deferred tax	(5,307,000)	3,173,000	(3,970,000)	2,358,000
Total income tax (income)/expense	(4,741,528)	4,748,705	(3,840,183)	2,581,136

Reconciliation of effective tax expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
(Loss)/Profit for the year	(19,950,685)	12,517,440	(7,653,715)	6,412,925
Total income tax (income)/expense	(4,741,528)	4,748,705	(3,840,183)	2,581,136
(Loss)/Profit excluding tax	(24,692,213)	17,266,145	(11,493,898)	8,994,061
Income tax calculated using Malaysian tax rate of 25% (2010: 25%)	(6,173,000)	4,339,000	(2,873,000)	2,249,000
Non-deductible expenses	1,441,000	28,000	969,000	122,000
Tax exempt income	-	-	(2,111,000)	(375,000)
Utilisation of reinvestment allowance	-	(176,000)	-	-
	(4,732,000)	4,191,000	(4,015,000)	1,996,000
(Over)/Under provision in prior years	(9,528)	557,705	174,817	585,136
Income tax (income)/expense	(4,741,528)	4,748,705	(3,840,183)	2,581,136

23. LOSS/EARNINGS PER ORDINARY SHARE - GROUP

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2011 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2011 RM	2010 RM
(Loss)/Profit attributable to ordinary shareholders	(17,969,076)	9,562,113

Notes to the Financial Statements (cont'd)

23. LOSS/EARNINGS PER ORDINARY SHARE - GROUP (cont'd)

Basic (loss)/earnings per ordinary share (cont'd)

	2011 RM	2010 RM
Weighted average number of shares at 1 January and 31 December	195,534,900	195,534,900
Basic (loss)/earnings per ordinary share (sen)	(9.2)	4.9

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2011 was based on the (loss)/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:

	2011 RM	2010 RM
(Loss)/Profit attributable to ordinary shareholders	(17,969,076)	9,562,113

Weighted average number of ordinary shares (diluted)

	2011	2010
Weighted average number of ordinary shares at 31 December (basic)	195,534,900	195,534,900
Effect of outstanding warrants	6,680,454	3,020,800
Weighted average number of ordinary shares at 31 December (diluted)	202,215,354	198,555,700

	2011 sen	2010 sen
Diluted (loss)/earnings per ordinary share	(8.9)	4.8

24. DIVIDENDS

Dividend per share

	2011 sen	2010 sen
Dividend per ordinary share – gross	-	1.250
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.

24. DIVIDENDS (cont'd)

Dividend per share *(cont'd)*

Dividends recognised in the year by the Company comprise:

	Sen per share (net of tax)	Total RM	Date of payment
2011			
Final 2010 - ordinary share	1.25	2,444,183	31 May 2011
- redeemable convertible preference share	1.375	298,733	31 May 2011
		2,742,916	
2010			
Final 2009 ordinary	2.500	4,888,372	31 May 2010

The Directors did not recommend any dividend to be paid in respect of the year ended 31 December 2011.

25. FINANCIAL INSTRUMENTS

(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).

2011	Carrying amount RM	L&R/ (OL) RM	AFS RM
Financial assets			
Group			
Quoted investments	23,515	-	23,515
Trade and other receivables	71,402,764	71,402,764	-
Cash and bank balances	21,891,308	21,891,308	-
	93,317,587	93,294,072	23,515
Company			
Trade and other receivables	57,959,658	57,959,658	-
Cash and bank balances	2,306,120	2,306,120	-
	60,265,778	60,265,778	-

25. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

2011	Carrying amount RM	L&R/ (OL) RM	AFS RM
Financial liabilities			
Group			
Loans and borrowings	(306,236,103)	(306,236,103)	-
Trade and other payables	(45,285,354)	(45,285,354)	-
	(351,521,457)	(351,521,457)	-
Company			
Loans and borrowings	(205,563,546)	(205,563,546)	-
Trade and other payables	(30,607,344)	(30,607,344)	-
	(236,170,890)	(236,170,890)	-
2010			
Financial assets			
Group			
Quoted investments	23,515	-	23,515
Trade and other receivables	82,160,858	82,160,858	-
Cash and bank balances	26,297,620	26,297,620	-
	108,481,993	108,458,478	23,515
Company			
Trade and other receivables	73,292,921	73,292,921	-
Cash and bank balances	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)	-

25. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk from customers;
- Liquidity risk from its various payables; and
- 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, especially that on receivables from external customers, 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 trade debtor of RM1,269,613 (2010: RM1,184,439) and four (2010: three) subsidiaries of RM52,285,417 (2010: RM59,184,501). The maximum exposure to credit risk arising from receivables is represented by their 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 RM58,508,712 (2010: RM66,813,818) of the Group are secured by financial guarantees given by banks and/or corporate/personal guarantees of shareholders or directors of the counterparties. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancement.

Notes to the Financial Statements (cont'd)

25. 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
2011			
Not past due	46,423,702	-	46,423,702
Past due 0-30 days	14,664,954	-	14,664,954
Past due 31-120 days	8,483,296	-	8,483,296
Past due 121-180 days	1,356,162	-	1,136,540
Past due more than 180 days	3,531,703	(3,057,053)	694,272
	74,459,817	(3,057,053)	71,402,764

The ageing of fixed deposits as at the end of reporting period was:

	Gross RM	Individual impairment RM	Net RM
2011			
Not past due	14,672,397	-	14,672,397

Group	Gross RM	Individual impairment RM	Net RM
2010			
Not past due	54,322,532	-	54,322,532
Past due 0-30 days	19,716,254	-	19,716,254
Past due 31-120 days	7,971,327	(115,072)	7,856,255
Past due 121-180 days	686,417	(219,622)	466,795
Past due more than 180 days	2,453,177	(2,204,155)	249,022
	85,149,707	(2,538,849)	82,610,858

The ageing of fixed deposits as at the end of reporting period was:

	Gross RM	Individual impairment RM	Net RM
2010			
Not past due	1,299,211	-	1,299,211

25. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk (cont'd)

Receivables (cont'd)

(iii) Impairment losses *(cont'd)*

Company	Gross RM	Individual impairment RM	Net RM
2011			
Not past due	42,218,034	-	42,218,034
Past due 0-30 days	5,166,557	-	5,166,557
Past due 31-120 days	10,575,067	-	10,575,067
Past due more than 180 days	124,814	(124,814)	-
	58,084,472	(124,814)	57,959,658

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

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

	Group 2011 RM	Company 2011 RM
At 1 January	2,538,849	124,814
Impairment loss recognised	518,204	-
At 31 December	3,057,053	124,814

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

25. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk (cont'd)

Financial guarantees (cont'd)

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

The maximum exposure to credit risk from unsecured financial guarantees to banks amounts to RM79,269,107 (2010: RM60,855,851), representing the outstanding banking facilities of subsidiaries guaranteed by the Company 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.

(The rest of this page is intentionally left blank.)

Notes to the Financial Statements (cont'd)

25. 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 2011	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	19,714,879	4.19 - 9.49	21,958,847	9,773,050	4,675,270	7,198,527	312,000
Secured bankers' acceptances	40,810,359	3.40 - 5.69	40,810,359	40,810,359	-	-	-
Unsecured bankers' acceptances and revolving credits	138,854,000	3.46 - 5.98	139,088,792	139,088,792	-	-	-
Secured term loans	34,405,387	3.80 - 7.10	50,677,366	6,406,800	6,241,824	9,919,717	28,109,025
Unsecured term loans	64,416,518	4.60 - 9.55	72,074,297	17,407,926	16,788,110	31,831,915	6,046,346
Unsecured bank overdrafts	8,034,960	7.05 - 8.35	8,034,960	8,034,960	-	-	-
Trade and other payables	45,285,354	-	45,285,354	45,285,354	-	-	-
	351,521,457		377,929,975	266,807,241	27,705,204	48,950,159	34,467,371

Company 2011	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	6,672,456	4.92 – 6.13	6,990,000	5,100,195	1,126,933	762,872	-
Unsecured bankers' acceptances and revolving credits	128,357,000	3.46 – 5.98	128,591,792	128,591,792	-	-	-
Unsecured term loans	64,416,518	4.60 – 9.55	72,074,297	17,407,926	16,788,110	31,831,915	6,046,346
Unsecured bank overdrafts	6,117,572	7.05 – 8.35	6,117,572	6,117,572	-	-	-
Trade and other payables	30,607,344	-	30,607,344	30,607,344	-	-	-
	236,170,890		244,381,005	187,824,829	17,915,043	32,594,787	6,046,346

Notes to the Financial Statements (cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

(d) Liquidity risk (cont'd)

***Maturity analysis** (cont'd)*

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

25. 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 occasionally 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	**2011 *Denominated in USD* RM**	**2010 *Denominated in USD* RM**
Trade receivables	80,825	976,603
Unsecured bankers' acceptances	-	(8,292,257)
Net exposure	80,825	(7,315,654)
Company		
Trade receivables	-	318,185
Unsecured bankers' acceptances	-	(8,292,257)
Net exposure	-	(7,974,072)

(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 loss of the Group and the Company by RM8,083 and RM nil (2010: increased post-tax profit 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 to the Group and the Company, 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.

25. 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 exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the situation and the outlook of the financial market.

(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	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Fixed rate Instruments				
Financial assets	14,672,397	14,069,517	1,299,211	1,264,439
Financial liabilities	(181,949,659)	(200,449,566)	(114,229,456)	(117,878,829)
	(167,277,262)	(186,380,049)	(112,930,245)	(116,614,390)
Floating rate instruments				
Financial liabilities	(124,286,444)	(99,862,975)	(91,334,090)	(89,833,314)

(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		
2011		
Floating rate instruments	1,242,864	(1,242,864)
2010		
Floating rate instruments	998,630	(998,630)
Company		
2011		
Floating rate instruments	913,341	(913,341)
2010		
Floating rate instruments	738,333	(738,333)

25. 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 (2010: 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:

	2011		2010	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Quoted shares	23,515	13,275	23,515	21,570
Finance lease liabilities	19,714,879	19,714,879	22,103,337	22,103,337
Secured term loans	34,405,387	33,699,972	26,452,206	25,897,376
Unsecured term loans	64,416,518	64,416,518	61,674,532	61,674,532
Company				
Finance lease liabilities	6,672,456	6,672,456	12,325,572	12,325,572
Unsecured term loans	64,416,518	64,416,518	60,674,532	60,674,532

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.

25. 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:

	2011 %	2010 %
Finance leases liabilities	4.19 – 9.49	3.49 – 9.49
Secured term loans	6.80 – 7.10	3.80 – 7.10
Unsecured term loans	4.60 – 9.55	3.91 – 9.75

Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group and company

2011	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets				
Investment in quoted shares	23,515	-	-	23,515

26. 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 in the Group and to sustain the future development of its business. The Directors monitor and ensure that the Group and the Company maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the debt-to-equity ratio at not more than 2.5 times. The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	Group	
	2011 RM	2010 RM
Total borrowings (Note 15)	306,236,103	304,849,841
Less: Cash and bank balances (Note 13)	(21,891,308)	(26,297,620)
Net debt	284,344,795	278,552,221
Total equity	164,812,700	187,522,770
Debt-to-equity ratios	1.7	1.5

26. CAPITAL MANAGEMENT (cont'd)

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.

27. 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	
	2011 RM	2010 RM	2011 RM	2010 RM
Corporate guarantees granted:				
- to suppliers of a subsidiary	1,300,000	1,000,000	-	-
- for banking facilities of direct subsidiaries	-	-	79,379,000	79,379,000
	1,300,000	1,000,000	79,379,000	79,379,000

28. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Company	
	2011 RM	2010 RM
Less than one year	540,000	540,000
Between one and five years	1,215,000	1,755,000
	1,755,000	2,295,000

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.

29. CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Property, plant and equipment				
- Authorised but not contracted for	1,988,000	14,070,000	1,443,000	10,470,000
- Contracted but not provided for and payable within one year	1,484,000	38,683,000	1,484,000	19,899,000
	3,472,000	52,753,000	2,927,000	30,369,000

30. 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 include 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	
	2011 RM	2010 RM
Nature of transactions		
Sales of galvanised and other steel products	(279,370,960)	(345,349,671)
Income from rental of premises	(576,000)	(528,000)
Shearing and slitting charges – income	(43,841)	(10,990)
Tolling charges - expense	88,295	21,159
Purchase of steel related products	692,995	474,655
Interest income	(230,684)	(34,460)

30. RELATED PARTIES (cont'd)

Transactions with substantial shareholders of the Company

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Nature of transactions				
Purchase of consumables and raw materials	129,129,832	167,679,292	129,129,832	167,679,292
Freight and handling charges	501,767	471,291	501,767	471,291
Sales of galvanised and other steel products	(2,805,710)	(3,190,618)	-	-

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

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Nature of transactions				
Repair and maintenance charges	430,430	-	430,430	-
Insurance premium paid	888,946	1,343,569	722,823	1,229,973
Purchase of consumables and raw materials	1,427,744	1,865,392	1,226,047	1,629,691
Sale of galvanised and coated s teel products	(45,328,756)	(49,896,329)	(6,847,668)	(9,995,532)
Purchase of property, plant and equipment	-	-	680,000	-
Secretarial service rendered	10,000	10,000	10,000	10,000
Rental of premises and land	658,680	631,680	658,680	509,340
Income from rental of premises	(26,400)	(26,400)	(26,400)	(26,400)
Repayment of finance leases for acquisition of property, plant and equipment *	513,429	510,511	513,429	391,699

** Interest is charged at fixed rates of 2.90% to 3.30% (2010: 2.90% to 3.30%) flat per annum.*

Transactions with certain Directors of the Company

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Nature of transactions				
Sale of property, plant and equipment	700,000	-	700,000	-

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

30. RELATED PARTIES (cont'd)

The outstanding balances with other related parties are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Amount due from	7,449,981	9,178,475	938	1,332,216
Amount due to	(25,231,002)	(3,758,542)	(24,869,318)	(1,641,217)

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

31. OPERATING SEGMENTS

The Managing Director, being the Chief Operating Decision Maker of the Group, reviews the Company's individual management accounts and those of respective subsidiaries for resource allocation and decision making. As a consequence, the Company and its subsidiaries are the individual operating segments of the Group.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management accounts that are reviewed by the Managing Director. Segment assets total is used to measure the return of assets of each segment.

Group sales

Group sales were mostly to customers in Malaysia and there were very limited export sales. None of the customers accounted for 10% or more of group sales.

(The rest of this page is intentionally left blank.)

Notes to the Financial Statements (cont'd)

31. OPERATING SEGMENTS (cont'd)

2011

Group	The Company RM	MN RM (Subsidiaries)	SSM RM (Subsidiaries)	SSSP RM (Subsidiaries)	SSI RM (Subsidiaries)	Others RM	Inter-segment RM	Total RM
Revenue								
- External customers	20,482,675	137,262,369	110,278,870	74,677,956	52,098,782	34,541,782	-	429,342,434
- Inter-segment	279,370,960	-	-	507,224	187,212	94,630,667	(374,696,063)	-
	299,853,635	137,262,369	110,278,870	75,185,180	52,285,994	129,172,449	(374,696,063)	429,342,434
Segment (loss)/ profit	(11,493,898)	1,420,673	(3,003,502)	(1,241,796)	52,812	(2,221,665)	(8,204,837)	(24,692,213)
Income tax income/(expense)								4,741,528
Total comprehensive (loss) for the year								(19,950,685)
Less: Non-controlling interests								1,981,609
Total comprehensive (loss) attributable to owners of the Company								(17,969,076)
Segment assets								
Additions to non-current assets other than financial instruments and deferred tax assets	28,957,509	2,675	11,478,816	6,693,729	6,625,751	9,638	-	53,768,118

Notes to the Financial Statements (cont'd)

31. OPERATING SEGMENTS (cont'd)

2010

		Subsidiaries						
Group	**The Company RM**	**MN RM**	**SSM RM**	**SSSP RM**	**SSI RM**	**Others RM**	**Inter-segment RM**	**Total RM**
Revenue								
- External customers	27,319,695	133,005,925	139,330,043	70,242,024	44,660,261	51,841,098	-	466,399,046
- Inter-segment	345,360,661	-	1,760	161,988	205,337	110,846,559	(456,576,305)	-
	372,680,356	133,005,925	139,331,803	70,404,012	44,865,598	162,687,657	(456,576,305)	466,399,046
Segment (loss)/ profit	8,994,061	1,735,797	3,195,743	1,792,344	1,197,326	2,080,770	(1,729,896)	17,266,145
Income tax income/(expense)								(4,748,705)
Total comprehensive income for the year								12,517,440
Less: Non-controlling interests								(2,955,327)
Total comprehensive income attributable to owners of the Company								9,562,113
Segment assets								
Additions to non-current assets other than financial instruments and deferred tax assets	14,235,716	512,677	11,343,082	1,902,969	3,976,219	34,648	-	32,005,311

Notes to the Financial Statements (cont'd)

32. RESTRUCTURING DURING THE YEAR

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

(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 Starshine Holdings Sdn. Bhd. ("SSH") 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 SSH shares at an issue price of RM0.10 per SSH Share.

The reorganisation was completed on 21 October 2011 and the entire shareholdings of SSM, SSSP, SSGT and SSI have since been held by SSH, which in turn is a 54.49% subsidiary of the Company.

The restructuring entailed equity transactions between the Group and its non-controlling interest holders. The difference between the Group's share of net assets before and after the change and any consideration received or paid, is adjusted to/against group reserves.

33. SUBSEQUENT EVENT

On 5 January 2012, Yung Kong Galvanising Industries Berhad ("YKGI"), entered into a joint venture shareholders agreement with a third party to use Integrated Coil Coating Industries Sdn. Bhd. ("ICCI") as the joint venture to embark on new business activities principally comprising the manufacture, sale and installation of metal roofing and related products, PVC pipes and wire mesh via the acquisition of various business undertakings. Upon completion of the agreement, YKGI's shareholdings in ICCI will reduce from 100% to 60%.

SUPPLEMENTARY FINANCIAL INFORMATION

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

The breakdown of the retained earnings of the Group and of the Company as at 31 December into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Securities, is as follows:

	2011		2010	
	Group RM'000	**Company RM'000**	**Group RM'000**	**Company RM'000**
Total retained earnings of the Company and its subsidiaries				
- Realised	46,514,605	46,002,028	75,184,788	59,799,422
- Unrealised	(12,107,000)	(10,803,000)	(16,888,760)	(14,203,763)
Less: Consolidation adjustments	(1,660,009)	-	(4,838,347)	-
Total retained earnings as per consolidated accounts (see Note 14)	32,747,596	35,199,028	53,457,681	45,595,659

The determination of realised and unrealised profits or losses is based on 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 on 20 December 2010.

(The rest of this page is intentionally left blank.)

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 38 to 99 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 as at 31 December 2011 and of their financial performance and cash flows for the year then ended, and

b) in the information set out in Note 34 on page 100 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

Arthur Hii Lu Choon

Kuching,

Date: 30 March 2012

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 38 to 100 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 30 March 2012

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 2011 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 38 to 99.

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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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 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 34 on page 100 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

Johan Idris
Approval Number: 2585/10/12(J)
Chartered Accountant

Kuching,

Date: 30 March 2012

Analysis of Shareholdings
as at 30 March 2012

Class of Shares : (1) Ordinary Shares of RM0.50 each
(2) Redeemable Convertible Preference Shares ("RCPS") of RM0.50 each
Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 1,992.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	53	Less than 100 shares	3,339	0.00*
	196	100 - 1,000 shares	80,849	0.04
	946	1,001 - 10,000 shares	5,112,210	2.61
	673	10,001 - 100,000 shares	20,306,039	10.39
	121	100,001 to less than 5% of issued shares	60,714,527	31.05
	3	5% and above of issued shares	109,317,936	55.91
Total	1,992		195,534,900	100.00

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Share	Percentage
1	Yung Kong Co Bhd	53,708,494	27.47
2	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	35,999,994	18.41
3	Hii Wi Sing	19,609,448	10.03
4	Ting Chuo Kiew	3,931,690	2.01
5	Hu Ik Ming @ Rose Hii Ik Ming	3,517,664	1.80
6	Hii Ngo Sing	2,938,473	1.50
7	Quarry Lane Sdn Bhd	2,831,000	1.45
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 Pledged Securities Account for Andrew Yap Hoong Yee	2,083,690	1.07
11	Arthur Hii Lu Choon	1,522,100	0.78
12	Alexander Hii Lu Kwong	1,504,100	0.77
13	Christopher Hii Lu Ming	1,391,300	0.71
14	Wong Kiew Ing	1,377,700	0.70
15	Ling Eng Leh	1,354,100	0.69
16	Tan Pak Nang	1,300,000	0.66
17	Yung Kong Holdings Sdn Bhd	1,100,000	0.56
18	Yong Ai Ting	1,098,000	0.56
19	Hii Lu Foong	1,042,200	0.53
20	Victor Hii Lu Thian	1,010,000	0.52
21	Elizabeth Hii Lu Yen	1,001,400	0.51
22	Jane Hii Lu Yea	914,797	0.47
23	Cartaban Nominees (Tempatan) Sdn Bhd Axa Affin General Insurance Berhad	854,200	0.44
24	JF APEX Nominees(Tempatan) Sdn Bhd AISB for Alexander Hii Lu Kwong (STA 3)	774,000	0.40
25	Che' Rita Hii	767,150	0.39
26	Meshes Holding Sdn Bhd	762,000	0.39
27	Hii Siew Kew	750,000	0.38
28	Hii Hua Sing	612,647	0.31
29	Koo Tai Ping & Koh Kian Tee	595,800	0.30
30	Lim Jit Hai	563,400	0.29
	Total	150,087,047	76.76

Analysis of Shareholdings
as at 30 March 2012 (cont'd)

Redeemable Convertible Preference Shares Account Holder

	Account Holder	No. of RCPS	Percentage
1	Nippon Steel Corporation	21,726,100	100.00

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 30 March 2012 are as follows:

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Yung Kong Co Bhd	53,708,494	27.47	-	-
2	Marubeni-Itochu Steel Inc.	35,999,994	18.41	-	-
3	Dato' Hii Ngo Sing	2,938,473	1.50	59,007,091 (1)	30.18%
4	Dato' Dr Hii Wi Sing	19,700,198	10.08	59,007,091 (1)	30.18%
5	Arthur Hii Lu Choon	1,534,600	0.79	59,007,091 (1)	30.18%
6	Ir Michael Hii Ee Sing	138,100	0.07	62,271,291 (2)	31.85%
7	Victor Hii Lu Thian	1,485,800 (3)	0.76	59,007,091 (1)	30.18%
8	Francis Hii Lu Sheng	274,300	0.14	59,007,091 (1)	30.18%
9	Alexander Hii Lu Kwong	2,290,600 (4)	1.17	59,007,091 (1)	30.18%
10	Christopher Hii Lu Ming	1,444,400 (5)	0.74	59,007,091 (1)	30.18%

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) 463,300 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(4) 774,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(5) 40,600 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 its related corporations as per the Register of Directors' Shareholdings as at 30 March 2012 are as follows:

In The Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	19,700,198	10.08	62,938,781 (1)	32.19%
2	Arthur Hii Lu Choon	1,534,600	0.79	59,034,491 (1)	30.19%
3	Dato' Soh Thian Lai	356,400	0.18	-	-
4	Ir Michael Hii Ee Sing	138,100	0.07	62,683,691 (2)	32.06%
5	Victor Hii Lu Thian	1,485,800 (5)	0.76	59,007,091 (3)	30.18%
6	Huong Hie Hee	142,000	0.07	89,000 (4)	0.05%
7	Jee Hee Teck	-	-	-	-
8	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
9	Francis Hii Lu Sheng	274,300	0.14	59,157,491 (1)	30.25%
10	Yoshiki Kaneko	-	-	-	-
11	Alexander Hii Lu Kwong (Alternate to Arthur Hii Lu Choon)	2,290,600 (6)	1.17	59,022,091 (1)	30.19%
12	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	1,444,400 (7)	0.74	59,007,091 (3)	30.18%
13	Ong Soo Seng (Alternate to Yoshiki Kaneko)	-	-	-	-

Analysis of Shareholdings
as at 30 March 2012 (cont'd)

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 interest of his spouse 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, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

(4) Deemed interested by virtue of the interest of her spouse in the Company.

(5) 463,300 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 774,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(7) 40,600 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

Starshine Holdings Sdn Bhd ("SSH") (54.49% Owned Subsidiary)

		No. of Ordinary Shares of RM0.10 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	18,149,592	4.97	198,884,181 (8)	54.49
2	Arthur Hii Lu Choon	10,408,986	2.85	198,884,181 (8)	54.49
3	Dato' Soh Thian Lai	8,671,044	2.38	50,180,077 (9)	13.75
2	Ir Michael Hii Ee Sing	8,241,081	2.26	211,123,208 (10)	57.84
4	Victor Hii Lu Thian	10,408,986	2.85	198,884,181 (8)	54.49
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii Lu Choon)	10,408,986	2.85	198,884,181 (8)	54.49
6	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	10,408,986	2.85	198,884,181 (8)	54.49

Notes

(8) Deemed interested by virtue of his family substantial interests in YKGI.

(9) Deemed interested by virtue of his substantial interests in SOH TL Holding Sdn Bhd.

(10) Deemed interested by virtue of his substantial interests in YKGI and Mt Sungai Sdn Bhd.

The Directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all of its other 100% owned subsidiaries to the extent the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

(The rest of this page is intentionally left blank.)

Analysis of Warrant Holdings
as at 30 March 2012

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

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Warrants Issued
	18	Less than 100 warrants	1,316	0.00*
	65	100 - 1,000 warrants	44,573	0.07
	396	1,001 - 10,000 warrants	1,782,233	2.73
	363	10,001 - 100,000 warrants	15,254,794	23.40
	104	100,001 to less than 5% of issued warrants	31,882,886	48.92
	2	5% and above of issued warrants	16,212,498	24.88
Total	948		65,178,300	100.00

* less than 0.01 %

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS

	Name of Account Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	11,999,998	18.41
2	Hii Wi Sing	4,212,500	6.46
3	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koo Tai Ping @ Koh Kian Tee	2,392,400	3.67
4	Ting Chuo Kiew	1,320,200	2.03
5	Lum Yin Mui	1,265,000	1.94
6	Lee Kim Soon	1,082,900	1.66
7	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Lye Thiam	1,021,000	1.57
8	Chan Ah Luan	941,700	1.44
9	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Hiew Seek Ling	930,000	1.43
10	Mt Sungai Sdn Bhd	804,800	1.23
11	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	740,000	1.14
12	Hu Ik Ming @ Rose Hii Ik Ming	722,688	1.11
13	James A/K Tiam	700,000	1.07
14	Wong Kie Yung	600,000	0.92
15	B-OK Sdn Bhd	512,000	0.79
16	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Swee Huat	501,000	0.77
17	Tan Sui Lan	403,200	0.62
18	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Pek Kiam Kek (MM0606)	400,000	0.61
19	Public Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Chan Jenn Hwei (E-KPG)	400,000	0.61
20	Tan Pak Nang	400,000	0.61
21	Tay Teck Ho	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	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hon @ Tan Ho Hoon	360,000	0.55
26	Chan Eng Hock	356,000	0.55
27	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Sing Ling	350,000	0.54
28	Lee Eng Min	332,200	0.51

Analysis of Warrant Holdings
as at 30 March 2012 (cont'd)

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS (cont'd)

	Name of Account Holders	No. of Warrants Held	Percentage
29	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ling Tiong Kin (8047512)	314,000	0.48
30	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ling Seng	309,300	0.47
	Total	34,928,886	53.59

DIRECTORS' INTERESTS

The Directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 30 March 2012 are as follows:

		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	4,212,500	6.46	2,192,599 (1)	3.36
2	Dato' Soh Thian Lai	-	-	-	-
3	Arthur Hii Lu Choon	250,000	0.38	881,799 (1)	1.35
4	Ir Michael Hii Ee Sing	48,100	0.07	2,120,999 (2)	3.25
5	Victor Hii Lu Thian	-	-	872,399 (3)	1.34
6	Huong Hie Hee	-	-	-	-
7	Jee Hee Teck	-	-	-	-
8	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
9	Francis Hii Lu Sheng	-	-	872,399 (3)	1.34
10	Yoshiki Kaneko	-	-	-	-
11	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	-	-	877,399 (1)	1.35
12	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	-	-	872,399 (3)	1.34
13	Ong Soo Seng (Alternate to Yoshiki Kaneko)	-	-	-	-

Notes

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

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

(The rest of this page is intentionally left blank.)

Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2011

Location	Tenure	Land Area/Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of Building (Year)	Net Book Value (RM'000)
Lot 712 Section 7 Muara Tebas Land District Kuching	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	Jan 1992 acquired Aug 1996 revalued	17	6,510
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	13	135
* GM2333, Lot 817, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	-/11520 M^2	Industrial Building	Dec 2001 Completed	10	3,703
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	7	51,314
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	4	43,490
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	17	947
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	17	612
Geran 52394, Lot 6500, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	3.8091 Ha	Vacant land	Nov 2010 acquired	n/a	10,954
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	10	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.

Additional Information (cont'd)

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 30 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")

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 2011 (RM)
Purchase of YKGI Products from YKGI, ICCI and SSP	Star Shine Marketing Sdn Bhd ("SSM")	Subsidiary where certain Directors have substantial interests	112,027,369
		Total	112,027,369
Purchase of YKGI Products from YKGI, ICCI	Star Shine Steel Products Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	19,546,615
		Total	19,546,615
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	18,945,239
		Total	18,945,239
Purchase of YKGI Products from YKGI, SSM and SSGT	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	35,775,638
		Total	35,775,638
Sale of YKGI products to SSI	Star Shine Industries Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	2,340,897
		Total	2,340,897
Sale of furniture hardware, accessories, steel tubes and pipes, channels and purlins to SSM, SSGT and SSP	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	2,560,230
		Total	2,560,230
Purchase of long steel and metal products from SSM & SSGT	SSP	Deemed subsidiary where certain Directors have substantial interests	13,900,071
		Total	13,900,071
Purchase of YKGI Products from MN	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	2,792,121
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	180,046
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	23,835,531
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	1,079
	Yunco Integrated Sdn Bhd	Company connected to certain Directors	831,718
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	246,406
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	9,546,269
	Golden Shogun Sdn Bhd	Company connected to certain Directors	636,790
		Total	38,069,960
Purchase of raw materials	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	95,933,176
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	33,114,682
		Total	129,047,858
Purchase of YKGI Products from YKGI Group	Continental Strength Sdn Bhd	Company connected to certain Directors	8,390,264
		Total	8,390,264

4. DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the realised and unrealised profit as at 31 December 2011 are disclosed in Note 34 to the Audited Financial Statements for the year ended 31 December 2011, as outlined on page 100 of this annual report.

Contacts of YKGI Group of Companies

YUNG KONG GALVANISING INDUSTRIES BERHAD (032939-U)

Head Office & Factory 1 (YK1)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888 Fax: +6082 433 889

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

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

SUBSIDIARY (MANUFACTURING – PENINSULAR MALAYSIA)

INTEGRATED COIL COATING INDUSTRIES SDN BHD (503040-D)
Lot 6479 Lorong Sg. Puluh Batu 6 Jalan Kapar
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3291 5189 Fax: +603 3291 6193
E-mail: sales@icci.com.my

SUBSIDIARY (MARKETING – SABAH & SARAWAK)

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

SUBSIDIARIES (MANUFACTURING/MARKETING & EXPORT - PENINSULAR MALAYSIA)

STARSHINE HOLDINGS SDN BHD (920871-A)
STAR SHINE MARKETING SDN BHD (458071-P)
STAR SHINE GLOBAL TRADING SDN BHD (566960-K)
STAR SHINE STEEL PRODUCTS SDN BHD (619745-P)
STAR SHINE INDUSTRIES SDN BHD (376233-T)
STARSHINE RESOURCES SDN BHD (927461-U)
Wisma Star Shine
Lot 6472 Lorong Sungai Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3297 5555 Fax: +603 3297 5678

Website: http://www.starshinegroup.com
E-mail: sales@starshinegroup.com

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth 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, 18 May 2012 at 11:30 am to transact the following businesses:

AGENDA

Ordinary Business

a. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **Resolution 1**

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

i) Mr Arthur Hii Lu Choon **Resolution 2**

ii) Mr Victor Hii Lu Thian **Resolution 3**

iii) Mr Philip anak Dreba @ Philip Aso Dreba **Resolution 4**

c. To re-elect the director, Dato' Soh Thian Lai, who retires pursuant to Article 108 of the Company's Articles of Association. **Resolution 5**

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

Special Business

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

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 7**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the 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."

f. *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 8**

"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 17) of the Circular to Shareholders dated 26 April 2012 ("Circular"), with the specific related parties mentioned therein subject further to the following:

(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

Notice Of Annual General Meeting (cont'd)

- 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(e) of the Circular."

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

Proposed amendments to the Company's Articles of Association **Resolution 9**

"THAT the proposed amendments to the Company's Articles of Association as set out in the Appendix A be hereby approved."

h. 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 : 26 April 2012

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. 7 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 shares is a renewal of the mandate that was approved by the shareholders at the Company's annual general meeting held on 13 May 2011 ("AGM 2011"). The Company did not utilize the mandate that was approved at the AGM 2011.

The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.

Notice Of Annual General Meeting (cont'd)

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. 8 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 17) 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) Special resolution in relation to proposed amendments to the Company's Articles of Association

The proposed Resolution No. 9 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 and to clearly specify the business to be transacted at general meeting of the Company. Please refer to the Appendix A for further information.

Notes:

1. *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. *To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
3. *A member of the Company entitled to attend and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
6. *A depositor whose name appears in the Record of Depositors as at 11 May 2012 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

Details of the proposed amendments to the Company's Articles of Association

The Company's Articles of Association be altered, modified, added and deleted in the following manner:

1. THAT the following new Article 17(d) be inserted immediately after the existing Article 17(c):

   No director shall participate in a scheme involving a new issuance of shares to the employees ("Share Issuance Scheme") unless shareholders in general meeting have approved the specific allotment to be made to such director.

2. THAT the existing Article 27(a) of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 27(a):

   Within eight (8) market days of the final application date for an issue of securities or such other period as may be prescribed by the Exchange for issues of securities to the public;

3. THAT the existing Article 64 of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 64:

   Ordinary business shall mean and include only business transacted at an annual general meeting of the following classes that is to say:

   (a) Receive the statement of financial position, statement of comprehensive income, the reports of the Directors and Auditors and other financial statements and documents required to be annexed to the statement of financial position;

   (b) Declaring dividends;

   (c) Fixing and payment of the fees of the Directors;

   (d) Re-election of Directors who are retiring by rotation and appointing Directors in the place of those retiring by rotation or otherwise;

   (e) Appointment or re-appointment of Directors pursuant to Section 129 of the Act, and

   (f) Appointing Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.

4. THAT the existing Article 78(c) of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 78(c):

   A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

5. THAT the existing Article 82 of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 82:

   A proxy may but need not be a member of the Company. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

6. THAT the existing Article 83 of the Company's Articles of Association be deleted in its entirety and to substitute in lieu hereof with the following new Article 83:

   Appointment of multiple proxies

   Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(The rest of this page is intentionally left blank.)

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-Fifth 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, 18 May 2012 at 11:30 am and any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon.		
2.	Re-election of Mr Arthur Hii Lu Choon as director.		
3.	Re-election of Mr Victor Hii Lu Thian as director.		
4.	Re-election of Mr Philip anak Dreba @ Philip Aso Dreba as director.		
5.	Re-election of Dato' Soh Thian Lai as director.		
6.	Appointment of Messrs KPMG as auditors.		
7.	Ordinary Resolution - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
8.	Ordinary Resolution - Renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature.		
9.	Special Resolution - Amendments to the Company's Articles of Association.		

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

Shareholding Represented by Proxy	

Dated this .... day of 2012

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

Notes:

1. *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. *To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
3. *A member of the Company entitled to attend and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
6. *A depositor whose name appears in the Record of Depositors as at 11 May 2012 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

Fold here

STAMP

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

Fold here


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

榕光钢铁有限公司
YUNG KONG GALVANISING INDUSTRIES BERHAD
(Company No. 032939-U)

Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia
Tel: +6082 433 888 Fax: +6082 433 889
Email: ykgi@ykgi.com.my
Homepage: http://www.ykgi.com.my

Designed & Printed by BAHAGIA PRESS SDN BHD (86546-K) Tel: 082-238 900 Fax: 082-231939 Email: bhgpress@tm.net.my