



PRESTAR RESOURCES BERHAD

(123066-A)



Annual Report
Laporan Tahunan
2016





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Second Annual General Meeting of Prestar Resources Berhad will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 31 May 2017 at 10:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of the final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2016.
3. To approve the payment of Directors' fees amounting to RM220,000 for the financial year ended 31 December 2016.
4. To approve an amount of up to RM20,000 as benefits payable to the Non-Executive Directors from 31 January 2017 to the Thirty-Third Annual General Meeting of the Company.
5. To re-elect the following Directors who retire pursuant to Article 105 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
 - (a) Mr. Toh Yew Kar
 - (b) Mr. Toh Yew Seng
6. To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.
7. As Special Business:

To consider and, if thought fit, with or without any modification, to pass the following resolutions which will be proposed as ordinary resolutions:-

**(a) ORDINARY RESOLUTION NO. 1
- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

"**THAT** subject to Sections 75 and 76 of the Companies Act, 2016, the Articles of Association of the Company and approvals of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act, 2016, to issue and allot shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors of the Company be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**(b) ORDINARY RESOLUTION NO. 2
- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

"**THAT**, subject to the compliance with Section 127 of the Companies Act, 2016 and all other applicable laws, rules and regulations, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company ("**Shares**") as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of Shares to be purchased and held pursuant to this resolution does not exceed ten per centum (10%) of the existing total number of issued shares of the Company including the Shares previously purchased and retained as treasury shares (if any), upon such terms and conditions as set out in the Statement to Shareholders dated 28 April 2017;

(Resolution 1)

(Resolution 2)

(Resolution 3)

(Resolution 4)

(Resolution 5)

(Resolution 6)

(Resolution 7)



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(b) ORDINARY RESOLUTION NO. 2 (cont'd)

AND THAT such authority shall commence immediately upon the passing of this resolution and until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held unless revoked or varied by ordinary resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of Bursa Securities Main Market Listing Requirements and any other relevant authorities;

AND THAT the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's retained profits based on the latest audited financial statements of the Company for the financial year ended 31 December 2016 of RM15,952,676;

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the Shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of Bursa Securities Main Market Listing Requirements and any other relevant authorities;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

(Resolution 8)

(c) ORDINARY RESOLUTION NO. 3

- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH WEI GIAP HARDWARE SDN. BHD., CHIHO HARDWARE SDN. BHD., Y. K. TOH MARKETING (S) PTE. LTD., WEI SHENG HARDWARE SDN. BHD., SYARIKAT KWONG NAM HING SDN. BHD., LOGAM INDAH SDN. BHD., Y. K. TOH (M) SDN. BHD., AND LITAT HARDWARE SDN. BHD.

"THAT, subject to the Companies Act, 2016 ("the Act"), the Memorandum and Articles of Association of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with Wei Giap Hardware Sdn. Bhd., Chiho Hardware Sdn. Bhd., Y. K. Toh Marketing (S) Pte. Ltd., Wei Sheng Hardware Sdn. Bhd., Syarikat Kwong Nam Hing Sdn. Bhd., Logam Indah Sdn. Bhd., Y. K. Toh (M) Sdn. Bhd. and Litat Hardware Sdn. Bhd., as described in Part B, Section 2.3 of the Circular to Shareholders dated 28 April 2017 subject further to the following:-

- (i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall, commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 340(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,whichever is the earlier,



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(c) ORDINARY RESOLUTION NO. 3 (cont'd)

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution.”

(Resolution 9)

(d) ORDINARY RESOLUTION NO. 4 - RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“To retain Tuan Haji Fadzullah Shuhaimi Bin Salleh as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.”

(Resolution 10)

(e) ORDINARY RESOLUTION NO. 5 - RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“To retain Dato’ Lim Cheang Nyok as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.”

(Resolution 11)

(f) ORDINARY RESOLUTION NO. 6 - RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“To retain Encik Md Nahar Bin Noordin as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.”

(Resolution 12)

(g) ORDINARY RESOLUTION NO. 7 - RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“To retain Mr. Lou Swee You as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.”

(Resolution 13)

8. To transact any other ordinary business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016 will be payable on 16 June 2017 to depositors who are registered in the Record of Depositors at the close of business on 7 June 2017, if approved by members at the forthcoming Thirty-Second Annual General Meeting on 31 May 2017.

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

- Securities transferred into the Depositor’s Securities Account before 4:00 p.m. on 7 June 2017 in respect of ordinary transfers; and
- Shares bought on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)
Secretaries

Kuala Lumpur
Dated: 28 April 2017



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:-

1. Authority pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed adoption of the Ordinary Resolution No. 1 is for the purpose of granting a renewed general mandate (“**General Mandate**”) and empowering the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act, 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-First Annual General Meeting held on 31 May 2016 and which will lapse at the conclusion of the Thirty-Second Annual General Meeting.

2. Proposed Renewal of Authority for Share Buy-Back

The proposed adoption of the Ordinary Resolution No. 2 is to renew the authority granted by the shareholders of the Company at the Thirty-First Annual General Meeting held on 31 May 2016. The proposed renewal will allow the Board of Directors to exercise the power of the Company to purchase not more than 10% of the total number of issued shares of the Company at any time within the time period stipulated in Bursa Malaysia Securities Berhad Main Market Listing Requirements.

3. Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed adoption of the Ordinary Resolution No. 3 is to renew the Shareholders’ Mandate granted by the shareholders of the Company at the Thirty-First Annual General Meeting held on 31 May 2016. The proposed renewal of Shareholders’ Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

4. Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012

(a) Tuan Haji Fadzlullah Shuhaimi Bin Salleh

Tuan Haji Fadzlullah Shuhaimi Bin Salleh was appointed as an Independent Non-Executive Director of the Company on 18 March 1995, and has, therefore served for more than nine (9) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for twenty-two (22) years. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers him to be independent and recommends that he should be retained as an Independent Non-Executive Director.

(b) Dato’ Lim Cheang Nyok

Dato’ Lim Cheang Nyok was appointed as an Independent Non-Executive Director of the Company on 28 March 2002, and has, therefore served for more than nine (9) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for fifteen (15) years. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers him to be independent and recommends that he should be retained as an Independent Non-Executive Director.

(c) Encik Md Nahar Bin Noordin

Encik Md Nahar Bin Noordin has served the Company for almost twenty-three (23) years since his appointment as a Non-Independent Non-Executive Director of the Company on 18 June 1994. Subsequently, he was re-designated as an Independent Non-Executive Director of the Company on 3 October 2007, and has, therefore served for more than nine (9) years as an Independent Non-Executive Director. As at the date of the Notice of the Annual General Meeting, he has served the Company for almost ten (10) years as an Independent Non-Executive Director. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers him to be independent and recommends that he should be retained as an Independent Non-Executive Director.



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Note:- (cont'd)

(d) Mr. Lou Swee You

Mr. Lou Swee You was appointed as an Independent Non-Executive Director of the Company on 9 May 2008, and has, therefore served for almost nine (9) years as an Independent Non-Executive Director. As at the date of the Notice of the Annual General Meeting, he has served the Company for almost nine (9) years as an Independent Non-Executive Director. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers him to be independent and recommends that he should be retained as an Independent Non-Executive Director.

Further information on the Proposed Renewal of Share Buy-Back Authority and Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Statement and Circular to Shareholders of the Company respectively which are despatched together with the Company's 2016 Annual Report.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead (subject always to a maximum of two (2) proxies of each Meeting). Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but does not need to be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is 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. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or any adjournment thereof.



CORPORATE INFORMATION

Board of Directors

Toh Yew Keat

Group Executive Chairman

Dato' Toh Yew Peng

Group Managing Director

Toh Yew Kar

Group Executive Director

Toh Yew Seng

Group Executive Director

Toh Yew Chin

Non-Independent Executive Director

Tuan Haji Fadzlullah Shuhaimi Bin Salleh

Independent Non-Executive Director

Md. Nahar Bin Noordin

Independent Non-Executive Director

Dato' Lim Cheang Nyok

Independent Non-Executive Director

Lou Swee You

Independent Non-Executive Director

Company Secretaries

Chua Siew Chuan (MAICSA 0777689)

Chin Mun Yee (MAICSA 7019243)

Registered Office

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur

Tel. No. : 03-2084 9000

Fax No. : 03-2094 9940/2095 0292

Website & E-Mail

Website : www.prestar.com.my

E-mail : info@prestar.com.my

Registrar

Securities Services (Holdings) Sdn. Bhd.

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur

Tel. No. : 03-2084 9000

Fax No. : 03-2094 9940/2095 0292

Auditors

BDO

Chartered Accountants

Kuala Lumpur

Tel. No. : 03-2616 2888

Fax No. : 03-2616 3190

Principal Bankers

Affin Bank Berhad

AmBank (M) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

Solicitors

SKRINE

Lim & Yeoh

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Stock Code : 9873

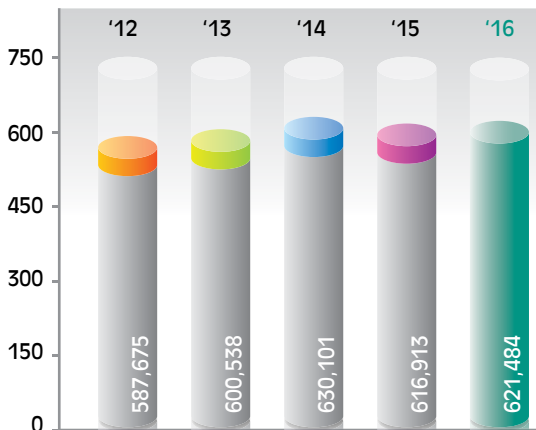




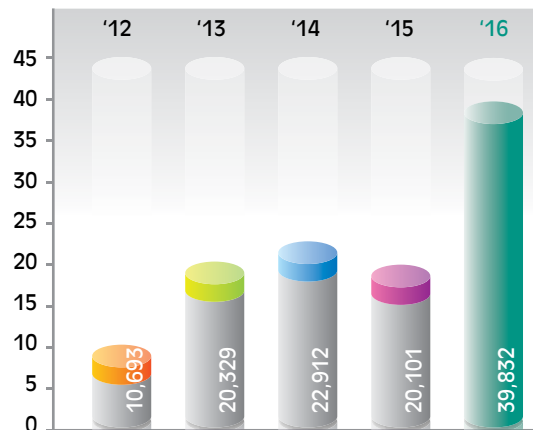
GROUP FINANCIAL HIGHLIGHTS

(RM'000)	2012	2013	2014	2015	2016
Revenue	587,675	600,538	630,101	616,913	621,484
Profit before tax	10,693	20,329	22,912	20,101	39,832
Profit attributable to owners of the parent	7,701	12,205	12,309	10,659	24,340
Total assets	548,083	558,540	561,499	578,228	624,898
Equity attributable to owners of the parent	181,933	193,932	203,882	214,651	236,732
EBITDA#	32,726	48,876	46,739	44,231	63,873
<i>#Earnings before interests, depreciation, tax and amortisation</i>					
Net assets per share* (RM)	1.05	1.11	1.16	1.23	1.33
Earnings per share* (sen)	4.4	7.0	7.1	6.1	13.8
<i>* attributable to owners of the Company</i>					

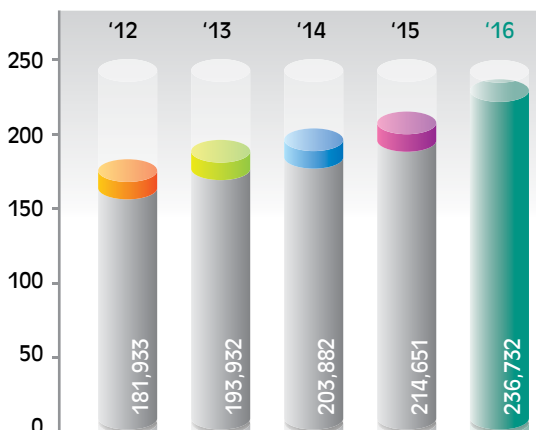
Revenue (RM'000)



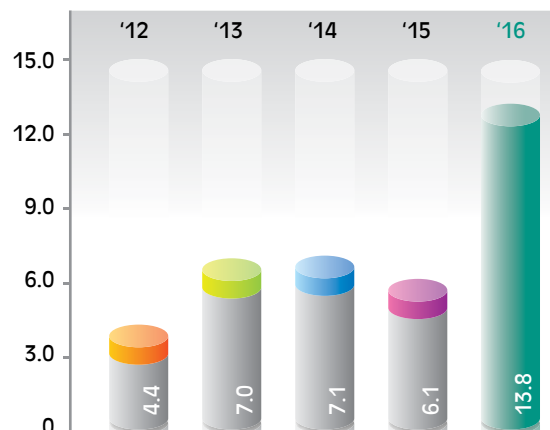
Profit Before Tax (RM'000)



Equity Attributable to Owners of the Parent (RM'000)

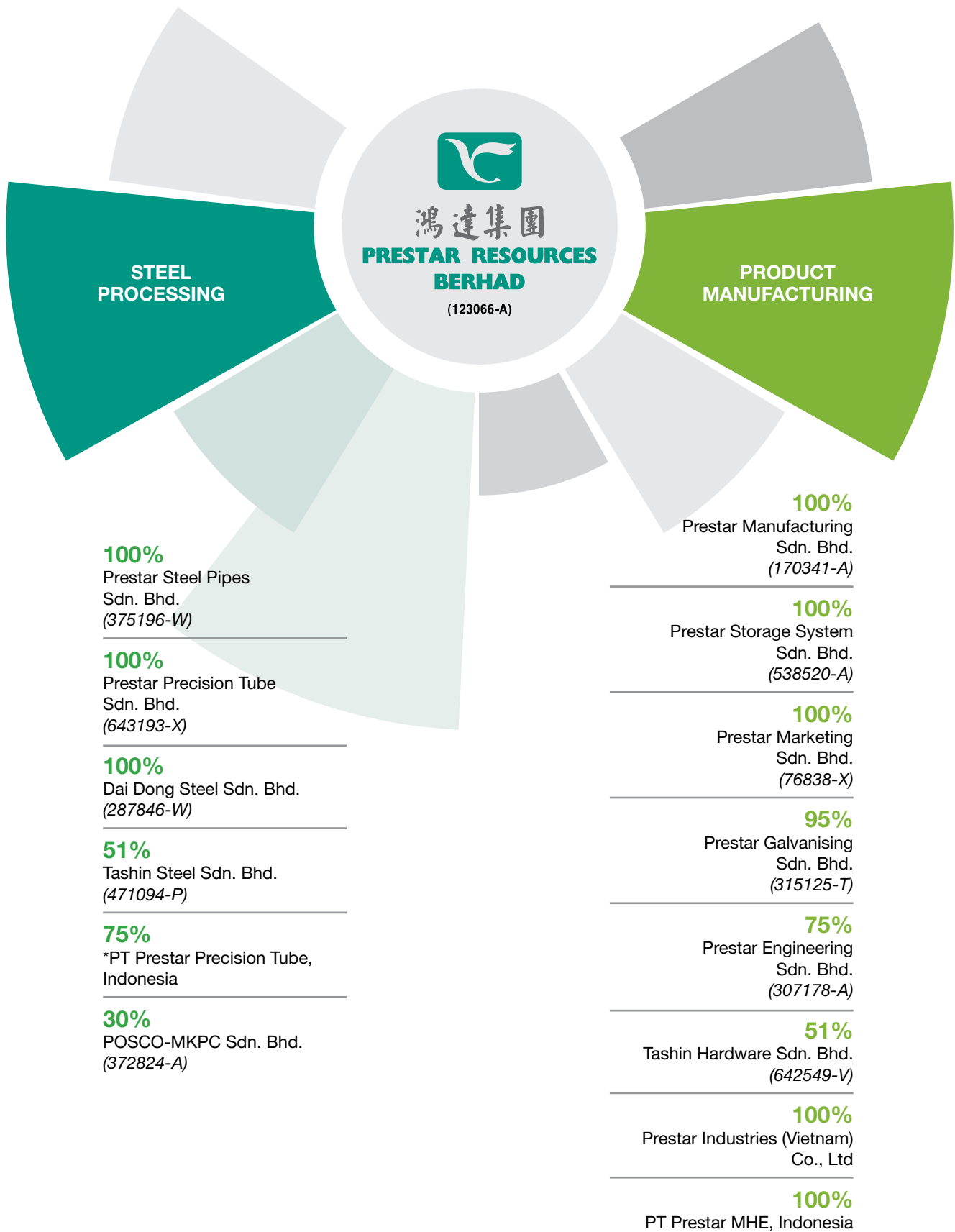


Earnings Per Share Attributable to Owners of the Parent (sen)





CORPORATE STRUCTURE



* Dormant, in the process of winding-up

CHAIRMAN'S STATEMENT



Dear Shareholders,
On behalf of the Board of Directors, I am pleased to present to you the Annual Report 2016 and the Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2016.

Business environment

Year 2016 was full of surprises with significant events such as Brexit, change of new flamboyant heads of states at The Philippines and United States of America ("USA") coupled with soft oil prices, currency fluctuations and geo-political uncertainties, and these had impacted and affected the market sentiments and slow down the economic growth regionally and domestically. During the year 2016, Malaysia's real Gross Domestic Product ("GDP") slowed to 4.2%, slowest rate of growth for Malaysia since year 2010. Despite this, the Group managed to report robust results for the year 2016 mainly due to better business conditions in steel industry, both locally and internationally.

Moving forward, with Bank Negara Malaysia's effort to stabilise Ringgit through various measures, clamp down on offshore Ringgit trading and its decision to keep its benchmark interest rate unchanged coupled with Government's relentless efforts in stimulating the economy, are expected to have a positive impact on the domestic market demand and overall economic growth in the new financial year 2017.

Financial performance

The Group's revenue for the current year under review was RM621.5 million. This gave rise to an increase of 0.7 % over the same period of last year. The profit before tax for the year under review was substantially higher at RM39.8 million as compared to RM20.1 million of the same period of last year. The strong improvement for the year 2016, despite marginally growth in sales revenue was mainly due to better sales margin obtained from more reliable material supplies with better pricing from overseas since first quarter of year 2016, after the discontinued operation of a large local mill as well as rebounded steel prices. In addition, the Group

also has equity accounting for positive contributions from an associate company which was reported heavy losses in the previous year.

As a result of better financial performance of the Company, the basic earnings per share for the financial year under review has increased to 13.83 sen as compared to only 6.09 sen in the previous financial year. Other improvement included the increase in the net assets per share attributable to ordinary equity holders of the Company from RM1.23 per share recorded last year to RM1.33 per share as at end of this financial period. The Group's financial position further improved with total equity increased to RM300.3 million at the end of the financial year.

Prospects

As highlighted earlier, the year 2016 witnessed many changes and events happened in political and business arena, had impacted our economic development and progress in the new financial year. One (1) of the impacts will be the unpredictable policy changes of the USA resulting from the newly elected president and the quasi-defunct Trans-Pacific Partnership Agreement.

Moving forward, uncertainties will remain even though it was forecasted by the authorities that Malaysian economy will continue to grow at about the same rate amid expectation of a stronger than expected recovery in exports in line with the weak Malaysian currency. On the supply side of steel materials, competitions remained keen amid rebounded prices while China continues to tighten its excess capacities. Notwithstanding that, the Group is expected to continue benefiting from the overseas material imports amid competitive steel material pricing. In line with this, the Group will endeavour to generate a satisfactory performance for the new financial year 2017 with continuous efforts in on-going operations improvement, costs control and higher productivity.



CHAIRMAN’S STATEMENT (cont’d)



Corporate Social Responsibility (“CSR”)

During the year under review, the Group continues its efforts in the area of CSR in contributing towards the needs of those less fortunate groups through the donations to some welfare organisations. Our Social Care Committee (“SCC”) has also organised some visitation trips to social care centers where we presented gifts in the forms of foods, daily household products and cash donations to the management of these centers. In addition, our SCC team also did something different during the year 2016 by taking the initiatives to accompany the orphans and children of single parents on a day trip visit to Zoo Negara Malaysia and explored the famous “Giant Panda Conservation Centre”. A blood donation campaign was also carried out by the SCC in year 2016 for the Blood Centre – Pusat Darah Negara at our Rawang headquarter which we received well responses from the employees.

For more information relating to CSR, you may refer to the CSR Statement in separate section of this Annual Report.

Dividend

The Board is pleased to recommend a final single-tier dividend of 2.0 sen per ordinary share, amounting to RM3,791,017, in respect of the financial year ended 31 December 2016, which is subject to the shareholders’ approval at the forthcoming Annual General Meeting of the Company.

Appreciation

On behalf of the Board of Directors and the Company, I wish to express my sincere thanks to all the employees for their dedication and commitment in contributing towards the performance of the Group. I also wish to extend my appreciation to our valuable shareholders, customers, business associates as well as financial institutions and relevant regulatory authorities for their continuous support and confidence in the Group.

Last but not least, I also wish to thank the members of the Board for their invaluable service and stewardship to the Group during the year under review.

Toh Yew Keat
Executive Chairman of the Board





MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

In line with the new requirement introduced by Bursa Malaysia Securities Berhad, the Board of Directors (“Board”) and Management of Prestar Resources Berhad (“Prestar”) are pleased to present the Management Discussion and Analysis (“MD&A”) which contains commentaries on the performance of Prestar and its subsidiaries (“the Group”) for the financial year ended 31 December 2016 (“FYE 2016”). The aim of the MD&A is to provide shareholders with a better understanding of the Group’s businesses, operations and its financial position. This will include an analysis of the financial performance for FYE 2016, business operations during the year, key business strategies, risks and future direction of the Group.

This MD&A should be read in conjunction with the Audited Financial Statements of the Group for the FYE 2016 as set out in another section of this Annual Report.

FINANCIAL REVIEW

Key financial highlights of the Group for the FYE 2016 as compared to the financial year ended 31 December 2015 (“FYE 2015”) is as follows:

(RM'000)	FYE 2015	FYE 2016	Variance	Variance (%)
Revenue	616,913	621,484	4,571	0.74%
Profit before tax	20,101	39,832	19,731	98.16%
Profit attributable to owners of the parent	10,659	24,340	13,681	128.35%
Total assets	578,228	624,898	46,670	8.07%
Equity attributable to owners of the parent	214,651	236,732	22,081	10.29%
Net assets per share (RM)	1.230	1.330	0.100	8.13%
Basic earnings per share* (sen)	6.09	13.83	7.740	127.09%
Diluted earnings per share* (sen)	6.09	13.33	7.240	118.88%

* attributable to owners of the Company

Year 2016 was indeed a bumper year for Prestar coupled with surprises and challenges. During the year 2016, Malaysia’s real Gross Domestic Product (“GDP”) slowed to 4.2%, lowest rate of growth for Malaysia since year 2010. Nevertheless, the Group managed to report robust results for the year 2016 mainly due to better business conditions in steel industry, both locally and internationally. Thus, the Group’s revenue for the current year under review increased marginally at 0.7% from RM616.9 million to RM621.5 million recorded in the same corresponding period of last year. The increase was mainly derived from the manufacturing segment which shown a minimal increase of 1.3%, while trading segment depicted a minimal decrease of 1.0% in line with the slower economy growth in the country.

With the improvement in the business conditions in steel industry since early part of the year as mentioned above, profit before tax for the year under review was substantially higher at RM39.8 million as compared to RM20.1 million in the same corresponding period of last year. A 98.2% improvement in the profit before tax marked a significant record for the Group. The main reasons of such improvement were due to better sales margin obtained from more reliable overseas material suppliers with better pricing since first quarter of year 2016, after the discontinued operation of a large local mill as well as rebounded steel prices.

Profit attributable to owners of the parent had also improved substantially in line with the above factors. It increased from RM10.7 million recorded in the year under review to RM24.3 million in the same corresponding period of last year, an increase of 128.4%. The aforesaid increase was also partially due to equity accounting for positive contributions from an associate company which was reported heavy losses in the previous year (from a loss of RM10.3 million in the previous year to a profit after tax of RM9.9 million in the current year under review).

As a result of better financial performance of the Company, the basic earnings per share for the financial year under review has increased to 13.83 sen as compared to only 6.09 sen in the previous financial year with an improvement of 127.1%. Other improvement included the increase in the net assets per share attributable to ordinary equity holders of the Company from RM1.23 per share in last year to RM1.33 per share as at end of this financial year. The Group’s financial position further improved with total equity increased to RM300.3 million as at end of the financial year. The total assets had also increased from RM578.2 million in last year to RM624.9 million this financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL REVIEW (cont'd)

During the FYE 2016, the operating expenses increased by RM8.3 million or 19.2% to RM51.5 million compared to RM43.2 million in the preceding year. This was mainly due to impairment of equipment and machineries for the manufacturing and trading segments, provision of custom duties payable on importation of raw materials, royalty fee payable, increase in employee benefits and impairment of doubtful debts. The increase in the advertising and promotion expenses was mainly due to participation in overseas exhibition to promote and introduce new products range for the manufacturing segment's dealer. The finance costs decreased by RM1.2 million to RM12.1 million for the current year under review from RM13.3 million in the preceding year. The decrease was due to lower net borrowings during the year and reduction of banking facilities' interest rate.

The trade receivables increased by 11.3% to RM177.8 million during the financial year under review. This was mainly due to higher sales towards the year end. The Group's gearing ratio improved from 1.06 times as at 31 December 2015 to 0.97 times as at 31 December 2016. The cash and bank balances also increased by 10.1% to RM45.0 million for the current year under review from RM40.9 million as at 31 December 2015.

As mentioned earlier, the Group's borrowings reduced substantially during the first three (3) quarters in year 2016, but subsequently increased by RM2.8 million or 1.2% to RM238.2 million from RM235.4 million towards the end of FYE 2016. There was an increase of hire purchase payables of RM3.3 million during the financial year under review. This was partly due to funding of the purchase of forklifts by the trading segment for their rental business.

The Board has recommended a final single-tier dividend of 2.0 sen per ordinary share, in respect of the FYE 2016 which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. The Company had earlier paid an interim single-tier dividend of 1.0 sen per ordinary share, resulting in total dividends of 3.0 sen per ordinary share for the FYE 2016. There is no dividend policy for the Company at the moment, however, the Board strives to adopt a consistent approach in declaring dividends after considering various factors, such as future investment requirements, profitability and liquidity of the Company.

OPERATIONS REVIEW

One (1) major event in local steel industry for the FYE 2016 was the operation stoppage of a major local steel mill, thus creating opportunities for our subsidiaries to obtain permits for the importation of steel materials from overseas suppliers with certain duty exemptions. This has improved the operating conditions of the Group with better choices of steel material supplies at competitive prices and more reliable on-time deliveries. It has also resulted in the clearance of our sales and production backlog, improvement in the sales margin of our subsidiaries and operational controls relieved with reliable quality raw materials and delivery dates.



During the FYE 2016, Royal Malaysian Customs Department ('RMCD') conducted a nationwide site visit and investigation on some steel companies. Tashin Steel Sdn. Bhd. ('TSSB'), a subsidiary of the Group was among one of the companies visited by RMCD, effectively resulting in certain bank accounts being frozen and certain raw materials being withheld for the purposes of audit and investigation. In June 2016, TSSB received a notice from RMCD that raw materials being withheld have been released. Subsequently in April 2017, TSSB was notified by the respective banks that all relevant frozen bank accounts have been unfrozen and activated.



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATIONS REVIEW (cont'd)

Segmental Performance RM'000	FYE 2016		FYE 2015		FYE 2016		FYE 2015	
	Trading	Trading	Increase/ (Decrease)	(%)	Manufacturing	Manufacturing	Increase/ (Decrease)	(%)
External sales	154,984	156,570	(1,586)	-1%	464,883	458,711	6,172	1%
Inter-segment revenue	3,170	2,412	758	31%	73,912	94,638	(20,726)	-22%
Total revenue	158,154	158,982	(828)	-1%	538,795	553,349	(14,554)	-3%
Segment result	7,941	5,390	2,551	47%	40,718	30,620	10,098	33%

Revenue for the FYE 2016 improved marginally over the previous year in line with sluggish market demand of the country. As a result, the trading segment of the Group faced a marginal 1.0% decline in sales to third parties when compared to FYE 2015 with lower sales on general trading items such as hardware and related products. Manufacturing segment managed to increase its sales to third parties by 1.3% with higher sales of steel tubes, slitted coils and sheets.

In order to improve the Group's efficiencies and maintain its sustainability in the competitive market environment, various subsidiaries had incurred substantial amount of capital expenditure ("CAPEX") during the FYE 2016. Out of the total CAPEX incurred, RM7.2 million was incurred for new machineries and additional facilities, which included the new tube mills and slitter lines for the pipe division and new forklifts for rental business. At the same time, RM1.0 million was incurred for renewal and maintenance of the existing obsolete machineries, motor vehicles, buildings and related facilities, for instances the purchase of new hot-dip kettle and delivery lorries, repairing of stamping machines and upgrading of factory and office. Besides that, RM0.7 million was also spent on minor items which included fixtures and fittings, office equipment, computers and all other accessories. Due to the latest requirements in the Information Technology ("IT"), the Group had upgraded its email server with the latest Microsoft Exchange Server to provide better communication system throughout the Group and improved communication efficiencies and cyber security.

In relation to overseas operation, the Group has shut down its stamping operation in Vietnam towards the end of the year 2016 and shifting this manufacturing operation back to Malaysia. With this development, the factory and related property in Vietnam will be up for sale. At the same time, the Group continued to make inroads into the vast market of Indonesia through its trading subsidiary, PT Prestar MHE which has recorded good progress in the FYE 2016.

MANAGING MAJOR RISKS AT GROUP LEVEL

Business and credit risks

Our subsidiaries' exposure to business and credit risk arises primarily from trade and other receivables as the coverage of the industries are wide and in depth with the number of customers running in thousands for the whole Group. Due to the slow economic growth and weak market demand, credit risk is one (1) of the major risks that the Group is facing. In order to mitigate this risk, individual subsidiary has established a sound system of credit appraisal and review procedure. The debtors' aging report is being prepared on periodic basis, monitor and follow-up closely to ensure appropriate and timely actions are taken in an effort to mitigate credit risk. In addition to that, the Headquarter is also monitoring the overdue accounts regularly to ensure the impact of credit risk to the Group is kept to minimal.

Other major risks at Group level are the fire perils and fluctuations of foreign exchange rates ("FOREX") where most of our subsidiaries will be facing. The Group has put in place adequate insurance coverage to mitigate the risk of fire perils. We had also over the years, developed and implemented various action plans and protecting measures to monitor and protect our facilities against fire perils. Currency hedging techniques and policy, constant monitoring and reporting actions are also taken to mitigate the risk on FOREX fluctuations. Detailed report on risk management of the Group is presented in other section of this Annual Report.

Strategic Review

The Group continues its cautious and pragmatic strategy in adopting Lean Management in both its production facilities and other operations, consolidating existing resources and gear for organic growth from within. Thus, we are constantly improving our manufacturing facilities, IT facilities and other relevant infrastructures required for the business operations through proper planned CAPEX to maintain our competitiveness and sustainability. On the corporate front, the Group has shut down the plant at Vietnam due to the strategic issue on supplies competitiveness. We will dispose the properties held by the Vietnam subsidiary and repatriate the investment after the company is officially wound-up. Besides that, we have also started the process of winding-up a dormant subsidiary in Indonesia - PT Prestar Precision Tube as the strategic advantages during the original planning are no longer relevant.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

MANAGING MAJOR RISKS AT GROUP LEVEL (cont'd)

Strategic Review (cont'd)

Going forward, the Group will continue to focus on its main core competitive advantages in both steel product manufacturing and steel processing as well as trading of various steel related hardware and industrial products. The Group also reckoned that one (1) of the most important success factors in maintaining its sustainability is the effective and excellent management of human capital. As such, the Group places very important attention in its human resource management, training and development.

HUMAN CAPITAL MANAGEMENT

The objective of our Group's human resource management is to maintain a performance appraisal system that drives employees to high performance level by providing competitive remuneration package, with appropriate benefits programme in a conducive working environment. We strive to maintain the industrial harmony between employees and employer by ensuring compliance to all rules, regulations and guidelines throughout an effective human resource management. Employees are encouraged to enroll in training courses, seminars and professional and technical courses in order to enhance each individual's professional skills. The Group provides appropriate sponsorship to employees to attend and participate in various skills training programmes to advance their skill levels, thereby improve their job performance. We are also encouraging employees to attend industry networking and technical exhibitions to bring in new and innovative ideas to improve on our products and to keep abreast with the latest market trends and demands. For example, the Group offers students from local universities to conduct hygiene industry assessment within our Group for their 2016 research program as a way to support and nurture new talents and innovations.

In line with good practices carried out by our human resource management, one (1) of our subsidiaries, Prestar Precision Tube Sdn. Bhd. was awarded as "**Selangor Best Employees' Provident Fund Employer Award**" for the FYE 2016. This is a remarkable recognition of our efforts and endeavour in the human resource management.

Additional benefit granted to the employees was the granting of Employees' Share Option Scheme ("ESOS") to eligible employees since two (2) years ago as part of motivation and retention purposes. For the FYE 2016, 4,227,900 ESOS were exercised by the eligible employees of the Group.





BOARD OF DIRECTORS' PROFILE

Toh Yew Keat Group Executive Chairman

Aged : 69, Male, Malaysian
*Appointed to the Board on
12 July 1984*

Mr. Toh Yew Keat is one of the founders of Prestar Resources Berhad Group ("the Group" or "Prestar Group"). Mr. Toh has ventured into business after completing his secondary education. He has more than forty-five (45) years of experience in importation and distribution of material handling equipment, hardware products and building materials.

Mr. Toh is actively involved in formulating and implementing the Group's business policies and corporate strategies and contributes to the continued growth and profitability of the Group by identifying new business ventures.

Mr. Toh does not sit on the Board of other public companies and public listed companies. He is currently the Director of Prestar Resources Berhad's subsidiaries and several other private limited companies.

Mr. Toh is the brother of Dato' Toh Yew Peng, the Group Managing Director, Mr. Toh Yew Kar, Group Executive Director, Mr. Toh Yew Seng, Group Executive Director and Mr. Toh Yew Chin, Non-Independent Executive Director of the Company and they are also the major shareholders of the Company.

Mr. Toh is also the brother of Ms. Toh Poh Khuan and Mr. Toh Yew Keong and uncle of Mr. Andy Toh Jin Hong and Mr. Ian Toh Jin Hu, who are the major shareholders of the Company.

Dato' Toh Yew Peng Group Managing Director

Aged : 64, Male, Malaysian
*Appointed to the Board on
12 July 1984*

Member

Employees' Share Option Scheme
("ESOS") Committee

Dato' Toh Yew Peng is one of the founders of the Group. Dato' Toh has ventured into business after completing his secondary education. Dato' Toh has been the Group Managing Director of the Company since 1984 and is responsible for the strategic development and overall growth, profitability and management of the Group.

Dato' Toh travels extensively to keep abreast with the latest developments in the industry and constantly assesses new market prospects and opportunity for the Group.

Dato' Toh does not sit on the Board of other public companies and public listed companies. Dato' Toh is currently the Director of Prestar Resources Berhad's subsidiaries and several other private limited companies.

Dato' Toh is the brother of Mr. Toh Yew Keat, the Group Executive Chairman, Mr. Toh Yew Kar, Group Executive Director, Mr. Toh Yew Seng, Group Executive Director and Mr. Toh Yew Chin, Non-Independent Executive Director of the Company and they are also the major shareholders of the Company.

Dato' Toh is also the brother of Ms. Toh Poh Khuan and Mr. Toh Yew Keong and uncle of Mr. Andy Toh Jin Hong and Mr. Ian Toh Jin Hu, who are the major shareholders of the Company.



BOARD OF DIRECTORS' PROFILE (cont'd)

Toh Yew Kar **Group Executive Director**

Aged : 58, Male, Malaysian
*Appointed to the Board on
12 July 1984*

Mr. Toh Yew Kar has been the Marketing Director of the Company since 1984. Mr. Toh has ventured into business after completing his Pre-University studies at Taylor's College. Prior to his involvement in Prestar Group, he has obtained substantial experience and exposure in sales and marketing with a trading company in Osaka, Japan.

Mr. Toh is responsible for the marketing affairs of the Company and is actively involved in the implementation of marketing strategies and development of new products and markets.

Mr. Toh does not sit on the Board of other public companies and public listed companies. He is currently the Director of Prestar Resources Berhad's subsidiaries and several other private limited companies.

Mr. Toh is the brother of Mr. Toh Yew Keat, the Group Executive Chairman, Dato' Toh Yew Peng, Group Managing Director, Mr. Toh Yew Seng, Group Executive Director and Mr. Toh Yew Chin, Non-Independent Executive Director of the Company and they are also the major shareholders of the Company.

Mr. Toh is also the brother of Ms. Toh Poh Khuan and Mr. Toh Yew Keong and uncle of Mr. Andy Toh Jin Hong and Mr. Ian Toh Jin Hu, who are the major shareholders of the Company.

Toh Yew Seng **Group Executive Director**

Aged : 55, Male, Malaysian
*Appointed to the Board on
31 January 1986*

Member
ESOS Committee

Mr. Toh Yew Seng, was appointed as the Group Executive Director of the Company in 1986 and prior to that, he was the General Manager of the Company from 1984 to 1985. He obtained his Bachelor of Arts majoring in Business Administration from Tunghai University, Taiwan. He has more than thirty (30) years of experience in various operation areas which covers sales and marketing, operation and production, administration and project management.

Currently, Mr. Toh is mainly involved in overseeing and managing the manufacturing activities of the Group at Rawang's production complex, where he is responsible for the overall planning and formulating of operation and manufacturing strategies as well as supply chain management.

Mr. Toh does not sit on the Board of other public companies and public listed companies. He is currently the Director of Prestar Resources Berhad's subsidiaries and several other private limited companies.

Mr. Toh is the brother of Mr. Toh Yew Keat, the Group Executive Chairman, Dato' Toh Yew Peng, Group Managing Director, Mr. Toh Yew Kar, Group Executive Director and Mr. Toh Yew Chin, Non-Independent Executive Director of the Company and they are also the major shareholders of the Company.

Mr. Toh is also the brother of Ms. Toh Poh Khuan and Mr. Toh Yew Keong and uncle of Mr. Andy Toh Jin Hong and Mr. Ian Toh Jin Hu, who are the major shareholders of the Company.



BOARD OF DIRECTORS' PROFILE (cont'd)

Toh Yew Chin Non-Independent Executive Director

Aged : 53, Male, Malaysian
*Appointed to the Board on
18 September 2009*

Mr. Toh Yew Chin is the Director of Y. K. Toh Marketing (S) Pte. Ltd. ("YKTM") and Prestar Marketing Sdn. Bhd. Mr. Toh has ventured into business after completing his secondary education.

Mr. Toh was responsible for the sales and marketing of Prestar Marketing Sdn. Bhd. before transferring to Singapore in 1984 to set up YKTM and responsible for the overall business planning and development of YKTM.

Mr. Toh does not sit on the Board of other public companies and public listed companies.

Mr. Toh is the brother of Mr. Toh Yew Keat, the Group Executive Chairman, Dato' Toh Yew Peng, Group Managing Director, Mr. Toh Yew Kar, Group Executive Director and Mr. Toh Yew Seng, Group Executive Director of the Company and they are also the major shareholders of the Company.

Mr. Toh is also the brother of Ms. Toh Poh Khuan and Mr. Toh Yew Keong and uncle of Mr. Andy Toh Jin Hong and Mr. Ian Toh Jin Hu, who are the major shareholders of the Company.

Tuan Haji Fadzlullah Shuhaimi Bin Salleh Independent Non-Executive Director

Aged : 59, Male, Malaysian
*Appointed to the Board on
18 March 1995*

Chairman

Remuneration Committee

Member

Audit Committee

Nomination Committee

Tuan Haji Fadzlullah Shuhaimi Bin Salleh obtained his Master in Computer Science from the University of Michigan, Ann Arbor, United States of America ("U.S.A.") in 1980 and a Master in Islamic Finance from the International Centre for Education in Islamic Finance (INCEIF), Kuala Lumpur in 2014. He was the Deputy President of Digital Equipment Corporation Users Society, Malaysia from 1991 to 1992. Tuan Haji Fadzlullah Shuhaimi has worked with Sime Darby Berhad, I & P Berhad and Shapadu Corporation Berhad, which he was primarily involved in the Information Technology department. Recently, he is lecturing Islamic Finance in Iowa, U.S.A. and Beirut, Lebanon.

Tuan Haji Fadzlullah Shuhaimi does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of other public companies and public listed companies.

Md. Nahar Bin Noordin Independent Non-Executive Director

Aged : 59, Male, Malaysian
*Appointed to the Board on
18 June 1994*

Member

Remuneration Committee

Encik Md. Nahar Bin Noordin obtained his Master in Business Administration (Finance) from California State University, U.S.A. in 1985 after having obtained a Bachelor of Science (Finance) from University of Pacific, U.S.A. in 1984.

Encik Nahar started his career in Citibank N.A., Malaysia in 1986 and was attached to Citibank's Investment and Corporate Banking Division, handling various financial instruments. In 1990, he left Citibank as Assistant Vice President to join Metacorp Berhad, where he was initially responsible for financial and corporate matters but later took responsibility for the overall daily operations of Metacorp Berhad and assisted in the flotation of Metacorp Berhad on the Second Board of Bursa Malaysia Securities Berhad. He resigned as Deputy Managing Director of Metacorp Berhad in 1993 to venture into his own trading and investment holding businesses.

Encik Nahar does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of other public companies and public listed companies. He is a Director of several private limited companies.



BOARD OF DIRECTORS' PROFILE (cont'd)

Dato' Lim Cheang Nyok **Independent Non-Executive Director**

Aged : 48, Male, Malaysian
Appointed to the Board on 28 March 2002

Chairman
ESOS Committee
Nomination Committee
Member
Audit Committee

Dato' Lim Cheang Nyok is an advocate and solicitor and senior partner of Messrs. Lim & Yeoh.

Dato' Lim graduated from Monash University in Melbourne, Australia with a Bachelor of Economics in 1988 and Bachelor of Law in 1990. Dato' Lim was called to the Malaysian Bar in 1992. Dato' Lim commenced his legal profession handling banking and commercial litigation matters.

Besides legal practice, Dato' Lim has been involved in various areas of business including information technology, mining and real property.

Dato' Lim does not have any family relationship with any Director and/or major shareholder of the Company. He sits on the Board of SBC Corporation Berhad and several private limited companies.

Lou Swee You **Independent Non-Executive Director**

Aged : 73, Male, Malaysian
Appointed to the Board on 9 May 2008

Chairman
Audit Committee
Member
Remuneration Committee
Nomination Committee

Mr. Lou Swee You graduated from Nanyang University, Singapore with a Bachelor of Commerce (Accountancy) Degree and holds a Master of Business Administration Degree from Strathclyde Graduate Business School, Glasgow, Scotland. Besides being a Certified Internal Auditor, he is also a CFIIA, FCCS, FIPA, CFP, RFP and member of Audit Committee of Malaysian Institute of Management.

Mr. Lou has spent more than thirty (30) years with a public listed company and had headed various functions including finance, secretarial practices, information system, human resource and internal auditing. He was the officer/director primarily responsible for the financial management of that company for more than twenty (20) years.

Mr. Lou was actively involved in internal audit activities and was a board member of The Institute of Internal Auditors Malaysia from 1998 to 2006. During those years, he held several positions included treasurer, secretary and vice president.

Mr. Lou does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of other public companies and public listed companies.

ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS

Conflict of Interest

None of the Directors of the Company has any conflict of interest with the Company.

List of convictions for offences within past five (5) years and public sanction or penalty imposed by the relevant regulatory bodies

None of the Directors of the Company has been convicted for offences within the past five (5) years, other than traffic offence, if any nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.





PROFILE OF KEY SENIOR MANAGEMENT

Toh Yew Keat	- Group Executive Chairman
Dato' Toh Yew Peng	- Group Managing Director
Toh Yew Kar	- Group Executive Director
Toh Yew Seng	- Group Executive Director

The above key senior management are also members of the Board. Their profiles are set out on pages 16 and 17 of this Annual Report.

Toh Poh Khuan - Executive Director, Prestar Marketing Sdn. Bhd. ("PMktg")

Aged: 68, Female, Malaysian

Ms. Toh Poh Khuan ventured into business after completing her secondary education. She has been the Finance cum Executive Director of PMktg since 1981, and is responsible for the day-to-day operations of PMktg in Northern region of Peninsular Malaysia. She was appointed as the Executive Director of PMktg on 20 September 1985.

Ms. Toh is the major shareholder of the Company. She is the sister of Mr. Toh Yew Keat, the Group Executive Chairman; Dato' Toh Yew Peng, Group Managing Director; Mr. Toh Yew Kar, Group Executive Director; Mr. Toh Yew Seng, Group Executive Director; and Mr. Toh Yew Chin, Non-Independent Executive Director and they are also the major shareholders of the Company. She sits on the Board of several other private limited companies. She does not sit on the Board of public companies and public listed companies.

Toh Yew Chin - Executive Director, PMktg

Mr Toh is also a member of the Board. His profile is set out on page 18 of this Annual Report.

Koay Kah Ee - Group Finance Director, Prestar Resources Berhad ("Prestar")

Aged: 58, Male, Malaysian

Mr. Koay Kah Ee holds a Master in Business Administration (MBA) from University of Strathclyde, United Kingdom ("UK"). He is a fellow member of Chartered Institute of Management Accountants (CIMA), UK, fellow member of the Australia Certified Practising Accountants (CPA Australia), Chartered Accountant (CA) of the Malaysian Institute of Accountants, member of Chartered Global Management Accountants (CGMA), member of the Employer panel of Industrial Court Malaysia and a CIMA Global Membership Assessor. He has over thirty-five (35) years of experience in finance, accounting and corporate affairs and has been working in various industries such as plantation, trading, services and manufacturing with local companies and subsidiaries of multinational company.

Mr. Koay joined Prestar Group since 1994 and is responsible for all the finance, accounting and corporate affairs of the Group. He was appointed as the Group Finance Director on 1 September 2008. He sits on the Board of Prestar Manufacturing Sdn. Bhd. ("PMSB"), Prestar Engineering Sdn. Bhd. ("PESB"), Prestar Steel Pipes Sdn. Bhd. and Dai Dong Steel Sdn. Bhd. ("DDSSB"). He is also the Senior Independent Non-Executive Director of Ajinomoto (Malaysia) Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and JF Technology Berhad, a company listed on the ACE Market of Bursa Securities.

Mr. Koay does not have any family relationship with any Director and/or major shareholder of the Company.

Kenny Toh Jin Tat - Executive Director, Prestar Precision Tube Sdn. Bhd. ("PPTSB")

Aged: 41, Male, Malaysian

Mr. Kenny Toh Jin Tat holds a Bachelor in Business Administration, University of Texas A&M, United States of America ("USA"). Mr. Kenny Toh previously managed the export and operation functions of PMSB for eight (8) years since 1999 prior to his secondment to Prestar Industries (Vietnam) Co. Ltd. ("Prestar Vietnam"). He was the General Manager/Director of Prestar Vietnam from years 2008 to 2011 to spearhead the manufacturing activities of Prestar Vietnam.

Mr. Kenny Toh was appointed as the Executive Director of PPTSB on 3 January 2012. He is currently responsible for the overall management and profitability of PPTSB – Carbon Steel Pipes division.

Mr. Kenny Toh is the son of Mr. Toh Yew Keat, the Group Executive Chairman and major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.



PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Alan Toh Jin Joo - Executive Director, of PPTSB and DDSSB

Aged: 40, Male, Malaysian

Mr. Alan Toh Jin Joo holds a Bachelor Degree of Science, University of Texas A&M, USA. Mr. Alan Toh started his work as an Information Technology Manager of Prestar Group in year 2003. He was subsequently attached to the production and sales department of PPTSB - Stainless Steel division. He was appointed as the Executive Director of PPTSB and DDSSB on 1 December 2014. He is currently responsible for the sales of stainless steel and auto-tube products of PPTSB and overseeing the sales activities of DDSSB.

Mr. Alan Toh is the son of Dato' Toh Yew Peng, the Group Managing Director and major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Andy Toh Jin Hong - Sales Director, Prestar Storage System Sdn. Bhd. ("PSSSB")

Aged: 40, Male, Malaysian

Mr. Andy Toh Jin Hong holds a Bachelor in Business Administration, University of Texas A&M, USA. Mr. Andy Toh began his career with Chiho Hardware Sdn. Bhd. overseeing the business operation in Penang. He has more than fifteen (15) years of business experience dealing in household hardware and storage system. He joined PSSSB in year 2008 as Assistant Production Manager and promoted to Sales Manager in year 2012. He was appointed as the Sales Director of PSSSB on 1 June 2016. He is currently responsible for the sales and administrative, shipping, export, design and engineering department of PSSSB.

Mr. Andy Toh is the major shareholder of the Company. He is the son of Mr. Toh Yew Hoe, a major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Jason Toh Jin Hin - Sales Director, PPTSB

Aged: 36, Male, Malaysian

Mr. Jason Toh Jin Hin ventured into business after completing his secondary education. He joined Prestar Group in year 2002 and was formerly attached to POSCO-MKPC Sdn. Bhd., a 30% owned associate company of Prestar. He has vast experience in the field of sales and marketing. He was appointed as the Executive Director of PPTSB on 1 December 2014 and is currently responsible for the sales and marketing activities of PPTSB – Carbon Steel Pipes division.

Mr. Jason Toh is the son of Mr. Toh Yew Keat, the Group Executive Chairman and major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Lim Choon Teik - Executive Director, Tashin Steel Sdn. Bhd. ("TSSB") and Tashin Hardware Sdn. Bhd. ("THSB")

Aged: 64, Male, Malaysian

Mr. Lim Choon Teik ventured into business after completing his secondary education. He serves as an Advisor to the Penang Hardware and Machinery Merchants' Association. He is also a General Committee Member of the Penang Chinese Chamber of Commerce.

Mr. Lim was appointed as an Executive Director of THSB and TSSB on 2 March 2004 and 18 October 2004 respectively. He has extensive experience in the field of sales and marketing in hardware and machinery. He is responsible for the overall business development and formulation of all marketing plans and strategies for TSSB and THSB.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He is also a Director of several private limited companies. He does not sit on the Board of public companies and public listed companies.



PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Lim Fong Kan - Director, Prestar Galvanising Sdn. Bhd. ("PGSB")

Aged: 51, Male, Malaysian

Mr. Lim Fong Kan ventured into business after completing his secondary education. He joined PMSB in year 1995 as Engineering Manager. Prior to joining Prestar, he was attached to T & G Engineering Works and Magnum Engineering Works, involved in moulds and dies design and fabrication. He has more than twenty (20) years of experience in the areas of mould and dies, fabrication and engineering. He was appointed as Director of PGSB on 4 November 2009. He is responsible for the entire tooling division of PGSB on moulds and dies fabrication as well as maintenance and installation of machineries.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Foong Kok Chuin - General Manager, Finance and Administration, TSSB

Aged: 49, Male, Malaysian

Mr. Foong Kok Chuin graduated from University of Malaya with a Bachelor Degree in Accountancy. He is a Chartered Accountant of the Malaysian Institute of Accountants. He joined TSSB in year 1999 and appointed as the General Manager on 1 January 2015. He has more than twenty (20) years of experience in the field of accounting and finance and is currently responsible for all the finance, accounting and administration functions of TSSB and its subsidiary, THSB.

Mr. Foong does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Tan Take Boon - General Manager, PESB

Aged: 54, Male, Malaysian

Mr. Tan Take Boon holds a Diploma in Electrical Engineering from Singapore Polytechnic. He joined PESB on 1 April 2016 as General Manager. He has more than thirty (30) years of experience in the field of production, sales and marketing. He is currently responsible for the overall management and profitability of PESB.

Mr. Tan does not have any family relationship with any Director and/or major shareholder of the Company. He does not sit on the Board of public companies and public listed companies.

Then Kwee Hong - Assistant General Manager, Group Human Resources and Administration, Prestar

Aged: 53, Female, Malaysian

Ms. Then Kwee Hong holds a Diploma in Human Resource Management from University Malaya. She joined Prestar Group in year 2001 and appointed as the Assistant General Manager, Group Human Resources and Administration on 1 May 2016. She has more than twenty (20) years of experience in Human Resource Management and is currently responsible for the human resource, administration and safety and security affairs of the Group.

Ms. Then does not have any family relationship with any Director and/or major shareholder of the Company. She does not sit on the Board of public companies and public listed companies.

Save as disclosed above, none of the key senior management has:

- (a) any conflict of interest with the Company;
- (b) any conviction for offences (other than traffic offences, if any) within the past five (5) years; and
- (c) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Prestar Resources Berhad recognises the importance of practising good corporate governance throughout the Company and its subsidiaries (“the Group”) and emulates the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). Pursuant to Paragraph 15.25 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), the Board is pleased to report to the Shareholders on the manner and the extent in which the Group has applied the principles and recommendations in its corporate governance practices as prescribed in the MCCG 2012 throughout the financial year ended 31 December 2016.

The Board is committed to its policy of managing the affairs of the Group with transparency, integrity, and accountability by ensuring that a sound framework of best corporate practices is in place at all levels of the Group’s business and thus discharging its principal responsibility toward protecting and enhancing long-term Shareholders’ value and stakeholders’ interest.

(A) BOARD

(i) Clear functions of the Board and Management

The Board takes full responsibility for the overall performance of the Group by setting the strategic directions and objectives, formulating the policies, and executing the key strategic action plans. The Board regularly review the Group’s business operations and maintains full and effective control over the management of the Group.

The duties and responsibilities of the Board include determining the Group’s overall strategic plans, performing periodic reviews of business and financial performance, as well as adopting and implementing practical risk management and internal control system within the Group.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing Committees of the Board include the Audit Committee (“AC”), Nomination Committee (“NC”), Remuneration Committee (“RC”), Group Risk Management Committee (“GRMC”) and Employees’ Share Option Scheme (“ESOS”) Committee. It is the general policy of the Group that all major decisions be considered by the Board.

(ii) Clear Roles and Responsibilities

The Board reviewed the sustainability, effectiveness, and implementation of the strategic plans for the year and provided guidance and input to Management. To ensure the effective discharge of its functions and duties, the principal responsibilities of the Board include the following:-

- Review and adopt strategic business continuity plans for the Company and the Group;
- Oversee and monitor the conduct of the Group’s businesses and financial performance;
- Review and adopt budgets and financial results of the Company and the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of financial information disclosure;
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- Review the adequacy and integrity of the Company’s and the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and
- Establish authority control parameters for the top management and Executive Directors of the Group for control and planning so as to safeguard the interests of the Group, and facilitate the functioning of the Group operations.

(iii) Board Charter

The Board Charter sets out the roles, duties and responsibilities of the Board and the application of principles and practices of good corporate governance. It is available on the Company’s website. The Board Charter will be reviewed on a periodic basis.

(iv) Code of Conduct and Ethics

The Board has established a Code of Conduct and Ethics which provides ethical guides on the standards of behaviour expected from all Directors of the Group, during the conduct of business for the Group. For all intents and purposes, all Directors shall always observe and ensure compliance with all applicable laws and regulations to which they are bound to observe in discharging their duties and responsibilities. This Code is available on the Company’s website.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(A) BOARD (cont'd)

(v) Whistle Blowing Policy

The Board has established a Whistle Blowing Policy to uphold the Group's effort and commitment in doing business with ethics of honesty and integrity, henceforth providing a transparent and confidential process in handling the whistle-blowing reports. This Policy will serve as an avenue for all employees and members of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Company and/or compromise the interests of stakeholders. This Policy is available on the Company's website.

(vi) Composition of the Board

The Board presently has nine (9) members and comprises four (4) Executive Directors, one (1) Non-Independent Executive Director and four (4) Independent Non-Executive Directors, which fulfils the prescribed requirement for one-third (1/3) of the Board to be independent as stated in Paragraph 15.02 of Bursa Securities MMLR.

The diverse background of the members of the Board who come from various fields such as legal, finance, commercial and technical experiences form invaluable assets to the Company.

The roles and duties of the Group Executive Chairman, Group Managing Director and Group Executive Directors are clearly identified and separated to ensure effective operation of the Group.

The Chairman of the Board is an Executive Director and the Board does not comprise majority of Independent Non-Executive Directors. However, after careful assessment and review, in relation to his role and duties, experience and contributions made to the Group, the NC determined that the chairmanship of Mr. Toh Yew Keat remains.

The presence of Independent Non-Executive Directors fulfils the pivotal role in corporate accountability. The role of Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advices and judgements to take into account of the interest, not only of the Group, but also the stakeholders.

At the time of writing this Statement, four (4) of the Independent Non-Executive Directors, i.e. Tuan Haji Fadzlullah Shuhaimi Bin Salleh, Dato' Lim Cheang Nyok, Encik Md. Nahar Bin Noordin and Mr. Lou Swee You had served the Company for more than nine (9) years as Independent Non-Executive Directors of the Company. Pursuant to Recommendation 3.2 of the MCGG 2012, the NC had assessed and determined that these Independent Non-Executive Directors remain objective and independent. The NC then further recommended to the Board that the Company should seek shareholders' approval to retain them as Independent Non-Executive Directors at the forthcoming Annual General Meeting ("AGM").

The profile of each Director is presented in another section of this Annual Report.

(vii) Reinforce Independence: Annual Assessment of Independence of Directors

The Board adopts the concept of independence in tandem with the definition of Independent Non-Executive Director as prescribed under Paragraph 1.01 of Bursa Securities MMLR. The Board also carries out an annual assessment of the independence of its Independent Directors through the assistance of the NC.

The Board considers that its Independent Non-Executive Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All the Independent Non-Executive Directors are independent of management and are free from any relationship that could materially interfere with the exercise of their independent judgement.

The Board is of the view that the current composition of Independent Non-Executive Directors fairly reflects the interest of minority shareholders in the Company through the Board's representation. The Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

(viii) Gender Diversity Policy

The Board acknowledges the importance of boardroom diversity, including gender diversity, to the effective functioning of the Board. As such, female representation on the Board will be considered when vacancies arise or suitable candidates are identified in line with the Group strategic objectives.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(A) BOARD (cont'd)

(viii) Gender Diversity Policy (cont'd)

The Board has established a Gender Diversity Policy and would ensure that there is no discrimination based on, but not limited to ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, sexual orientation, marital status, education, physical ability or geographic region, during the recruitment of new Directors. A copy of this Policy is available at the Company's website.

(ix) Directors' Training

All Directors have attended the Mandatory Accreditation Programme and are encouraged to attend training programmes on a continual basis to enhance their knowledge and keep abreast with the latest technological market and recent developments in regulations and business practices.

The Board empowered the Directors of the Company to determine their own training requirements as they consider necessary to enhance their knowledge as well as understanding of the Group's businesses and operations.

During the financial year ended 31 December 2016, the Directors had attended various talks and seminars organised by Bursa Securities and other local training organisations as follows:-

Attended by	Seminar/Program
Mr. Toh Yew Keat	<ul style="list-style-type: none">• Training on "Introduction to Companies Act, 2016"
Dato' Toh Yew Peng	<ul style="list-style-type: none">• MISIF briefing on National Revenue Recovery Enforcement Team (NRRET) and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act, 2001 (AMLTFFUA) and the Steel Industry• FMM Industrial Talk - Managing Product Liability Risk for Manufacturers and Distributors• Update training on Information Technology Security Awareness• Seminar on "Opportunity through Global E-Commerce"• Training on "Introduction to Companies Act, 2016"
Mr. Toh Yew Kar	<ul style="list-style-type: none">• Training on "Introduction to Companies Act, 2016"
Mr. Toh Yew Seng	<ul style="list-style-type: none">• Update training on Information Technology Security Awareness• Training on "Introduction to Companies Act, 2016"
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	<ul style="list-style-type: none">• Corporate Governance Breakfast Series: Future of Auditor Reporting - The Game Changer for Boardroom• Nominating Committee Programme Part 2: Effective Board Evaluations• Training on "Introduction to Companies Act, 2016"
Encik Md. Nahar Bin Noordin	<ul style="list-style-type: none">• Training on "Introduction to Companies Act, 2016"
Dato' Lim Cheang Nyok	<ul style="list-style-type: none">• Seminar on "A Bird's Eye View of Intellectual Property"• ISO 9001: 2015 Quality Management System Certification - Benefits, Processes and Procedures For Legal Firms• Training on "Introduction to Companies Act, 2016"
Mr. Lou Swee You	<ul style="list-style-type: none">• Training on "Introduction to Companies Act, 2016"

In addition, the Company Secretaries and the External Auditors update the Board on a regular basis the respective changes and amendments to regulatory requirements, laws and accounting standards to assist the Board to keep abreast of such developments.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(A) BOARD (cont'd)**(x) Board Meetings and Supply of Information**

The Board met four (4) times during the financial year ended 31 December 2016. Details of each Director's attendance at the Board Meetings are as follows:-

Name of Directors	No. of Meetings attended	% of attendance
Mr. Toh Yew Keat	4 / 4	100
Dato' Toh Yew Peng	4 / 4	100
Mr. Toh Yew Kar	4 / 4	100
Mr. Toh Yew Seng	4 / 4	100
Mr. Toh Yew Chin	4 / 4	100
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	4 / 4	100
Encik Md. Nahar Bin Noordin	4 / 4	100
Dato' Lim Cheang Nyok	3 / 4	75
Mr. Lou Swee You	4 / 4	100

All Directors are provided with the agenda and information necessary for them to deal with prior to each Board Meeting. Senior Management team was invited to attend Board Meetings to provide the Board with detailed explanations and clarifications on certain matters that were tabled to the Board. The meeting papers include, amongst others, quarterly financial report, internal audit report, significant financial data and corporate issues, risk management committee progress report, minutes of all Board Committees, summary of all announcements, summary of Directors' dealings and any other matters requiring the Board's approval.

All Directors have full access to the advices and services of the Company Secretaries as well as access to the information within the Group, whether as a full Board or in their individual capacity for discharging their duties.

The Board is regularly updated and apprised by the Company Secretaries who are experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities.

(xi) Re-election of Directors

In accordance with Article 105 of the Company's Articles of Association ("AA"), at least one-third (1/3) of the Directors, or the number nearest to one-third (1/3) shall retire from office provided always that all Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

Directors who are appointed by the Board to fill a casual vacancy shall hold office until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the AGM pursuant to Article 105 of the Company's AA.

(xii) NC

The NC consists of three (3) members, all of which are Independent Non-Executive Directors and the composition of the NC is as follows:-

Members	Designation	Number of NC meetings attended / held in the financial year under review
Dato' Lim Cheang Nyok	Chairman	2 / 2
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Member	2 / 2
Mr. Lou Swee You	Member	2 / 2



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(A) BOARD (cont'd)

(xii) NC (cont'd)

The primary duties and functions of the NC are summarised as follows:-

- a) To identify new candidates for the Board after assessing the suitability of candidates based on the criteria adopted;
- b) To consider and recommend to the Board, candidates for directorship, proposed by the Managing Director, any Senior Management, any Director or any Shareholder;
- c) To recommend the nominees to fill the seat on the Committees of the Board;
- d) To assess the effectiveness of the Board as a whole and each individual Director/Committee of the Board; and
- e) To consider and examine such other matters as the NC considers appropriate.

Main activities of the NC during the financial year under review include the following:-

- a) Reviewed the required mix of skills, experience and other qualities of the Board;
- b) Assessed the effectiveness of the Board as a whole and each individual Director/Committee of the Board in accordance with the eight (8) principles of the MCCG 2012;
- c) Assessed the contribution and performance of each individual Director;
- d) Assessed the independency of the Independent Non-Executive Directors;
- e) Assessed the retention of Mr. Toh Yew Keat as an Executive Chairman of the Company which is non-compliance with the MCCG 2012;
- f) Reviewed and recommended to the Board, the re-election of the Directors who shall retire at the AGM of the Company;
- g) Reviewed and recommended to the Board, the re-appointment of the Director who is over the age of seventy (70) years pursuant to the old Companies Act, 1965 at the AGM of the Company; and
- h) Reviewed and recommended to the Board, the retention of the Independent Non-Executive Directors in accordance with the MCCG 2012.

(xiii) AC

The AC of the Company consists of three (3) Independent Non-Executive Directors to be in line with the MCCG 2012 and Bursa Securities MMLR whereby the AC shall only consist of Non-Executive Directors and majority of whom are Independent Non-Executive Directors. For detailed information on the AC with regards to its composition, activities and its report, please refer to the AC Report on pages 36 to 37 of this Annual Report.

(xiv) GRMC

The Board acknowledges that there are inherent risks associated with the business carried out by the Group. The GRMC assists the Board to continuously review the activities of the Group to identify key business and operational risks and where possible, implement policies and procedures to address such risks.

All subsidiaries have their own Risk Management Unit to review, monitor and assess risk portfolio composition of significant activities within each subsidiary. The Risk Management Unit provides the GRMC with periodical reports on the status of risk management in individual subsidiary. The GRMC reviews the Group's overall risks by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis. The risk management reports are further presented to the AC and thereafter to the Board for their deliberations.

(xv) ESOS Committee

In line with the implementation of the ESOS, an ESOS Committee was established by the Board on 21 April 2014 to oversee the administration as well as to ensure proper implementation of the ESOS in accordance with the By-Laws of the ESOS.

The members of the ESOS Committee are as follows:-

Dato' Lim Cheang Nyok	Chairman
Dato' Toh Yew Peng	Member
Mr. Toh Yew Seng	Member



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(B) DIRECTORS' REMUNERATION**RC**

The objective of the Group's remuneration policy is to attract and retain the Directors that could lead the Group to achieve its long-term goals and enhance Shareholders' value.

The RC assists the Board in assessing the remuneration packages of the Executive Directors with a view to ensure that a competitive remuneration package is offered to attract and retain the talented individuals to serve as Executive Directors. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

The RC consists of three (3) members, all of which are Independent Non-Executive Directors, and the composition of the RC is as follows:-

Members	Designation	Number of RC meetings attended / held in the financial year under review
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Chairman	1/1
Encik Md. Nahar Bin Noordin	Member	1/1
Mr. Lou Swee You	Member	1/1

Details of the remuneration for the Directors of the Company comprising remuneration received/receivable from the Company and its subsidiary companies during the financial year ended 31 December 2016 are as follows:-

(i) Aggregate remuneration categorised into appropriate components:-**(a) Group**

RM ('000)	Executive Directors	Non-Executive Directors
Fees	288	138
Salaries	2,929	-
Bonus and Others	1,221	11
Benefits-in-kind	108	-
EPF and SOCSO	729	-

(b) Company

RM ('000)	Executive Directors	Non-Executive Directors
Fees	82	138
Salaries	731	-
Bonus and Others	190	11
Benefits-in-kind	23	-
EPF and SOCSO	179	-

(ii) The number of Directors of the Company whose total remuneration falls within the following bands are as follows:-**(a) Group**

	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM500,001 to RM550,000	1	-
RM700,001 to RM750,000	1	-
RM900,001 to RM950,000	1	-
RM1,500,001 to RM1,550,000	1	-
RM1,550,001 to RM1,600,000	1	-



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(B) DIRECTORS' REMUNERATION (cont'd)

- (ii) **The number of Directors of the Company whose total remuneration falls within the following bands are as follows:- (cont'd)**

(b) Company

	Executive Directors	Non-Executive Directors
Below RM50,000	4	4
RM1,550,001 to RM1,600,000	1	-

Note: Successive bands of RM50,000/- are not shown entirely as they are not represented.

(C) ACCOUNTABILITY AND AUDIT**(i) Financial Reporting**

In presenting the annual financial statements and quarterly announcements of its results, the Board is committed to provide a balanced, fair, and comprehensive assessment of the Company's state of affairs in relation to its financial performance. To achieve this purpose, adequate financial processes are in place, aimed at keeping the Group's accounting records and transactions in accordance with accepted accounting standards. This also helps to safeguard the preparation of annual financial statements which present a true and fair view of the state of affairs of the Group at the reporting dates.

The AC assists the Board by reviewing these financial statements with Management and the External Auditors (when reviewing the yearly financial statements) to ensure the accuracy and adequacy of all the information to be disclosed as well as to ensure its compliance with the requirements of the rules and regulations of the authorities and approved accounting standards. The Group Finance Director also presented to the AC and the Board detailed presentations on the financial results, including performance against targets/budget.

The Statement of Directors' Responsibility pursuant to Bursa Securities MMLR on its responsibilities in preparing the financial statements is set out in another section of this Annual Report.

(ii) Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control and risk management that aims to safeguard Shareholders' investment and the Group's assets during its course of business. The Risk Management Unit of each subsidiary is actively identifying, assessing and monitoring the key business risks to safeguard Shareholders' investments and the Group's assets by monitoring the internal controls in place with the assistance of the AC. The GRMC assists the AC and the Board by reviewing the risk management reports of all subsidiaries of the Company. While the internal control system is devised to cater for the needs of the Group as well as risk management, such controls by their nature could only provide reasonable assurance but not absolute assurance against material misstatement or loss. Information on the Company's risk management framework and internal control system within the Group is presented in the Statement on Risk Management and Internal Control of this Annual Report.

The Group has outsourced its internal audit functions to assist the AC in discharging their duties and responsibilities. Both the Internal and External Auditors report their findings and recommendations to the AC.

(iii) External Auditors and its Independence

The Board, through the AC maintains a formal and transparent relationship with its External Auditors in seeking professional advice. The AC meets with the External Auditors without the presence of the Executive Board members and Management staff at least twice a year regarding audit planning, adequacy of controls, and other relevant audit and accounting issues.

The AC is assigned to assess, review and supervise the performance, suitability and independence of the External Auditors. Evaluation of the External Auditors is carried out on a yearly basis to determine its' continuance suitability and independence. The AC remains confident that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to the Group.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(C) ACCOUNTABILITY AND AUDIT (cont'd)

(iii) External Auditors and its Independence (cont'd)

The External Auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accounts' By-Law (on Professional Ethics, Conduct and Practice).

(D) RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

(i) Communication and Dissemination of Information

The Board recognises the importance of an effective communication channel between the Board, Shareholders, investors and general public.

The Annual Report of the Company is an important channel of communication to reach Shareholders and investors. In view thereof, effort has been taken to enhance the contents of the Annual Report in line with the best practices of the MCCG 2012 and Bursa Securities MMLR.

Another aspect of effective communications is through timely announcements of material information, financial results, corporate proposals and other announcements to Bursa Securities.

The Company maintains a website at www.prestar.com.my for Shareholders, investors and general public to access information on amongst others, the Group's profile, products, financial performance announcements and corporate information.

(ii) AGM

The AGM represents the principal forum for dialogue and interaction with Shareholders and provides an opportunity for the Shareholders to seek and clarify any issues and to have a better understanding of the Group's businesses and corporate developments. Adequate notice period for the AGM of not less than twenty-one (21) days is communicated to all the Shareholders. Healthy dialogues and interactions with the Shareholders are always greatly encouraged and no time limitation for Shareholders to ask questions pertaining to the resolutions being proposed and the operations of the Group. The Board is supported by the External Auditors, Company Secretaries, legal and financial advisers, and Senior Management staff, where applicable, who are also present at the AGM to communicate with the Shareholders, investors and media as well as to respond to the queries raised.

(E) COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the Principles and Recommendations as set out in the MCCG 2012. Save for the appointment of a Senior Independent Non-Executive Director, detailed disclosure of the remuneration of each Director, the Chairman of the NC being a Senior Independent Non-Executive Director and the Board does not comprise a majority of Independent Non-Executive Directors despite having an Executive Chairman, the Board considers that all other principles and recommendations as outline in the MCCG 2012 have been substantially implemented.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group recognises its social obligations towards the society and is striving for a balanced approach in fulfilling its key business objectives and the expectations of stakeholders.

Below are the activities or practices undertaken by the Group:-

(I) THE WORKPLACE

The Group places great attention on the well-being and benefits of the workforce. An Occupational Safety and Health Committee was set-up a few years ago to develop policies and guidelines as well as to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. Throughout the years, additional benefits, better facilities and practices were introduced to enhance the safety and quality of the workplace. Besides, greater medical protections were also implemented for the benefits of the workforce during last few years.



(II) THE ENVIRONMENT

The Group recognises the importance of environmental conservation. For instance, all industrial wastes from the Group's operations are properly handled in accordance with the pre-set procedures, guidelines and regulations. All industrial wastes are disposed strictly to licensed parties authorised by the relevant environmental authorities. Offices, factory premises and surrounding compound are well maintained, regularly inspected, cleaned and renovated where necessary to keep up with the hygiene, safety and comfort requirement of the workforce.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

**(III) COMMUNITY**

The Group continuously contributes towards the needs of those less fortunate through the sponsorship of other organisations. During the financial year under review, the Group has contributed funds to less fortunate groups through various non-governmental organisations.

Our Social Care Committee (“SCC”) has organised visitation trips to Pusat Jagaan Kanak-Kanak Kurang Upaya Kintansh at Bukit Beruntung and other handicapped and disabled homes to show our concern and care towards the less fortunate. During the visits, we presented gifts in the form of foods, daily household products, gifts for the children and cash donation to the management of both centres. Our staff and senior management had also participated and mingled around during the visits.

In addition, we took initiatives to show our care and support for the orphans and children of single parents from Persatuan Kebajikan Wargatua/Pusat Jagaan Kanak-Kanak Wilayah Persekutuan, Kepong by initiating a day trip to Zoo Negara Malaysia and explored the famous “Giant Panda Conservation Centre”. Our staff showed great care and compassion towards the children and had accompanied them throughout the trip, sharing their joy and excitements during the visit. We are glad that we are able to provide some of the children an experience in their lifetime to the zoo as it could be their first ever trip to zoo.

Last but not least, a blood donation campaign was carried out by the SCC for the Blood Centre – Pusat Darah Negara at our Rawang Headquarter. The response was very good with many employees participated in the said campaign.



ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Paragraph 9.25 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. Utilisation of Proceeds

The Company did not raise funds through any corporate proposal during the financial year under review.

2. Audit and Non-audit Fees

For the financial year ended 31 December 2016, Messrs. BDO, the External Auditor has rendered audit and non-audit services to the Company and the Group. A breakdown of fees paid were listed as below for information:-

	Company (RM)	Group (RM)
Audit services rendered		
Audit fees paid to the External Auditors for the financial year ended 31 December 2016	28,000	223,066
Non-audit services rendered		
Non-audit fees paid to the External Auditors for the financial year ended 31 December 2016	7,000	7,000
Total	35,000	230,066

3. Material Contracts involving Directors', Chief Executive's and major shareholders' interests

There were no material contracts entered into by the Group involving the interests of the Directors, Chief Executive and major shareholders during the financial year under review.

4. Recurrent related party transactions of a revenue or trading nature ("RRPT")

The information on RRPT for the financial year under review is disclosed in Note 28 of the Audited Financial Statements in this Annual Report.

5. Employees' Share Option Scheme ("ESOS")

The ESOS was approved by shareholders at the Extraordinary General Meeting held on 17 December 2013 and was subsequently implemented on 21 April 2014.

During the financial year ended 31 December 2016, a total of 4,227,900 ESOS were exercised at the issue price of RM0.53 each. Details of the ESOS of the Company are disclosed on Note 27 of the Audited Financial Statements in this Annual Report .



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) requires listed companies to maintain a sound framework to manage risks and effective internal controls in order to enhance the value of shareholders’ investments and to safeguard the companies’ assets. In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Main LR of Bursa Securities”), the Board of Directors of Prestar Resources Berhad is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which has been prepared in accordance with the *Statement on Risk Management and Internal Control Guidelines: Guidelines for Directors of Listed Issuers* issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s risk management framework and internal control system to safeguard shareholders’ investments and the Group’s assets. The system of risk management and internal control covers not only financial controls but risk management, organisational, operational, fraud prevention and compliance controls. The Board ensures the adequacy and effectiveness of the system through regular review and monitoring. However, such a system is designed to manage the Group’s risks within an acceptable risk profile rather than eliminate the risk of failure in order to achieve the goals and objectives of the Group. Hence, the system of risk management and internal control could only provide reasonable but not absolute assurance against material misstatement, fraud and potential losses.

The Board affirms that the Group has in place an on-going process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of its business objectives throughout the financial year under review. The Group is constantly improving such a system through various management actions and reviews.

RISK MANAGEMENT FRAMEWORK AND PROCESS

Risk management is an integral part of the overall management process. Therefore, the Group has established and put in place a risk management framework to promote effective risk management within the Group.

The responsibility to oversee the risk management framework is delegated to the Group Risk Management Committee (“GRMC”). The GRMC is responsible to ensure all the principal risks of the Group are properly addressed and managed within its acceptable level. The GRMC is supported by various Risk Management Units of its subsidiaries. The GRMC reports to the Audit Committee and the Board.

The GRMC constantly assess and identify risks and put in place necessary controls and mitigation plans to address and maintain the risks at an appropriate level acceptable to the Group throughout the financial year under review.

All significant risks identified and relevant controls and mitigation plans taken by Management were documented in the risk management progress reports and the same be compiled and tabled to the Audit Committee and the Board for deliberations.

INTERNAL AUDIT FUNCTION

The internal audit function (“IAF”) is carried out by external professional firm based on the internal audit plan and ad-hoc assignments approved by the Audit Committee.

The scope of works of the IAF includes but not limited to the following:-

- Review and assess the adequacy, efficiency and effectiveness of the Group’s internal control system.
- Review the extent of compliance of the Group with policies, standard operating procedures and other laws and regulations which possibly cause significant impact to the business operation of the Group.
- Report significant issues in relation to the business operations and activities of the Group and make recommendations for improvements in the internal audit reports to the Audit Committee.
- Conduct follow-up visits to ensure that all agreed corrective action plans are satisfactorily implemented by the respective Management and reports the same to the Audit Committee.
- Highlight any irregularities to the Audit Committee.

During the financial year under review, no material issues are highlighted.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

In addition to risk management and internal audit, the Group has established various controls to review the adequacy, effectiveness and integrity of the internal control system. Such controls include:-

- A budgeting process where budgets are prepared by the operating business units for subsequent monitoring and tracking of variances and performance.
- Documented Quality Management System accredited by various International Organisation for Standardisation (ISO) certification bodies on five (5) subsidiaries' quality management system on various manufacturing and trading activities.
- Quarterly review of financial results and operational matters by the Audit Committee and the Board.
- Policies and standard procedures of various operating business units within the Group are properly documented for operational guidance and compliance. These policies and procedures are reviewed and updated when necessary to maintain its effectiveness at all times.
- Corporate finance and treasury matters are controlled centrally and monitored on a weekly, monthly and quarterly basis.
- Setting formal authorisation limit for various level of personnel in order to minimise the risk of unauthorised transactions.
- Monthly management report on key business indicators and performance results on each subsidiary is reported to Management and the Executive Directors. These would enable Management and the Executive Directors to review the performance of each subsidiary on a monthly basis.

During the financial year, there were no material losses incurred as a result of weaknesses in the internal control and the Board is satisfied that the on-going process of regular reviewing, evaluating and monitoring the risk management and internal control system are reasonably effective and adequate within the Group, except on POSCO-MKPC Sdn. Bhd., which is an associate company of the Group.

The Board has received assurance from the Group Managing Director and Group Finance Director that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model and internal control system adopted by the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Main LR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 ("RPG 5") issued by the Malaysian Institute of Accountants. RPG 5 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal control of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 23 February 2017.



AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Prestar Resources Berhad is pleased to present the following report on the Audit Committee and its activities during the financial year ended 31 December 2016.

1. COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the financial year ended 31 December 2016, the Audit Committee held a total of five (5) meetings. The members of the Audit Committee together with their attendance are set out below:-

Name	Designation	Attendance
Lou Swee You	Chairman / Independent, Non-Executive Director	5/5
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Member / Independent, Non-Executive Director	5/5
Dato' Lim Cheang Nyok	Member / Independent, Non-Executive Director	4/5

2. SUMMARY OF KEY ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended 31 December 2016, the main activities undertaken by the Audit Committee were as follows:-

- a) Reviewed the unaudited quarterly financial results of the Group and thereafter, submitted to the Board for approval and release to Bursa Malaysia Securities Berhad ("Bursa Securities").
- b) Reviewed the audited year-end financial statements of the Group and Company and thereafter, submitted to the Board for consideration and approval.
- c) Met with the External Auditors twice a year in the absence of the Executive Directors and Management to discuss the audit strategy and scope of audit plan prior to commencement of annual audit and also the audit issues and recommendations raised by them after the audit.
- d) Reviewed the audit reports of the External Auditors and management letters in relation to audit including Management's responses arising from the audit.
- e) Reviewed the principal risks and the risk management actions reported by the Group Risk Management Committee and the Subsidiary Risk Management Unit.
- f) Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control and thereafter recommended the same to the Board for inclusion in the annual report.
- g) Reviewed the Circular to Shareholders in respect of the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and thereafter recommended the same to the Board for approval.
- h) Reviewed the related party transactions and recurrent related party transactions on quarterly basis.
- i) Reviewed the performance of the internal audit function ("IAF") and annual internal audit plan and internal audit reports presented by the Internal Auditors and considered the major findings highlighted by the Internal Auditors and the responses from Management.
- j) Reviewed the suitability and independence of the External Auditors vide a formalised "Assessment on External Auditors" and upon reviewed and being satisfied with the results of the said Assessment, the same had been recommended to the Board for approval.

3. TERM OF REFERENCE

The full Term of Reference of the Audit Committee, outlining the Audit Committee's objectives, composition, retirement and resignation, proceeding of meeting, authority, duties and responsibilities, is available at the Company's website at www.prestar.com.my/aboutPRESTAR/board_charter.asp.



AUDIT COMMITTEE REPORT (cont'd)

4. STATEMENT ON INTERNAL AUDIT FUNCTION

The IAF is outsourced and undertaken by an external professional firm, i.e. Axcelasia Columbus Sdn. Bhd. to conduct regular reviews and assessments on the adequacy, efficiency, and effectiveness of the Group's internal control system. The IAF reports directly to the Audit Committee. The IAF is responsible to conduct reviews in accordance with the internal audit plan or other ad-hoc assignments which are approved by the Audit Committee.

The Audit Committee meets quarterly to review the internal audit findings and to discuss on the corrective action plans in order to ensure that the control weaknesses highlighted in the internal audit reports are appropriately addressed by Management. In addition, the IAF carries out follow-up visits to ensure that all agreed corrective action plans are satisfactorily implemented by the respective Management. The progression status of the corrective action plans are reported to the Audit Committee on a quarterly basis.

For the financial year ended 31 December 2016, the IAF has successfully conducted the following audits in accordance with their Internal Audit Plan 2016 which was approved by the Audit Committee and agreed on the timing, frequency and scope of internal audit services to be rendered:-

Audit activities	Audit entity/ area
Review of Production Management, Quality Control and Safety, Health and Environment Compliance	Prestar Manufacturing Sdn. Bhd.
Review of Inventory and Warehousing System and Credit Management	Tashin Hardware Sdn. Bhd.
Review of Inventory and Warehousing System and Credit Management	Dai Dong Steel Sdn. Bhd.
Review of Production Management, Inventory and Warehousing System	Tashin Steel Sdn. Bhd.

The cost incurred in maintaining the IAF for the financial year ended 31 December 2016 was approximately RM72,000.



STATEMENT OF DIRECTORS' RESPONSIBILITY

In respect of the preparation of the Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to lay before the Company's Shareholders at its Annual General Meeting, its Audited Financial Statements (which include the Consolidated Statements of Financial Position and the Consolidated Statements of Profit or Loss and other Comprehensive Income) of Prestar Resources Berhad and its subsidiaries ("the Group") for each financial year, made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Act and Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Audited Financial Statements of the Group for the financial year ended 31 December 2016 are set out from pages 49 to 120 of this Annual Report.

The Directors are responsible for ensuring that the Audited Financial Statements of the Group are prepared according to the accounting records of the Group so as to give a true and fair view of the state of affairs of the Group as at 31 December 2016, and of the results of their operations and cash flows for the year ended on that date.

In preparing the Audited Financial Statements, the Directors have reviewed and consistently applied the suitable accounting policies throughout the financial year. In cases where judgements and estimations were made, they were based on reasonableness and prudence.

The Directors also have a general responsibility for taking such steps that are available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 13 April 2017.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of renting out properties and investment holding. The principal activities of the subsidiaries are mainly manufacturing of steel related products, the details of which are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	30,686	4,651
Attributable to:		
Owners of the parent	24,340	4,651
Non-controlling interests	6,346	-
	30,686	4,651

DIVIDENDS

As approved by the shareholders at the Annual General Meeting held on 31 May 2016, a final single tier dividend of 4.0% (2.0 sen per share), amounting to approximately RM3,523,000 in respect of the financial year ended 31 December 2015 was paid on 19 August 2016.

As approved by the Directors at the Board of Directors' Meeting held on 24 November 2016, an interim single tier dividend of 2.0% (1.0 sen per share), amounting to approximately RM1,861,000 in respect of the financial year ended 31 December 2016 was paid on 16 February 2017.

The Directors propose a final single tier dividend of 2.0 sen per share, amounting to approximately RM3,791,000 in respect of the financial year ended 31 December 2016, which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM91,001,000 to RM93,115,000 by way of issuance of 4,228,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of employee share options.

OPTIONS GRANTED OVER UNISSUED SHARES

The Employees' Share Options Scheme ('ESOS') of the Company came into effect on 21 April 2014. The ESOS shall be in force for a period of ten (10) years until 20 April 2024 ('the option period'). The main features of the ESOS are as follows:

- (a) Eligible Directors and employees are those who are confirmed employees of the Group before the date of offer;
- (b) The maximum number of options to be offered under the ESOS based on the issued and paid-up ordinary share capital as at 31 December 2016 for ordinary shares previously issued under the ESOS is 26,077,100;

**DIRECTORS' REPORT** (cont'd)**OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)**

- (c) The total number of options to be issued under the ESOS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up share capital of Prestar Resources Berhad (excluding Treasury shares) at any point of time during the tenure of the ESOS;
- (d) The exercise of options granted will be staggered over a period of two (2) to five (5) years depending on the number of options granted;
- (e) The option price of a new ordinary share under the ESOS shall be the five (5)-day weighted average market prices of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer with a discount of not more than ten percent (10%) of the weighted average market price, or at the par value of the ordinary shares of RM0.50, whichever is higher;
- (f) The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and
- (g) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over ordinary shares of the Company are as follows:

	Option price RM	[----- Number of options over ordinary shares of RM0.50 each -----]					Outstanding as at 31.12.2016 '000	Exercisable as at 31.12.2016 '000
		Outstanding as at 1.1.2016 '000	Movements during the [-----financial year-----]			Outstanding as at 31.12.2016 '000		
Date of offer			Granted '000	Exercised '000	Lapsed '000			
2014 options	0.53	22,636	-	(4,228)	(1,450)	16,958	13,921	

DIRECTORS

The Directors who have held office since the date of the last report are:

Toh Yew Keat
 Dato' Toh Yew Peng
 Toh Yew Kar
 Toh Yew Seng
 Toh Yew Chin
 Tuan Haji Fadzlullah Shuhaimi Bin Salleh
 Md. Nahar Bin Noordin
 Dato' Lim Cheang Nyok
 Lou Swee You

**DIRECTORS' REPORT** (cont'd)**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	----- Number of ordinary shares of RM0.50 each -----			
	Balance as at 1.1.2016	Bought	Sold	Balance as at 31.12.2016
Shares in the Company				
<u>Direct interests</u>				
Toh Yew Keat	3,296,717	-	-	3,296,717
Dato' Toh Yew Peng	5,417,896	-	-	5,417,896
Toh Yew Kar	2,472,276	-	-	2,472,276
Toh Yew Seng	2,266,252	-	-	2,266,252
Toh Yew Chin	2,472,276	-	-	2,472,276
Md. Nahar Bin Noordin	6,000,000	-	(3,562,600)	2,437,400
<u>Indirect interests</u>				
Toh Yew Keat	68,282,400	3,861,600	-	72,144,000
Dato' Toh Yew Peng	68,282,400	3,889,600	-	72,172,000
Toh Yew Kar	68,254,400	3,861,600	-	72,116,000
Toh Yew Seng	68,254,400	3,861,600	-	72,116,000
Toh Yew Chin	68,254,400	3,861,600	-	72,116,000
- Number of options over ordinary shares of RM0.50 each -				
	Balance as at 1.1.2016	Granted	Exercised	Balance as at 31.12.2016
Share options in the Company				
Toh Yew Keat	1,000,000	-	-	1,000,000
Dato' Toh Yew Peng	1,000,000	-	-	1,000,000
Toh Yew Kar	420,000	-	-	420,000
Toh Yew Seng	1,000,000	-	-	1,000,000
Toh Yew Chin	189,000	-	-	189,000
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	420,000	-	-	420,000
Md. Nahar Bin Noordin	420,000	-	-	420,000
Dato' Lim Cheang Nyok	294,000	-	-	294,000
Lou Swee You	189,000	-	-	189,000

By virtue of their interests in the ordinary shares of the Company, all the Directors except for Tuan Haji Fadzlullah Shuhaimi Bin Salleh, Md. Nahar Bin Noordin, Dato' Lim Cheang Nyok and Lou Swee You are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other Directors holding office at the end of the financial year held any interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year.



DIRECTORS' REPORT (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit 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 the following:

- (i) Director's fees and other emoluments as disclosed in Note 22 to the financial statements; and
- (ii) deemed benefits arising from related party transactions as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS disclosed in Note 27 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.



DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

Dato' Toh Yew Peng
Director

Toh Yew Seng
Director

Kuala Lumpur
13 April 2017



STATEMENT BY DIRECTORS/STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 49 to 120 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of 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 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 to the financial statements on page 121 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.

On behalf of the Board,

Dato' Toh Yew Peng
Director

Toh Yew Seng
Director

Kuala Lumpur
13 April 2017

STATUTORY DECLARATION

I, Koay Kah Ee, being the officer primarily responsible for the financial management of Prestar Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 121 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)
at Kuala Lumpur this)
13 April 2017)

Koay Kah Ee

Before me:

No. W663
Baloo A/L T. Pichai
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Kuala Lumpur



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTAR RESOURCES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prestar Resources Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

Trade receivables as at 31 December 2016 of the Group as disclosed in Note 12 to the financial statements amounted to approximately RM179.7 million, of which, approximately RM25.5 million were past due. The determination of whether trade receivables are recoverable involved significant management judgement.

Audit response

Our audit responses to address the assessed risk on past due trade receivables were as follows:

- a) Assessed the recoverability of material outstanding trade receivables balances which were past due by comparing management's views of recoverability of amounts outstanding to historical patterns of receipts;
- b) Assessed the effects of cash received subsequent to the end of the financial year in reducing amounts outstanding at the financial year end; and
- c) Inspected other evidence including customer correspondence with the Group.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTAR RESOURCES BERHAD (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTAR RESOURCES BERHAD (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The 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 PRESTAR RESOURCES BERHAD (cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 34 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of 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.

BDO

AF : 0206

Chartered Accountants

Kuala Lumpur

13 April 2017

Francis Cyril A/L S R Singam

03056/04/17 (J)

Chartered Accountant



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTE	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	164,695	165,606	44,143	45,233
Investment properties	5	49	4,649	-	-
Investments in subsidiaries	6	-	-	113,223	113,719
Investment in an associate	7	39,724	36,725	16,965	16,965
Intangible assets	8	1,675	1,675	-	-
Deferred tax assets	9	108	375	-	-
		206,251	209,030	174,331	175,917
Current assets					
Inventories	10	179,202	154,128	-	-
Derivative assets	11	499	41	-	-
Trade and other receivables	12	193,326	173,945	139	954
Current tax assets		633	232	-	-
Cash and bank balances	13	44,987	40,852	2,811	2,225
		418,647	369,198	2,950	3,179
TOTAL ASSETS		624,898	578,228	177,281	179,096
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	93,115	91,001	93,115	91,001
Treasury shares	14	(5,854)	(5,854)	(5,854)	(5,854)
Reserves	15	149,471	129,504	25,427	25,758
		236,732	214,651	112,688	110,905
Non-controlling interests	6	63,595	58,254	-	-
TOTAL EQUITY		300,327	272,905	112,688	110,905
LIABILITIES					
Non-current liabilities					
Borrowings	16	18,983	23,714	6,099	11,220
Deferred tax liabilities	9	10,341	9,663	988	935
		29,324	33,377	7,087	12,155
Current liabilities					
Trade and other payables	18	71,987	59,279	13,278	10,682
Derivative liabilities	11	55	38	-	-
Borrowings	16	219,266	211,699	44,114	45,344
Current tax liabilities		3,939	930	114	10
		295,247	271,946	57,506	56,036
TOTAL LIABILITIES		324,571	305,323	64,593	68,191
TOTAL EQUITY AND LIABILITIES		624,898	578,228	177,281	179,096

The accompanying notes form an integral part of the financial statements.



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	21	621,484	616,913	8,667	6,645
Cost of sales		(527,373)	(543,969)	(1,070)	(1,235)
Gross profit		94,111	72,944	7,597	5,410
Other income		5,422	6,226	4,516	9,024
Selling and distribution expenses		(5,257)	(4,814)	-	-
Administrative expenses		(38,161)	(35,497)	(3,419)	(3,406)
Other expenses		(8,108)	(2,927)	(159)	(311)
Finance costs		(12,066)	(13,270)	(3,469)	(3,939)
Interest income		892	513	5	67
Share of profit/(loss) of an associate, net of tax		2,999	(3,074)	-	-
Profit before tax	22	39,832	20,101	5,071	6,845
Tax expense	23	(9,146)	(6,948)	(420)	(70)
Profit for the financial year		30,686	13,153	4,651	6,775
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		609	2,809	-	-
Total other comprehensive income, net of tax		609	2,809	-	-
Total comprehensive income		31,295	15,962	4,651	6,775
Profit attributable to:					
Owners of the parent		24,340	10,659	4,651	6,775
Non-controlling interests	6	6,346	2,494	-	-
		30,686	13,153	4,651	6,775
Total comprehensive income attributable to:					
Owners of the parent		24,949	13,468	4,651	6,775
Non-controlling interests		6,346	2,494	-	-
		31,295	15,962	4,651	6,775
Earnings per ordinary share attributable to equity holders of the Company (sen)					
- Basic	25	13.83	6.09		
- Diluted	25	13.33	6.09		

The accompanying notes form an integral part of the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	[-----Non-distributable-----] Distributable					Total attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Share options reserve RM'000	Treasury shares RM'000			
Balance as at 1 January 2016	91,001	1,738	3,924	1,480	(5,854)	122,362	214,651	272,905
Profit for the financial year	-	-	-	-	-	24,340	24,340	30,686
Other comprehensive income, net of tax	-	-	609	-	-	-	609	609
Total comprehensive income	-	-	609	-	-	24,340	24,949	31,295
Transactions with owners:								
Dividends to owners of the company (Note 24)	-	-	-	-	-	(5,384)	(5,384)	(5,384)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(1,005)
Ordinary shares issued pursuant to ESOS (Note 14)	2,114	507	-	(380)	-	-	2,241	2,241
Share options granted under ESOS (Note 26)	-	-	-	275	-	-	275	275
Total transactions with owners	2,114	507	-	(105)	-	(5,384)	(2,868)	(3,873)
Balance as at 31 December 2016	93,115	2,245	4,533	1,375	(5,854)	141,318	236,732	300,327



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

Group	[-----Non-distributable-----] Distributable				Total attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000		
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Share options reserve RM'000				Treasury shares RM'000	Retained earnings RM'000
Balance as at 1 January 2015	91,001	1,738	1,115	677	(5,854)	115,205	203,882	56,275	260,157
Profit for the financial year	-	-	-	-	-	10,659	10,659	2,494	13,153
Other comprehensive income, net of tax	-	-	2,809	-	-	-	2,809	-	2,809
Total comprehensive income	-	-	2,809	-	-	10,659	13,468	2,494	15,962
Transactions with owners:									
Dividends to owners of the company (Note 24)	-	-	-	-	-	(3,502)	(3,502)	-	(3,502)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(515)	(515)
Share options granted under ESOS (Note 26)	-	-	-	803	-	-	803	-	803
Total transactions with owners	-	-	-	803	-	(3,502)	(2,699)	(515)	(3,214)
Balance as at 31 December 2015	91,001	1,738	3,924	1,480	(5,854)	122,362	214,651	58,254	272,905

The accompanying notes form an integral part of the financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	[-----Non-distributable-----]				Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share options reserve RM'000	Retained earnings RM'000		
Balance as at 1 January 2015	91,001	1,738	(5,854)	677	19,267		106,829
Profit for the financial year	-	-	-	-	6,775		6,775
Other comprehensive income, net of tax	-	-	-	-	-		-
Total comprehensive income	-	-	-	-	6,775		6,775
Transactions with owners:							
Dividends (Note 24)	-	-	-	-	(3,502)		(3,502)
Share options granted under ESOS	-	-	-	803	-		803
Balance as at 31 December 2015	91,001	1,738	(5,854)	1,480	22,540		110,905
Profit for the financial year	-	-	-	-	4,651		4,651
Other comprehensive income, net of tax	-	-	-	-	-		-
Total comprehensive income	-	-	-	-	4,651		4,651
Transactions with owners:							
Dividends (Note 24)	-	-	-	-	(5,384)		(5,384)
Ordinary shares issued pursuant to ESOS (Note 14)	2,114	507	-	(380)	-		2,241
Share options granted under ESOS	-	-	-	275	-		275
Balance as at 31 December 2016	93,115	2,245	(5,854)	1,375	21,807		112,688

The accompanying notes form an integral part of the financial statements



STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		39,832	20,101	5,071	6,845
Adjustments for:					
Amortisation of development costs	8	-	61	-	-
Depreciation of investment properties	5	1	2	-	-
Depreciation of property, plant and equipment	4	11,974	10,797	1,111	1,218
Gross dividend income from subsidiaries	21	-	-	(4,495)	(2,185)
Fair value adjustment on derivative instruments	11(c)	(441)	32	-	-
Gain on disposal of property, plant and equipment		(98)	(91)	(6)	(8,924)
Impairment losses on investments in subsidiaries		-	-	1,551	-
Impairment losses on property, plant and equipment	4	978	191	-	-
Impairment losses on trade and other receivables		2,316	709	-	-
Interest expense		12,066	13,270	3,469	3,939
Interest income		(892)	(513)	(5)	(67)
Inventories written down	10(c)	1,359	748	-	-
Reversal of write down of inventories	10(d)	(32)	(1,376)	-	-
Property, plant and equipment written off	4	2,382	26	-	-
Reversal of impairment losses on trade receivables	12(i)	(535)	(286)	-	-
Reversal of impairment losses on investments in subsidiaries		-	-	(6,055)	-
Share options expenses	26	275	803	48	103
Share of (profit)/loss of an associate, net of tax	7(e)	(2,999)	3,074	-	-
Unrealised loss/(gain) on foreign exchange		214	(353)	-	(100)
Operating profit before changes in working capital		66,400	47,195	689	829
Increase in inventories		(26,312)	(9,800)	-	-
(Increase)/Decrease in trade and other receivables		(20,994)	(1,498)	815	(118)
Increase in trade and other payables		10,601	26,290	2,220	190
Cash generated from operations		29,695	62,187	3,724	901
Tax refunded		-	653	-	-
Tax paid		(5,593)	(5,655)	(263)	(906)
Net cash from/(used in) operating activities		24,102	57,185	3,461	(5)



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	NOTE	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to subsidiaries		-	-	(1,258)	(1,985)
Dividend received, from subsidiaries		-	-	4,495	2,185
Fixed deposits pledged		1,535	(843)	1,535	(843)
Interest received		892	513	5	67
Proceeds from disposal of investment properties		4,599	-	-	-
Proceeds from disposal of property, plant and equipment		310	415	46	14,247
Purchase of property, plant and equipment	4(g)	(7,285)	(4,853)	(61)	(82)
Net cash from/(used in) investing activities		51	(4,768)	4,762	13,589
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(12,066)	(13,270)	(3,469)	(3,939)
Repayment of hire purchase liabilities		(3,738)	(2,036)	(103)	(127)
Net repayments of term loans		(7,149)	(1,779)	(4,758)	(4,422)
Net proceeds from issuance of ordinary shares		2,241	-	2,241	-
Drawdown of other borrowings		42,385	-	-	-
Repayments of other borrowings		(35,483)	(23,699)	(861)	(2,256)
Proceeds from capital reduction of a subsidiary	6(c)	-	-	5,000	-
Dividends paid	24	(3,523)	(3,502)	(3,523)	(3,502)
Dividends paid to non-controlling interests		(1,005)	(515)	-	-
Net cash used in financing activities		(18,338)	(44,801)	(5,473)	(14,246)
Net increase/(decrease) in cash and cash equivalents		5,815	7,616	2,750	(662)
Effects of exchange rate differences		99	365	-	167
Cash and cash equivalents at beginning of financial year		37,957	29,976	61	556
Cash and cash equivalents at end of financial year	13(c)	43,871	37,957	2,811	61

The accompanying notes form an integral part of the financial statements



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Lot 1298, 16½ Miles, Jalan Ipoh, Rawang Industrial Estate, 48000 Rawang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2016 comprise the financial statements of the Company and its subsidiaries and the interests of the Group in an associate. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 13 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of renting out properties and investment holding. The principal activities of the subsidiaries are mainly manufacturing of steel related products, the details of which are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 49 to 120 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

However, Note 34 to the financial statements as set out on page 121 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Depreciation charge for the financial year RM'000	Impairment loss for the financial year RM'000	Reclassification RM'000	Foreign currency translation difference RM'000	Balance as at 31.12.2016 RM'000
Carrying amount									
Freehold land	21,238	-	-	-	-	-	-	-	21,238
Buildings	58,532	61	-	-	(1,626)	-	-	161	57,128
Leasehold land	7,358	-	-	-	(191)	-	-	105	7,272
Plant and machinery	59,993	4,440	(16)	(2,341)	(5,095)	(943)	5,158	18	61,214
Office equipment	916	309	-	(1)	(264)	-	-	1	961
Furniture, fittings and renovations	1,939	190	-	-	(659)	-	113	(1)	1,582
Motor vehicles and forklifts	12,024	5,757	(196)	-	(3,618)	-	-	-	13,967
Moulds, tools and equipment	1,038	387	-	(40)	(521)	(16)	-	1	849
Construction-in-progress	2,568	3,206	-	-	-	(19)	(5,271)	-	484
	165,606	14,350	(212)	(2,382)	(11,974)	(978)	-	285	164,695
←----- As at 31 December 2016 ----->									
					Cost RM'000		Accumulated depreciation and impairment RM'000		Carrying amount RM'000
Freehold land					21,238		-		21,238
Buildings					76,903		(19,775)		57,128
Leasehold land					9,611		(2,339)		7,272
Plant and machinery					122,830		(61,616)		61,214
Office equipment					5,085		(4,124)		961
Furniture, fittings and renovations					7,575		(5,993)		1,582
Motor vehicles and forklifts					30,300		(16,333)		13,967
Moulds, tools and equipment					7,902		(7,053)		849
Construction-in-progress					1,038		(554)		484
		282,482		(117,787)					164,695



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

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

- (a) All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

- (b) After initial recognition, property, plant and equipment except for freehold land are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Buildings	20 - 50 years
Leasehold land	48 - 50 years
Plant and machinery	5 - 20 years
Office equipment	5 - 10 years
Furniture, fittings and renovations	5 - 10 years
Motor vehicles and forklifts	5 - 6 years
Moulds, tools and equipment	7 years

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents machinery under installation and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

- (c) At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

- (d) The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

- (e) The Group has assessed and classified land use rights as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

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

- (f) As at the end of the reporting period, freehold land, certain buildings and leasehold land of the Group with a carrying amount of RM69,319,000 (2015: RM70,857,000) and freehold land and buildings of the Company with a carrying amount of RM43,350,000 (2015: RM44,099,000) have been charged as securities for banking facilities granted to the Group and the Company.
- (g) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of property, plant and equipment	14,350	9,579	61	82
Financed by hire purchase and lease arrangements	(7,065)	(4,726)	-	-
Cash payments on purchase of property, plant and equipment	7,285	4,853	61	82

- (h) The carrying amount of the property, plant and equipment of the Group and of the Company under finance leases at the end of the reporting period is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Carrying amount				
Buildings	3,332	3,402	-	-
Plant and machinery	15,515	12,308	-	-
Motor vehicles and forklifts	8,708	5,286	197	332
Construction-in-progress	-	1,240	-	-
	27,555	22,236	197	332

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 17 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

5. INVESTMENT PROPERTIES

	Group	
	2016 RM'000	2015 RM'000
At cost		
Balance as at 1 January	5,049	5,049
Less: Disposal during the financial year	(4,766)	-
Balance as at 31 December	283	5,049
Accumulated depreciation		
Balance as at 1 January	(40)	(38)
Depreciation charge for the financial year	(1)	(2)
Balance as at 31 December	(41)	(40)
Accumulated impairment loss		
Balance as at 1 January	(360)	(360)
Less: Disposal during the financial year	167	-
Balance as at 31 December	(193)	(360)
Net carrying amount as at 31 December	49	4,649

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, which includes transaction costs.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

- (b) After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment properties is fifty (50) years.

- (c) At the end of each reporting period, the carrying amount of an item of the investment properties are assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimates.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

5. INVESTMENT PROPERTIES (cont'd)

- (d) Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.
- (e) Direct operating expenses arising from non-income generating investment properties during the financial year are as follows:

	Group	
	2016 RM'000	2015 RM'000
Quit rent and assessment	1	1

- (f) The fair value of investment properties of the Group not carried at fair value are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Freehold land and buildings	-	-	50	50
2015				
Freehold land and buildings	-	-	4,650	4,650

- (i) There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2016 and 31 December 2015.
- (ii) The fair value of investment properties at Level 3 not carried at fair value was assessed by the Directors as at the end of the reporting period by reference to external valuation report and of previous sales of similar properties in the vicinity on a price per square foot basis.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
At cost		
Unquoted shares	133,050	138,050
Less: Accumulated impairment losses	(19,827)	(24,331)
	113,223	113,719



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries, of which all are incorporated in Malaysia unless otherwise stated, are as follows:

Name of company	Effective equity interest		Principal activities
	2016 %	2015 %	
Prestar Manufacturing Sdn. Bhd. * (‘PMSB’)	100	100	Manufacture and export of material handling equipment such as wheelbarrows and hand trucks.
Prestar Marketing Sdn. Bhd. * (‘PMktgSB’)	100	100	Importer and distributor of general hardware, tools, material handling equipment and forklifts.
Prestar Engineering Sdn. Bhd. * (‘PESB’)	75	75	Manufacture, supply and install guardrails and related products.
Prestar Steel Pipes Sdn. Bhd. * (‘PSPSB’)	100	100	Dormant.
Prestar Precision Tube Sdn. Bhd. * (‘PPTSB’)	100	100	Manufacture of a wide range of steel pipes and tubes.
Dai Dong Steel Sdn. Bhd. * (‘DDSB’)	100	100	Import and trading of steel materials and general hardware products.
Tashin Steel Sdn. Bhd. * (‘TSSB’)	51	51	Manufacture, reprocess and trading of steel related products.
Prestar Galvanising Sdn. Bhd. * (‘PGSB’)	95	95	General hot-dip galvanising and coating of metal products and threaded items, fabrication of moulds and dies, maintenance and installation of machinery.
Prestar Storage System Sdn. Bhd. * (‘PSSSB’)	100	100	Manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking systems.
Prestar Industries (Vietnam) Co., Ltd. ** (‘PIVCL’)	100	100	Manufacture and processing of all kinds of steel products such as material handling equipment, highway guardrails and building materials and other steel processed products.
Subsidiary of Prestar Precision Tube Sdn. Bhd			
PT Prestar Precision Tube ® (‘PTPPT’) (in the process of winding-up)	75	75	Dormant.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (a) Details of the subsidiaries, of which all are incorporated in Malaysia unless otherwise stated, are as follows (cont'd):

Name of company	Effective equity interest		Principal activities
	2016 %	2015 %	
Subsidiary of Tashin Steel Sdn. Bhd.			
Tashin Hardware Sdn. Bhd. * (‘THSB’)	51	51	Trading of steel material and general hardware products.
Subsidiary of Prestar Manufacturing Sdn. Bhd.			
PT Prestar MHE @ (‘PTMHE’)	100	100	Importing and trading of carbon steel pipes.

* Audited by BDO Malaysia.

** Audited by BDO Member Firm.

Incorporated in Vietnam.

@ Incorporated in Indonesia.

- (b) Investment in subsidiaries are stated in the separate financial statements at cost less accumulated impairment losses.

For each business combination, the Group measures at the acquisition date components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

- (c) During the financial year, PMSB, a wholly owned subsidiary of the Company, had undertaken a capital reduction of its existing issued and paid-up share capital via cancellation of 5,000,000 shares of RM1.00 each. Pursuant to the capital reduction and repayments, PMSB's issued and fully paid up share capital was reduced from 10,000,000 to 5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. As a result of the capital reduction exercise, the cost of investment of the Company in PMSB decreased by RM5,000,000.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	PESB	TSSB	THSB	PGSB	PTPPT	TOTAL
2016						
NCI percentage of ownership interest and voting interest	25%	49%	49%	5%	25%	
Carrying amount of NCI (RM'000)	6,435	53,572	3,169	410	9	63,595
Profit/(Loss) allocated to NCI (RM'000)	368	4,293	1,716	(26)	(5)	6,346
2015						
NCI percentage of ownership interest and voting interest	25%	49%	49%	5%	25%	
Carrying amount of NCI (RM'000)	6,067	50,259	1,453	461	14	58,254
Profit/(Loss) allocated to NCI (RM'000)	485	1,968	30	16	(5)	2,494



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

2016	PESB RM'000	TSSB RM'000	THSB RM'000	PGSB RM'000	PTPPT RM'000	TOTAL RM'000
Assets and liabilities						
Non-current assets	1,845	47,941	4,064	6,378	-	60,228
Current assets	33,531	124,646	19,698	7,923	36	185,834
Non-current liabilities	(143)	(3,183)	(1,059)	(400)	-	(4,785)
Current liabilities	(9,492)	(60,074)	(16,236)	(5,697)	-	(91,499)
Net assets	25,741	109,330	6,467	8,204	36	149,778
Results						
Revenue	25,660	185,291	51,610	15,872	-	278,433
Profit/(Loss) for the financial year	1,474	8,761	3,501	(512)	(21)	13,203
Total comprehensive income/(loss)	1,474	8,761	3,501	(512)	(21)	13,203
Cash flows (used in)/from operating activities	(510)	27,240	550	(816)	(12)	26,452
Cash flows (used in)/from investing activities	(3,696)	7,803	2,220	67	-	6,394
Cash flows from/(used in) financing activities	4,458	(35,134)	(2,807)	(1,021)	-	(34,504)
Net increase/(decrease) in cash and cash equivalents	252	(91)	(37)	(1,770)	(12)	(1,658)
Dividends paid to NCI	-	(980)	-	(25)	-	(1,005)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows (cont'd):

2015	PESB RM'000	TSSB RM'000	THSB RM'000	PGSB RM'000	PTPPT RM'000	TOTAL RM'000
Assets and liabilities						
Non-current assets	2,105	53,971	3,438	6,235	-	65,749
Current assets	27,224	125,116	16,407	7,488	60	176,295
Non-current liabilities	(235)	(5,332)	(1,211)	(675)	-	(7,453)
Current liabilities	(4,826)	(70,603)	(13,767)	(3,836)	(3)	(93,035)
Net assets	24,268	103,152	4,867	9,212	57	141,556
Results						
Revenue	47,373	201,160	45,221	19,074	-	312,828
Profit/(Loss) for the financial year	1,940	4,017	62	312	(19)	6,312
Total comprehensive income/(loss)	1,940	4,017	62	312	(19)	6,312
Cash flows from/(used in) operating activities	8,743	(4,629)	(1,521)	1,165	(7)	3,751
Cash flows (used in)/from investing activities	(2,422)	184	(1,230)	(317)	-	(3,785)
Cash flows (used in)/from financing activities	(3,596)	7,256	2,424	(745)	-	5,339
Net increase/(decrease) in cash and cash equivalents	2,725	2,811	(327)	103	(7)	5,305
Dividends paid to NCI	-	(490)	-	(25)	-	(515)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(f) The carrying amounts of assets to which significant restrictions apply are as follows:

	2016 RM'000	2015 RM'000
Cash and cash equivalents	19,317	18,246
Buildings	16,217	16,972
Freehold land	13,428	13,428
Leasehold land	5,247	5,281
	54,209	53,927

The above restrictions arose from bank covenants as follows:

- (i) A covenant of banking facilities undertaken by TSSB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends to its shareholders if the subsidiary is making loss after tax, and any future dividend payments in excess of 50% of net profit after tax for the financial year shall require the bank's consent. The covenant also restricts the ability of the subsidiary to dispose or transfer the ownership of its leasehold land and building.
- (ii) A covenant of banking facilities undertaken by PESB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends to its shareholders if the subsidiary is making loss after tax, and any future dividend payments in excess of 50% of its net profit after tax for the financial year shall require the bank's consent.
- (iii) A covenant of banking facilities undertaken by DDSB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends of more than 50% of its current year profit after tax to its shareholders without the bank's consent.
- (iv) The covenant of banking facilities undertaken by PIVCL, restricts the ability of the subsidiary to dispose or transfer the ownership of its leasehold land and buildings.
- (v) The covenant of banking facilities undertaken by PSSSB and PMktgSB, restricts the ability of the subsidiaries to dispose or transfer the ownership of their freehold land and building.

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:				
Unquoted equity shares	16,965	16,965	16,965	16,965
Share of post acquisition reserves, net of dividends received	22,759	19,760	-	-
	39,724	36,725	16,965	16,965

(a) Investments in associates are measured at cost in the separate financial statements of the Company.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

7. INVESTMENT IN AN ASSOCIATE (cont'd)

(b) The details of the associate are as follows:

Name of company	Effective equity interest		Principal activities
	2016 %	2015 %	
POSCO-MKPC Sdn. Bhd. * (Incorporated in Malaysia)	30	30	Slitting, shearing and sales of steel sheets and coils.

* Audited by BDO Malaysia.

The above associate is accounted for using the equity method in the consolidated financial statements.

(c) The financial statements of the above associate is coterminous with those of the Group, which is 31 December 2016.

(d) The summarised financial information of the associate is as follows:

	2016 RM'000	2015 RM'000
2016		
Assets and liabilities		
Non-current assets	77,338	80,727
Current assets	314,570	291,946
Non-current liabilities	(7,443)	(9,241)
Current liabilities	(251,730)	(240,692)
Net assets	132,735	122,740
Results		
Revenue	472,282	503,033
Profit/(Loss) for the financial year	9,995	(10,245)
Total comprehensive profit/(loss)	9,995	(10,245)
Cash flows from/(used in) operating activities	11,573	(15,365)
Cash flows used in investing activities	(302)	(1,204)
Cash flows (used in)/from financing activities	(19,952)	14,399
Net decrease in cash and cash equivalents	(8,681)	(2,170)

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	2016 RM'000	2015 RM'000
As at 31 December 2016		
The Group's share of net assets	39,724	36,725
Elimination of unrealised profits	-	-
Carrying amount in the statement of financial position	39,724	36,725
Share of results of the Group for the financial year		
The Group's share of profit/(loss)/ other comprehensive profit/(loss)	2,999	(3,074)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

8. INTANGIBLE ASSETS

	Balance as at 1.1.2016 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2016 RM'000
2016			
Group Carrying amount			
Goodwill	1,675	-	1,675

<----- As at 31 December 2016 ----->

	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	2,803	(1,128)	1,675
Development costs	589	(589)	-
	3,392	(1,717)	1,675

	Balance as at 1.1.2015 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2015 RM'000
2015			
Group Carrying amount			
Goodwill	1,675	-	1,675
Development costs	61	(61)	-
	1,736	(61)	1,675

<----- As at 31 December 2015 ----->

	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	2,803	(1,128)	1,675
Development costs	589	(589)	-
	3,392	(1,717)	1,675



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

8. INTANGIBLE ASSETS (cont'd)

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

Goodwill arising from business combinations has been allocated to two (2) individual cash-generating units ('CGU') for impairment testing, as follows:

	Manufacturing (CGU 1) RM'000	Trading (CGU 2) RM'000	Total RM'000
Goodwill, gross	1,799	1,004	2,803
Less: Impairment loss	(668)	(460)	(1,128)
Goodwill, net	<u>1,131</u>	<u>544</u>	<u>1,675</u>

For the purpose of impairment testing, goodwill is allocated to the operating divisions of the Group which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using discounted cash flow projections from financial budgets approved by the Directors covering a five (5)-year period. The pre-tax discount rate applied to the cash flow projections and forecasted growth rates used to extrapolate cash flows for the five-year period are as follows:

	CGU 1		CGU 2	
	2016 %	2015 %	2016 %	2015 %
Growth rates	4.0 – 5.0	7.0 – 8.0	5.0 – 8.0	5.0 – 8.0
Pre-tax discount rates	5.6	5.8	5.6	5.8



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

8. INTANGIBLE ASSETS (cont'd)

(a) Goodwill (cont'd)

A reasonable change in the above assumptions would not cause any impairment loss on goodwill. The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

(i) Growth rates

The forecasted growth rates applied to the cash flow projections of CGU 1 and CGU 2 are based on the most recent financial budgets approved by the Directors covering a five (5)-year period.

(ii) Pre-tax discount rates

Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess the operating performance of the respective CGUs and to evaluate future investment proposals. The discount rates used are pre-tax and reflect the overall weighted average cost of capital of the Group.

Based on the calculations, there were no impairment losses on the CGUs as the recoverable amounts of the CGUs were higher than their carrying amounts as at the end of the reporting period.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other expenses line item.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Capitalised development costs are amortised on a straight line basis over a period of ten (10) years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

(i) Development costs

Development costs represent costs incurred in the development of high quality steel pipes prior to the commencement of commercial production.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

9. DEFERRED TAX

Deferred tax assets and liabilities are made up of the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Balance as at 1 January	9,288	7,014	935	1,605
Recognised in profit or loss (Note 23)	945	2,274	53	(670)
Balance as at 31 December	10,233	9,288	988	935
Presented after appropriate offsetting:				
Deferred tax liabilities, net	10,341	9,663	988	935
Deferred tax assets, net	(108)	(375)	-	-
	10,233	9,288	988	935

- (a) Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

9. DEFERRED TAX (cont'd)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000
At 1 January 2016	9,663
Recognised in the profit or loss	678
At 31 December 2016	10,341
At 1 January 2015	7,696
Recognised in the profit or loss	1,967
At 31 December 2015	9,663

Deferred tax assets of the Group

	Provisions RM'000	Unused tax losses RM'000	Total RM'000
At 1 January 2016	36	339	375
Recognised in the profit or loss	(36)	(231)	(267)
At 31 December 2016	-	108	108
At 1 January 2015	225	457	682
Recognised in the profit or loss	(189)	(118)	(307)
At 31 December 2015	36	339	375

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
At 1 January 2016	935
Recognised in the profit or loss	53
At 31 December 2016	988
At 1 January 2015	1,605
Recognised in the profit or loss	(670)
At 31 December 2015	935



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

9. DEFERRED TAX (cont'd)

- (c) The amount of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Unused tax losses	1,221	1,221
Unabsorbed capital allowances	3,145	3,145
	4,366	4,366

Deferred tax assets of a subsidiary have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

10. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
At cost		
Raw materials	99,622	83,787
Work-in-progress	12,947	9,412
Manufacturing and trading inventories	53,320	50,448
	165,889	143,647
At net realisable value		
Raw materials	7,946	2,906
Work-in-progress	186	276
Manufacturing and trading inventories	5,181	7,299
	13,313	10,481
	179,202	154,128

- (a) Cost of inventories is determined on the weighted average basis.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM527,232,000 (2015: RM542,888,000).
- (c) During the financial year, the Group wrote down inventories to the net realisable value of RM1,359,000 (2015: RM748,000).
- (d) The Group reversed RM32,000 (2015: RM1,376,000) of a write down of inventories recorded in the previous financial year that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

11. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
2016			
Forward currency contracts	32,870	499	(55)
2015			
Forward currency contracts	9,056	41	(38)

- (a) Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.
- (b) Forward currency contracts have been entered into to operationally hedge receivables and forecast purchases denominated in foreign currencies that are expected to realise or occur at various dates within six (6) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components have been determined based on the difference between the contracted rate and the forward exchange rate as applicable to a contract of similar amount and maturity profile at the end of the reporting period.
- (c) During the financial year, the Group recognised net gain of RM441,000 (2015: loss of RM32,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 30 to the financial statements.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade				
- Third parties	178,289	159,891	-	-
- Associate	14	205	-	-
- Related parties	1,403	588	-	-
	179,706	160,684	-	-
Less: Impairment losses	(1,890)	(853)	-	-
	177,816	159,831	-	-
Non-trade				
Other receivables	4,294	2,939	118	169
Amount owing by a subsidiary	-	-	-	761
Deposits	343	344	13	14
	4,637	3,283	131	944
Less: Impairment losses	(258)	-	-	-
	4,379	3,283	131	944
Loans and receivables	182,195	163,114	131	944
Prepayments	11,131	10,831	8	10
	193,326	173,945	139	954



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

- (a) Trade and other receivables (excluding prepayments) are classified as loans and receivables and are measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 30 to 120 days (2015: 30 to 120 days) from date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amounts owing by related parties represent amounts owing by certain companies in which certain Directors have financial interests and are subject to normal trade credit terms.
- (d) The amount owing by an associate is subject to normal trade credit terms.
- (e) In the previous financial year, the amount owing by a subsidiary represented advances which were unsecured, interest free and payable on demand in cash and cash equivalents.
- (f) Included in prepayments of the Group is an amount of RM7,538,000 (2015: RM7,745,000) made to suppliers for purchase of raw materials.
- (g) The currency exposure profile of trade and other receivables (net of prepayments) is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	179,560	159,618	131	944
US Dollar	2,257	2,502	-	-
Singapore Dollar	166	367	-	-
Indonesian Rupiah	2	320	-	-
Vietnamese Dong	200	299	-	-
Thai Baht	10	8	-	-
	182,195	163,114	131	944

- (h) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	154,232	136,069
Past due, not impaired		
- 1 to 30 days past due	15,867	15,629
- 31 to 60 days past due	5,416	4,734
- 61 to 90 days past due	1,757	1,367
- More than 90 days past due	544	2,032
	23,584	23,762
Past due and impaired	1,890	853
	179,706	160,684

The amount of trade receivables that are past due amounted to approximately RM25.5 million (2015: RM24.6 million).



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

- (h) The ageing analysis of trade receivables of the Group is as follows (cont'd):

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy trade receivables with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM23,584,000 (2015: RM23,762,000) that are past due at the end of the reporting period but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured in nature and creditworthy reliable. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

	Individually impaired	
	2016	2015
Group	RM'000	RM'000
Trade receivables, gross	1,890	853
Less: Impairment loss	(1,890)	(853)
	-	-

- (i) The reconciliation of movement in the impairment loss is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables		
At 1 January	853	692
Charge for the financial year	2,058	709
Reversal of impairment loss	(535)	(286)
Written off	(486)	(262)
	1,890	853
Other receivables		
At 1 January	-	-
Charge for the financial year	258	-
	258	-
At 31 December	2,148	853



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

- (i) The reconciliation of movement in the impairment loss is as follows (cont'd):

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

- (j) Information on financial risks of trade and other receivables is disclosed in Note 31 to the financial statements.

13. CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	41,434	36,816	2,811	690
Fixed deposits with licensed banks	3,553	4,036	-	1,535
	<u>44,987</u>	<u>40,852</u>	<u>2,811</u>	<u>2,225</u>

- (a) Cash and bank balances are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	39,123	35,192	2,811	1,364
US Dollar	4,733	5,531	-	861
Vietnamese Dong	885	65	-	-
Indonesian Rupiah	246	64	-	-
	<u>44,987</u>	<u>40,852</u>	<u>2,811</u>	<u>2,225</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

13. CASH AND BANK BALANCES (cont'd)

- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	41,434	36,816	2,811	690
Fixed deposits with licensed banks	3,553	4,036	-	1,535
Bank overdrafts (Note 16)	(1,116)	(1,360)	-	(629)
	<u>43,871</u>	<u>39,492</u>	<u>2,811</u>	<u>1,596</u>
Less: Fixed deposits pledged to licensed banks	-	(1,535)	-	(1,535)
As reported in statements of cash flows	<u>43,871</u>	<u>37,957</u>	<u>2,811</u>	<u>61</u>

- (d) The fixed deposits of the Group and of the Company have maturity periods ranging from one (1) month to three (3) months which bear interest ranging from 0.20% to 4.70% (2015: ranging from 0.30% to 4.25%) and Nil (2015: 0.30%) respectively.

Fixed deposits with licensed banks of the Group and of the Company amounting to RM3,553,000 (2015: RM4,036,000) and RM Nil (2015: RM1,535,000) have been pledged to licensed banks as guarantee for banking facilities granted to the Group and the Company respectively.

- (e) During the financial year, the Royal Malaysian Customs Department ('RMCD') conducted a site visit and an investigation and issued letters and notices to Tashin Steel Sdn. Bhd. ("TSSB"), a subsidiary of the Group, effectively resulting in certain bank accounts being frozen and certain raw materials being withheld for the purposes of audit and investigation. In June 2016, TSSB received a notice from RMCD that raw materials being withheld have been released. Subsequently in April 2017, TSSB was notified by the respective banks that all relevant frozen bank accounts have been unfrozen and activated.
- (f) Information on financial risks of cash and bank balances is disclosed in Note 31 to the financial statements.

14. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM0.50 each:				
Authorised	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance as at 1 January	182,002	91,001	182,002	91,001
Issued pursuant to the employee share options scheme	4,228	2,114	-	-
Balance as at 31 December	<u>186,230</u>	<u>93,115</u>	<u>182,002</u>	<u>91,001</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

14. SHARE CAPITAL (cont'd)

- (a) Ordinary shares are classified as equity instruments and recorded at the nominal value.
- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM91,001,000 to RM93,115,000 by way of issuance of 4,228,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of employee share options.
- (c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the residual assets of the Company.
- (d) Treasury shares
 - (i) When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently it shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act, 1965 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

- (ii) The shareholders of the Company, by an ordinary resolution passed at its Annual General Meeting held on 26 June 2003, approved the plan of the Company to repurchase its own shares and the approval had been renewed in subsequent Annual General Meetings. The Directors are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan is in the best interests of the Company and its shareholders.

Of the total 186,230,000 (2015: 182,002,000) issued and fully paid ordinary shares as at 31 December 2016, 6,919,000 (2015: 6,919,000) amounting to RM5,854,000 (2015: RM5,854,000) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue net of treasury shares is 179,311,000 (2015: 175,083,000) ordinary shares of RM0.50 each.

None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distributions.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

15. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable				
Share premium	2,245	1,738	2,245	1,738
Exchange translation reserve	4,533	3,924	-	-
Share options reserve	1,375	1,480	1,375	1,480
	8,153	7,142	3,620	3,218
Distributable				
Retained earnings	141,318	122,362	21,807	22,540
	149,471	129,504	25,427	25,758

(a) Share premium

Share premium represents proceeds in excess of the nominal value of shares issued and is classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Share options reserve

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

16. BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current liabilities				
<u>Secured</u>				
Bank overdrafts	-	1,102	-	532
Trade financing	35,630	30,355	-	-
Revolving credits	42,000	34,861	35,000	34,861
Hire purchase liabilities (Note 17)	3,813	2,814	-	103
Term loans	7,812	7,902	5,114	4,751
<u>Unsecured</u>				
Bank overdrafts	1,116	258	-	97
Trade financing	117,395	115,907	-	-
Revolving credit	11,500	18,500	4,000	5,000
	219,266	211,699	44,114	45,344



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

16. BORROWINGS (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current liabilities				
<u>Secured</u>				
Hire purchase liabilities (Note 17)	7,754	5,426	-	-
Term loans	11,229	18,288	6,099	11,220
	<u>18,983</u>	<u>23,714</u>	<u>6,099</u>	<u>11,220</u>
Total borrowings				
<u>Secured</u>				
Bank overdrafts	-	1,102	-	532
Trade financing	35,630	30,355	-	-
Revolving credits	42,000	34,861	35,000	34,861
Hire purchase liabilities (Note 17)	11,567	8,240	-	103
Term loans	19,041	26,190	11,213	15,971
	<u>111,238</u>	<u>100,748</u>	<u>46,213</u>	<u>51,467</u>
<u>Unsecured</u>				
Bank overdrafts	1,116	258	-	97
Trade financing	117,395	115,907	-	-
Revolving credit	11,500	18,500	4,000	5,000
	<u>129,011</u>	<u>234,665</u>	<u>4,000</u>	<u>5,097</u>
	<u>238,249</u>	<u>235,413</u>	<u>50,213</u>	<u>56,564</u>

(a) Borrowings are classified as other financial liabilities initially measured at fair value net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

(b) The currency exposure profile of borrowings is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	238,249	234,551	50,213	55,702
US Dollar	-	862	-	862
	<u>238,249</u>	<u>235,413</u>	<u>50,213</u>	<u>56,564</u>

(c) The bank borrowings of the Group (other than hire purchase liabilities as further disclosed in Note 17 to the financial statements) are secured by means of:

Group

- (i) first and third party registered legal charge over the Group's freehold land, certain buildings and leasehold land as disclosed in Note 4(f) to the financial statements;
- (ii) corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiaries;
- (iii) pledge against fixed deposits of the Group and of the Company as disclosed in Note 13 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

16. BORROWINGS (cont'd)

- (c) The bank borrowings of the Group (other than hire purchase liabilities as further disclosed in Note 17 to the financial statements) are secured by means of (cont'd) :

Company

The bank borrowings of the Company are secured by a first legal charge over the freehold land and buildings of the Company as disclosed in Note 4(f) to the financial statements.

- (d) Information on financial risks of borrowings of the Group and of the Company is disclosed in Note 31 to the financial statements.

17. HIRE PURCHASE LIABILITIES – SECURED

- (a) The hire purchase liabilities are repayable over the following periods:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum hire purchase payments:				
- Not later than one (1) year	4,462	3,260	-	105
- Later than one (1) year and not later than five (5) years	8,480	5,912	-	-
	<u>12,942</u>	<u>9,172</u>	<u>-</u>	<u>105</u>
Less: Future interest charges	(1,375)	(932)	-	(2)
Present value of hire purchase liabilities	<u>11,567</u>	<u>8,240</u>	<u>-</u>	<u>103</u>
Repayable as follows:				
- Current liabilities	3,813	2,814	-	103
- Non-current liabilities	7,754	5,426	-	-
	<u>11,567</u>	<u>8,240</u>	<u>-</u>	<u>103</u>

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	28,025	17,867	-	-
Associate	20,153	23,121	-	-
Related parties	567	1,960	-	-
	<u>48,745</u>	<u>42,948</u>	<u>-</u>	<u>-</u>
Other payables				
Third parties	5,247	5,350	2,306	240
Amounts owing to subsidiaries	-	-	7,543	9,029
Associate	324	334	324	324
Related parties	24	19	-	-
Accruals	15,786	10,628	1,244	1,089
Dividend payable	1,861	-	1,861	-
	<u>23,242</u>	<u>16,331</u>	<u>13,278</u>	<u>10,682</u>
	<u>71,987</u>	<u>59,279</u>	<u>13,278</u>	<u>10,682</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

18. TRADE AND OTHER PAYABLES (cont'd)

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days (2015: 30 to 120 days) from date of invoice.
- (c) Amounts owing to related parties represent companies in which certain Directors of the Company have financial interests, of which amounts owing to related parties (trade) are subject to normal trade credit terms of the Group.
- (d) The amount owing to an associate company (trade) is subject to normal trade credit terms.
- (e) Amounts owing to subsidiaries, associate (non-trade) and related parties (non-trade) represent advances and payments made on behalf which are unsecured, payable upon demand in cash and cash equivalents and interest-free except for advances of RM6,155,000 (2015: RM6,540,000) from a subsidiary which bears interest ranging from 3.65% to 4.96% (2015: 3.65% to 4.96%) per annum.
- (f) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	65,346	54,604	13,278	10,682
US Dollar	1,991	1,344	-	-
Singapore Dollar	495	1,677	-	-
Euro	-	637	-	-
Japanese Yen	3,486	685	-	-
Indonesian Rupiah	26	25	-	-
Vietnamese Dong	79	109	-	-
Brunei Dollar	564	194	-	-
Thai Baht	-	4	-	-
	<u>71,987</u>	<u>59,279</u>	<u>13,278</u>	<u>10,682</u>

- (g) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

19. COMMITMENTS

- (a) Operating lease commitments

- (i) The Group as lessee

The Group had entered into non-cancellable lease agreements for premises, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The lease terms do not contain restrictions on the activities of the Group concerning dividends or additional debt. Certain lease terms entered into by subsidiaries include restrictions on further leasing. The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2016 RM'000	2015 RM'000
Not later than one (1) year	426	698
Later than one (1) year and not later than five (5) years	44	295
	<u>470</u>	<u>993</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

19. COMMITMENTS (cont'd)

(a) Operating lease commitments (cont'd)

(ii) The Group as lessor

The Group had entered into non-cancellable lease agreements on certain premises and forklifts.

The Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group	
	2016 RM'000	2015 RM'000
Not later than one (1) year	3,806	3,837
Later than one (1) year and not later than five (5) years	4,753	4,145
	8,559	7,982

(b) Capital commitments

	Group	
	2016 RM'000	2015 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	122	3,303
Approved but not contracted for	-	720
	122	4,023

20. CONTINGENT LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
Unsecured:		
- Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	327,791	345,391
	327,791	345,391

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

20. CONTINGENT LIABILITIES (cont'd)

- (a) Contingent liabilities and assets are not recognised, but disclosed in the financial statements.

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

- (b) During the financial year, the Royal Malaysian Customs Department ('RMCD') conducted an investigation at POSCO-MKPC Sdn. Bhd. ('POSCO'), an associate of the Company. Bills of demand ('BOD') were subsequently issued by RMCD to POSCO arising from alleged misuse of Perusahaan Otomobil Nasional Sdn. Bhd.'s ('Proton') exemption of custom duties payable on importation of raw materials or components for and on behalf of Proton. POSCO has filed an appeal to the Ministry of Finance ('MOF') for the waiver of BOD.

POSCO has obtained a legal opinion on this matter and based on the legal opinion and their own assessment, the Directors of the Group and POSCO are of the view that POSCO has very strong grounds to defend its position and/or obtain damages from Proton in the unlikely event the claim is pursued by the RMCD.

21. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	614,171	610,954	-	-
Gross dividend income from subsidiaries	-	-	4,495	2,185
Rental income	7,313	5,959	4,172	4,460
	<u>621,484</u>	<u>616,913</u>	<u>8,667</u>	<u>6,645</u>

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

- (a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

- (b) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

21. REVENUE (cont'd)

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows (cont'd) :

(c) Dividend income

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

(d) Interest income

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

22. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration	223	214	28	27
Directors' remuneration:				
- fees	480	428	220	220
- Emoluments other than fees	6,419	5,989	1,111	1,175
Interest expenses on:				
- trade financing	6,848	8,051	-	-
- revolving credits	2,859	3,084	2,109	2,382
- bank overdrafts	133	114	75	57
- term loans	1,429	1,622	947	1,279
- hire purchase	797	399	2	8
- subsidiary	-	-	336	213
Impairment loss on investment in subsidiaries	-	-	1,551	-
Realised loss on foreign exchange	-	-	-	86
Rental of:				
- equipment	7	7	-	-
- premises	293	306	-	-
- forklifts	135	181	-	-
Unrealised loss on foreign exchange	214	-	-	-
And crediting:				
Gain on disposal of property, plant and equipment	98	91	6	8,924
Interest income:				
- deposits with licensed banks	892	492	5	67
- others	-	21	-	-
Realised gain on foreign exchange	188	107	6	-
Rental income:				
- subsidiaries	-	-	2,555	2,828
- related party	1,617	1,632	1,617	1,632
- others	5,696	4,327	-	-
Reversal of impairment loss on investments in subsidiaries	-	-	6,055	-
Unrealised gain on foreign exchange	-	353	-	100

The estimated monetary value of benefits-in-kind received or receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM135,000 (2015: RM185,000) and RM23,000 (2015: RM35,000) respectively.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

23. TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax expense based on profit for the financial year:				
- income tax	8,157	4,037	375	281
- under/(over) provision in prior years	44	178	(8)	-
Real property gains tax	-	459	-	459
	<u>8,201</u>	<u>4,674</u>	<u>367</u>	<u>740</u>
Deferred tax (Note 9)				
Relating to origination and reversal of temporary differences	960	2,637	53	(865)
(Over)/Under provision in prior years	(15)	(363)	-	195
	<u>945</u>	<u>2,274</u>	<u>53</u>	<u>(670)</u>
	<u>9,146</u>	<u>6,948</u>	<u>420</u>	<u>70</u>

- (a) Income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised, outside profit or loss, either in other comprehensive income or directly in equity.
- (b) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2015: twenty-five percent (25%)) of the estimated taxable profits for the fiscal year.
- (c) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (d) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	<u>39,832</u>	<u>20,101</u>	<u>5,071</u>	<u>6,845</u>
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	9,560	5,025	1,217	1,711
Tax effects in respect of:				
- Non-allowable expenses	1,065	2,958	277	1,339
- Non-taxable income	(7)	-	(1,066)	(3,593)
- Tax incentives and allowances	(1,501)	(1,099)	-	-
- Deferred tax assets not recognised	-	1	-	-
- Reduction of tax rate	-	(211)	-	(41)
- Real property gains tax	-	459	-	459
	<u>9,117</u>	<u>7,133</u>	<u>428</u>	<u>(125)</u>
Under/(Over) provision of tax expenses in prior year	44	178	(8)	-
(Over)/Under provision of tax deferred tax in prior years	(15)	(363)	-	195
	<u>9,146</u>	<u>6,948</u>	<u>420</u>	<u>70</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

23. TAX EXPENSE (cont'd)

(e) Tax on each component of other comprehensive income is as follows:

	Group					
	Before tax RM'000	2016 Tax effect RM'000	After tax RM'000	Before tax RM'000	2015 Tax effect RM'000	After tax RM'000
Items that may be reclassified subsequently to profit or loss						
Foreign currency translations	609	-	609	2,809	-	2,809

24. DIVIDENDS

	Group and Company			
	2016		2015	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
Final dividend in respect of financial year ended 31 December 2014	-	-	2.0	3,502
Final dividend in respect of financial year ended 31 December 2015	2.0	3,523	-	-
Interim dividend in respect of financial year ended 31 December 2016	1.0	1,861	-	-
	<u>3.0</u>	<u>5,384</u>	<u>2.0</u>	<u>3,502</u>

- (a) Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.
- (b) As approved by an shareholders at an Annual General Meeting held on 31 May 2016, a final single tier dividend of 4.0% (2.0 sen per share), amounting to approximately RM3,523,000 in respect of financial year ended 31 December 2015 was paid on 19 August 2016.

As approved by the Directors at the Board of Directors' Meeting held on 24 November 2016, an interim single tier dividend of 2.0% (1.0 sen per share), amounting to approximately RM1,861,000 in respect of the financial year ended 31 December 2016 was paid on 16 February 2017.

A final single tier dividend in respect of the financial year ended 31 December 2016 of 2.0 sen per ordinary share, amounting to approximately RM3,791,000 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by the shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2017.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

25. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per ordinary share for the financial year is calculated by dividing the consolidated profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting the treasury shares.

The following table reflects the profit and share data used in the computation of basic earnings per ordinary share:

	2016	Group 2015
Consolidated profit attributable to equity holders of the parent (RM'000)	24,340	10,659
Weighted average number of ordinary shares outstanding (adjusted for treasury shares) ('000)	175,959	175,083
Basic earnings per ordinary share (sen)	13.83	6.09

(b) Diluted earnings per share

Diluted earnings per ordinary share for the financial year is calculated by dividing the consolidated profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares and adjusted for the number of ordinary shares that could have been issued under the Employees' Share Option Scheme ("ESOS"). The details of ESOS are disclosed in Note 27 to the financial statements.

The following table reflects the profit and share data used in the computation of diluted earnings per ordinary share:

	Group 2016
Consolidated profit attributable to equity holders of the parent (RM'000)	24,340
Weighted average number of ordinary shares used in the calculation of basic earnings per ordinary share ('000)	175,959
Effects of dilution due to the ESOS ('000)	6,628
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	182,587
Diluted earnings per ordinary share (sen)	13.33

In the previous financial year, the ESOS that could potentially dilute the earnings per ordinary share were not included in the calculation of diluted earnings per ordinary share as the ESOS did not have a dilutive effect. The average market price of the ordinary shares did not exceed the exercise price of the ESOS. Accordingly, the diluted earnings per ordinary share was the same as the basic earnings per ordinary share.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

26. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, wages and bonuses	39,946	37,241	2,279	2,171
Defined contribution plan	3,775	3,590	321	328
Other employee benefits	1,984	2,032	40	65
Share options granted under share options scheme	275	803	48	103
	<u>45,980</u>	<u>43,666</u>	<u>2,688</u>	<u>2,667</u>

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM6,496,000 (2015: RM6,199,000) and RM1,142,000 (2015: RM1,262,000) respectively.

27. EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

The Employees' Share Options Scheme ('ESOS') came into effect on 21 April 2014. The ESOS shall be in force for a period of ten (10) years until 20 April 2024 ('the option period'). The main features of the ESOS are as follows:

- Eligible Directors and employees are those who are confirmed employees of the Group before the date of offer;
- The maximum number of options to be offered under the ESOS based on the issued and paid-up ordinary share capital as at 31 December 2016 for ordinary shares previously issued under the ESOS is 26,077,100;
- The total number of options to be issued under the ESOS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up share capital of Prestar Resources Berhad (excluding Treasury shares) at any point of time during the tenure of the ESOS;
- The exercise of options granted will be staggered over a period of two (2) to five (5) years depending on the number of options granted;
- The option price of a new ordinary share under the ESOS shall be the five (5)-day weighted average market prices of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer with a discount of not more than ten percent (10%) of the weighted average market price, or at the par value of the ordinary shares of RM0.50, whichever is higher;
- The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

27. EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (cont'd)

- (g) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over ordinary shares of the Company are as follows:

	[----- Number of options over ordinary shares of RM0.50 each -----]					
	Outstanding as at 1.1.2016	[----- Movement during the financial year -----]			Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Granted	Exercised	Lapsed		
2016						
2014 options ('000)	22,636	-	(4,228)	(1,450)	16,958	13,921
Weighted average exercise prices (RM)	0.53	-	0.53	0.53	0.53	0.53
Weighted average remaining contractual life (months)	100					88

	[----- Number of options over ordinary shares of RM0.50 each -----]					
	Outstanding as at 1.1.2015	[----- Movement during the financial year -----]			Outstanding as at 31.12.2015	Exercisable as at 31.12.2015
		Granted	Exercised	Lapsed		
2015						
2014 options ('000)	23,360	-	-	(724)	22,636	13,905
Weighted average exercise prices (RM)	0.53	-	-	0.53	0.53	0.53
Weighted average remaining contractual life (months)	112					100



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

27. EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (cont'd)

The details of share options outstanding at the end of the reporting period are as follows:

	Weighted average exercise price		Exercise period
	2016 RM	2015 RM	
2014 options	0.53	0.53	9.5.2014 - 20.4.2024

Share options exercised during the financial year resulted in the issuance of 4,228,000 ordinary shares at an average price of RM0.53 each. The related weighted average ordinary share price at the date of exercise was RM0.53.

The fair value of share options granted during the previous financial year was estimated by an independent professional valuer using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ('MGSSs'). The fair value of share options measured at grant date and the assumptions are as follows:

	2014
Fair value of share options at the following grant dates (RM):	
9 May 2014	0.09
Weighted average share price (RM)	0.61
Weighted average exercise price (RM)	0.53
Expected volatility (%)	28.73
Expected life (years)	10
Risk free rate (%)	3.17
Expected dividend yield (%)	3.45

28. RELATED PARTIES TRANSACTIONS

(a) Identities of related parties

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

The Company has controlling related party relationships with its direct, indirect subsidiaries, and its associate. In addition, the Company also has related party relationships with the following parties:

- (i) The substantial shareholders of the Company through their beneficial shareholdings in Fabulous Essence Sdn. Bhd. and YK Toh Property Sdn. Bhd. are Toh Yew Keat, Dato' Toh Yew Peng, Toh Yew Kar, Toh Yew Seng, Toh Poh Khuan, Toh Yew Keong, Toh Yew Chin, Andy Toh Jin Hong and Ian Toh Jin Hu; and

The substantial shareholders of the Company who are also the Directors of the Company are Toh Yew Keat, Dato' Toh Yew Peng, Toh Yew Kar, Toh Yew Seng and Toh Yew Chin.

(collectively known as 'Substantial Shareholders').



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

28. RELATED PARTIES TRANSACTIONS (cont'd)

(a) Identities of related parties (cont'd)

- (ii) Companies in which the Substantial Shareholders have financial interests as defined in item (i) above are as follows:

Related parties	Relationship
Chiho Hardware Sdn. Bhd.	A company in which Toh Yew Chin, Dato' Toh Yew Peng, Toh Yew Seng, Toh Yew Keat, Toh Yew Kar are also Directors and shareholders
Syarikat Kwong Nam Hin Sdn. Bhd.	A company in which Dato' Toh Yew Peng and Toh Yew Keat are also Directors and shareholders
Wei Giap Hardware Sdn. Bhd.	A company in which Dato' Toh Yew Peng, Toh Yew Keat and Toh Yew Kar are also Directors and shareholders
Wei Sheng Hardware Sdn. Bhd.	A company in which Toh Yew Kar is also a Director and shareholder
YK Toh (M) Sdn. Bhd.	A company in which Toh Yew Keat, Dato' Toh Yew Peng, Toh Yew Kar, Toh Yew Seng and Toh Yew Chin are also Directors and shareholders
YK Toh Marketing (S) Pte. Ltd.	A company in which Toh Yew Chin is also a Director and shareholder

(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with the related parties during the financial year:

	Company	
	2016 RM'000	2015 RM'000
(i) Transactions with subsidiaries:		
Gross dividend income	(4,495)	(2,185)
Interest paid	336	213
Rental income	(2,555)	(2,828)
Disposal of property, plant and equipment	(1)	(15,000)
(ii) Transactions with an associate:		
<i>POSCO-MKPC Sdn. Bhd.</i>		
Rental income	(1,617)	(1,632)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

28. RELATED PARTIES TRANSACTIONS (cont'd)

(b) Significant related party transactions (cont'd)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with the related parties during the financial year (cont'd) :

	2016 RM'000	Group 2015 RM'000
(i) Transactions with an associate:		
<i>POSCO-MKPC Sdn. Bhd.</i>		
Sales of goods	(420)	(635)
Purchase of goods	37,760	35,168
Rental receivables	(1,617)	(1,632)
(ii) Transactions with companies in which the substantial shareholders have financial interests:		
<i>Chiho Hardware Sdn. Bhd.</i>		
Sales of goods	(540)	(604)
Purchases	22	19
<i>Wei Giap Hardware Sdn. Bhd.</i>		
Sales of goods	(99)	(156)
Purchases	197	215
<i>Wei Sheng Hardware Sdn. Bhd.</i>		
Sales of goods	(116)	(120)
<i>YK Toh (M) Sdn. Bhd.</i>		
Rental paid	33	31
(iii) Transactions with a company in which Toh Yew Keat and Dato' Toh Yew Peng have financial interests:		
<i>Syarikat Kwong Nam Hing Sdn. Bhd.</i>		
Sales of goods	(23)	(32)
(iv) Transactions with companies in which Toh Yew Chin has financial interests:		
<i>YK Toh Marketing (S) Pte. Ltd.</i>		
Sales of goods	(6,761)	(3,997)
Purchases	2,505	1,343
(v) Transaction with a Director:		
<i>Toh Yew Chin</i>		
Professional fees paid	160	325

The related party transactions described above were carried out on negotiated terms and conditions mutually agreed with the respective related parties.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

28. RELATED PARTIES TRANSACTIONS (cont'd)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Directors (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term employee benefits	5,918	5,498	1,151	1,213
Contributions to defined contribution plan	981	919	179	182
Share options granted under share options scheme	77	210	32	87
	<u>6,976</u>	<u>6,627</u>	<u>1,362</u>	<u>1,482</u>

Executive Directors of the Group and the Company and other key management personnel have been granted the following number of options under the Employee Share Options Scheme ('ESOS'):

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
As at 1 January	6,955	6,955	4,932	4,932
Exercised	(234)	-	-	-
As at 31 December	<u>6,721</u>	<u>6,955</u>	<u>4,932</u>	<u>4,932</u>

The terms and conditions of the share options are detailed in Note 27 to the financial statements.

29. OPERATING SEGMENTS

Prestar Resources Berhad and its subsidiaries are principally engaged in investment holding, trading and manufacturing of steel related products.

Prestar Resources Berhad has arrived at three (3) reportable segments that are organised and managed separately based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

Investment	:	Investment holding, long term investment in quoted shares and property investment
Trading	:	Sales of hardware and steel related products
Manufacturing	:	Manufacturing of steel related products

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and goodwill. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors. Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

29. OPERATING SEGMENTS (cont'd)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one (1) period for each reportable segment.

2016	Investment RM'000	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue				
Total revenue	8,668	158,154	538,795	705,617
Inter-segment revenue	(7,051)	(3,170)	(73,912)	(84,133)
Revenue from external customers	1,617	154,984	464,883	621,484
Finance costs	(3,469)	(2,524)	(6,073)	(12,066)
Interest income	5	37	850	892
Net finance expense	(3,464)	(2,487)	(5,223)	(11,174)
Depreciation	1,111	2,834	8,029	11,974
Segment profit before income tax	5,346	5,454	35,496	46,296
Share of profit of an associate	2,999	-	-	2,999
Tax expenses	(420)	(2,190)	(6,536)	(9,146)
Other material non-cash items:				
Impairment losses on:				
- property, plant and equipment	-	219	759	978
- trade and other receivables	-	100	2,216	2,316
Property, plant and equipment written off	-	1	2,381	2,382
Reversal of impairment losses on trade receivables	-	(154)	(381)	(535)
Reversal of write down of inventories	-	(32)	-	(32)
Gain on disposal of property, plant and equipment	(5)	(69)	(24)	(98)
Inventories written down	-	36	1,323	1,359
Unrealised loss/(gain) on foreign exchange	133	(81)	162	214
Capital expenditure	61	9,082	5,207	14,350
Segment assets	85,944	101,183	435,355	622,482
Segment liabilities	55,075	53,795	201,421	310,291



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

29. OPERATING SEGMENTS (cont'd)

2015	Investment RM'000	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue				
Total revenue	6,645	158,982	553,349	718,976
Inter-segment revenue	(5,013)	(2,412)	(94,638)	(102,063)
Revenue from external customers	1,632	156,570	458,711	616,913
Finance costs	(3,939)	(2,215)	(7,116)	(13,270)
Interest income	67	33	413	513
Net finance expense	(3,872)	(2,182)	(6,703)	(12,757)
Amortisation	-	-	61	61
Depreciation	1,218	2,195	7,386	10,799
Segment profit before income tax	6,844	3,207	23,918	33,969
Share of loss of an associate	(3,074)	-	-	(3,074)
Tax expenses	(70)	(1,390)	(5,488)	(6,948)
Other material non-cash items:				
Impairment losses on:				
- property, plant and equipment	-	-	191	191
- trade and other receivables	-	151	558	709
Property, plant and equipment written off	-	-	26	26
Reversal of impairment losses on trade receivables	-	-	(286)	(286)
Reversal of write down of inventories	-	(480)	(896)	(1,376)
Gain on disposal of property, plant and equipment	(1)	6	(96)	(91)
Inventories written down	-	-	748	748
Unrealised (gain)/loss on foreign exchange	(115)	51	(289)	(353)
Capital expenditure	82	2,639	6,858	9,579
Segment assets	84,668	89,571	401,707	575,946
Segment liabilities	58,509	50,211	186,010	294,730



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

29. OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2016 RM'000	2015 RM'000
Revenue		
Total revenue for reportable segments	705,617	718,976
Elimination of inter-segmental revenues	(84,133)	(102,063)
	<u>621,484</u>	<u>616,913</u>
Revenue of the Group per statements of profit or loss and other comprehensive income		
	<u>621,484</u>	<u>616,913</u>
Profit for the financial year		
Total profit or loss for reportable segments	46,296	33,969
Share options granted under share options scheme	(275)	(803)
Elimination of inter-segment profits	(6,189)	(13,065)
	<u>39,832</u>	<u>20,101</u>
Profit before tax	39,832	20,101
Tax expenses	(9,146)	(6,948)
	<u>30,686</u>	<u>13,153</u>
Assets		
Total assets for reportable segments	622,482	575,946
Tax assets	741	607
Goodwill	1,675	1,675
	<u>624,898</u>	<u>578,228</u>
Assets of the Group per statements of financial position	<u>624,898</u>	<u>578,228</u>
Liabilities		
Total liabilities for reportable segments	310,291	294,730
Tax liabilities	14,280	10,593
	<u>324,571</u>	<u>305,323</u>
Liabilities of the Group per statements of financial position	<u>324,571</u>	<u>305,323</u>

Geographical information

The business activities of the Group are predominantly located in Malaysia and as such segment reporting by geographical location is not presented.

Major customers

The Group does not have major customers with revenue equal to or more than ten percent (10%) of the revenue of the Group.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratio. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital on the basis of the Group's consolidated gearing ratio which is total external debts divided by consolidated net tangible assets. The Group has a target gearing ratio of 1.50 times. External debts comprise borrowings. Consolidated net tangible assets represents shareholders' funds (excluding non-controlling interests) less intangible assets and net deferred tax.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings	238,249	235,413	50,213	56,564
Shareholders' funds (excluding non-controlling interests)	236,732	214,651	112,688	110,905
Less: Intangible assets	(1,675)	(1,675)	-	-
Add: Net deferred tax	10,233	9,288	988	935
Net tangible assets	245,290	222,264	113,676	111,840
Gearing ratio	0.97	1.06	0.44	0.51

The Group maintains a gearing ratio that complies with debt covenants and regulatory requirements in countries where the Group operates. This includes minimum capital requirements and the requirement to maintain legal reserves which are non-distributable.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement for the financial year ended 31 December 2016.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments

Group	Loans and receivables RM'000	Fair value through profit or loss RM'000	Total RM'000
2016			
Financial assets			
Trade and other receivables, net of prepayments	182,195	-	182,195
Derivative assets	-	499	499
Cash and bank balances	44,987	-	44,987
	<u>227,182</u>	<u>499</u>	<u>227,681</u>

Group	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2016			
Financial liabilities			
Borrowings	238,249	-	238,249
Trade and other payables	71,987	-	71,987
Derivative liabilities	-	55	55
	<u>310,236</u>	<u>55</u>	<u>310,291</u>

Group	Loans and receivables RM'000	Fair value through profit or loss RM'000	Total RM'000
2015			
Financial assets			
Trade and other receivables, net of prepayments	163,114	-	163,114
Derivative assets	-	41	41
Cash and bank balances	40,852	-	40,852
	<u>203,966</u>	<u>41</u>	<u>204,007</u>

Group	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2015			
Financial liabilities			
Borrowings	235,413	-	235,413
Trade and other payables	59,279	-	59,279
Derivative liabilities	-	38	38
	<u>294,692</u>	<u>38</u>	<u>294,730</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments (cont'd)

Company	2016 RM'000	2015 RM'000
Loans and receivables		
Financial assets		
Trade and other receivables, net of prepayments	131	944
Cash and bank balances	2,811	2,225
	<u>2,942</u>	<u>3,169</u>
Other financial liabilities		
Financial liabilities		
Borrowings	50,213	56,564
Trade and other payables	13,278	10,682
	<u>63,491</u>	<u>67,246</u>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings has been determined using discounted cash flows technique. The discount rates used are based on the current market rate available for similar borrowings.

- (ii) Obligations under finance lease

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of each reporting period.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(c) Methods and assumptions used to estimate fair value (cont'd)

(iii) Derivatives

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period.

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

(iv) Financial guarantee

The Group and the Company provide corporate guarantees to financial institutions for banking facilities, corporate guarantees given to third parties in respect of sales of good to the subsidiaries and letters of credit. The fair value of such financial corporate guarantees is negligible as the probability of the Group defaulting on the financial facilities and repayments to the suppliers are remote.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value after initial recognition and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2016								
Group								
Financial assets								
Financial assets at fair value through profit or loss								
- Forward currency contracts	-	-	499	-	-	-	499	499
2015								
Group								
Financial assets								
Financial assets at fair value through profit or loss								
- Forward currency contracts	-	-	41	-	-	-	41	41



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value after initial recognition and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (cont'd).

2016 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Financial liabilities								
Financial liabilities at fair value through profit or loss								
- Forward currency contracts	-	-	55	-	-	-	-	55
Other financial liabilities								
- Hire purchase liabilities	-	-	-	-	10,470	-	10,470	11,567
Unrecognised financial liabilities								
- Contingent liabilities	-	-	-	-	-	#	#	-

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value after initial recognition and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (cont'd).

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2015 Group								
Financial liabilities								
Financial liabilities at fair value through profit or loss								
- Forward currency contracts	-	-	38	-	-	-	-	38
Other financial liabilities								
- Hire purchase liabilities	-	-	-	-	7,461	-	7,461	8,240
Unrecognised financial liabilities								
- Contingent liabilities	-	-	-	-	-	#	#	-

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value after initial recognition and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (cont'd).

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2016								
Company								
Financial liabilities								
Unrecognised financial liabilities								
- Contingent liabilities	-	-	-	-	-	#	#	-
2015								
Company								
Financial liabilities								
Other financial liabilities								
- Hire purchase liabilities	-	-	-	-	100	-	100	103
Unrecognised financial liabilities								
- Contingent liabilities	-	-	-	-	-	#	#	-

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(e) The following table shows a reconciliation of Level 3 fair values:

	2016 RM'000	Group 2015 RM'000
Financial assets		
Balance as at 1 January	41	158
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	499	41
- Other expenses (realised)	(41)	(158)
Balance as at 31 December	499	41
Financial liabilities		
Balance as at 1 January	38	123
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	55	38
- Other expenses (realised)	(38)	(123)
Balance as at 31 December	55	38

(f) The following table shows the sensitivity analysis for the Level 3 fair value measurements.

	2016 RM'000	Group 2015 RM'000
Profit after tax		
Foreign currency rate		
- Increase by 3% (2015: 3%)	651	101
- Decrease by 3% (2015: 3%)	(651)	(101)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from credit risk, liquidity risk and cash flow risk, interest rate risk and foreign currency risk.

Financial risk management is carried out through risk review programmes, internal control systems and adherence to the Group financial risk management policies. The Board regularly reviews these risks and approves such policies that cover the management of these risks. The exposure of the Group to financial risks and the management of its related exposures are as follows:

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. In order to manage this risk, it is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 120 days for major customers. Each customer has a maximum credit limit and the Group seeks to minimise and monitor the credit risk via strictly limiting its associations to business customers with high creditworthiness. Trade receivables are monitored on an ongoing basis through the management reporting procedures of the Group.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(i) Credit risk (cont'd)

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

Information regarding trade and other receivables is disclosed in Note 12 to the financial statements. The Group does not have any significant concentration of credit risk related to any individual customers or counterparty, except that the Company has significant exposure in respect of amounts owing by subsidiaries as at the end of the reporting period.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. In respect of the cash and bank balances placed with major financial institutions, the Directors believe the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

Prudent liquidity risk management is applied by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining the flexibility in funding by keeping committed credit lines available.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Liquidity and cash flow risk (cont'd)

The table below summaries the maturity profile of the liabilities of the Group and the Company at the end of each reporting period based on contractual undiscounted repayment obligations:

2016	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Borrowings	220,867	19,623	877	241,367
Trade and other payables	71,987	-	-	71,987
Derivatives liabilities	55	-	-	55
Total undiscounted financial liabilities	292,909	19,623	877	313,409
Company				
Financial liabilities				
Borrowings	44,732	6,345	-	51,077
Trade and other payables	13,278	-	-	13,278
Total undiscounted financial liabilities	58,010	6,345	-	64,355
2015				
Group				
Financial liabilities				
Borrowings	213,597	24,899	1,798	240,294
Trade and other payables	59,279	-	-	59,279
Derivatives liabilities	38	-	-	38
Total undiscounted financial liabilities	272,914	24,899	1,798	299,611
Company				
Financial liabilities				
Borrowings	46,327	12,108	-	58,435
Trade and other payables	10,682	-	-	10,682
Total undiscounted financial liabilities	57,009	12,108	-	69,117



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The income and operating cash flows of the Group are independent of changes in market interest rates. Interest rate exposure arises mainly from the bank borrowings of the Group and is managed through effective negotiation with financial institutions for best available rates.

Sensitivity analysis for interest rate risk

Group

As at 31 December 2016, if interest rates at the date had been 100 basis points lower with all variables held constant, post-tax profit for the year would have been RM1,723,000 (2015: RM1,703,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher with all variables held constant, post-tax profit would have been RM1,723,000 (2015: RM1,703,000) lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Company

As at 31 December 2016, if interest rates at the date had been 100 basis points lower with all variables held constant, post-tax profit for the year would have been RM382,000 (2015: RM423,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher with all variables held constant, post-tax profit would have been RM382,000 (2015: RM423,000) lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

As at 31 December 2016	WAEIR %	Within					Total
		1 year	1 - 2	2 - 3	3 - 4	4 - 5	
Group		RM'000	years	years	years	years	RM'000
Fixed rate							
Fixed deposits with licensed banks	3.98	3,553	-	-	-	-	3,553
Hire purchase liabilities	5.30	(3,813)	(3,164)	(2,530)	(1,876)	(184)	(11,567)
Floating rate							
Bank overdrafts	7.98	(1,116)	-	-	-	-	(1,116)
Trade financing	4.77	(153,025)	-	-	-	-	(153,025)
Revolving credits	5.25	(53,500)	-	-	-	-	(53,500)
Term loans	5.78	(7,812)	(7,032)	(1,625)	(857)	(858)	(19,041)
Company							
Floating rate							
Amount owing to a subsidiary	4.10	(6,155)	-	-	-	-	(6,155)
Revolving credits	5.31	(39,000)	-	-	-	-	(39,000)
Term loan	6.90	(5,114)	(5,486)	(613)	-	-	(11,213)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk (cont'd):

As at 31 December 2015		WAEIR	Within	1 - 2	2 - 3	3 - 4	4 - 5	More than	Total
Group		%	1 year	years	years	years	years	5 years	
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed rate									
Fixed deposits with licensed banks	2.79	4,036	-	-	-	-	-	-	4,036
Hire purchase liabilities	4.70	(2,814)	(2,422)	(1,628)	(946)	(430)	-	-	(8,240)
Floating rate									
Bank overdrafts	8.07	(1,360)	-	-	-	-	-	-	(1,360)
Trade financing	4.92	(146,262)	-	-	-	-	-	-	(146,262)
Revolving credits	5.46	(53,361)	-	-	-	-	-	-	(53,361)
Term loans	5.89	(7,902)	(7,797)	(7,023)	(1,657)	(858)	(953)		(26,190)
Company									
Fixed rate									
Fixed deposits with licensed banks	0.65	1,535	-	-	-	-	-	-	1,535
Hire purchase liabilities	4.71	(103)	-	-	-	-	-	-	(103)
Floating rate									
Amount owing to a subsidiary	4.31	(6,540)	-	-	-	-	-	-	(6,540)
Bank overdrafts	8.03	(629)	-	-	-	-	-	-	(629)
Revolving credits	5.52	(39,861)	-	-	-	-	-	-	(39,861)
Term loan	7.10	(4,751)	(5,099)	(5,477)	(644)	-	-	-	(15,971)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures mainly arise from transactions that are denominated in currencies other than functional currency of the operating entity.

The Group also holds cash and cash equivalents denominated in foreign currency for working capital purposes. At the end of each reporting period, such foreign currency balances amounted to RM5,864,000 (2015: RM4,799,000) for the Group.

Transactional currency exposures of the Group mainly arise from transactions entered into by subsidiaries in currencies other than their functional currency. The Group enters into forward foreign currency contracts for its foreign currency exposures and the management monitors these exposures on an ongoing basis.

During the financial year, the Group entered into foreign currency forward contracts to manage exposures to currency risk for trade receivables and trade payables which are denominated in a currency other than the functional currency of the Group.

The notional amount and maturity date of the forward foreign exchange contracts outstanding as at 31 December 2016 and 31 December 2015 are as follows:

	Currency	Contract amount in foreign currency '000	RM'000 equivalent	Maturities within
2016				
Forward contracts used to hedge trade receivables	USD	490	2,161	5 months
Forward contracts used to hedge trade receivables	SGD	73	205	3 months
Forward contracts used to hedge trade payables	USD	6,813	30,134	6 months
Forward contracts used to hedge trade payables	THB	1,821	228	6 months
Forward contracts used to hedge trade payables	JPY	3,486	142	1 month
2015				
Forward contracts used to hedge trade receivables	USD	543	2,301	5 months
Forward contracts used to hedge trade payables	USD	1,573	6,755	5 months



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group's profit after tax to a reasonably possible change in US Dollar ('USD'), Singapore Dollar ('SGD'), Thai Baht ('THB'), Vietnamese Dong ('VND'), Japanese Yen ('YEN'), Brunei Dollar ('BND') and Euro ('EUR') exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2016	2015
		RM'000	RM'000
Profit after tax			
USD	- strengthen by 3%	+46	-16
	- weaken by 3%	-46	+16
SGD	- strengthen by 3%	-7	-27
	- weaken by 3%	+7	+27
THB	- strengthen by 3%	-13	-
	- weaken by 3%	+13	-
VND	- strengthen by 3%	+20	-
	- weaken by 3%	-20	-
YEN	- strengthen by 3%	-3	-11
	- weaken by 3%	+3	+11
BND	- strengthen by 3%	-	+4
	- weaken by 3%	-	-4
EUR	- strengthen by 3%	-	-18
	- weaken by 3%	-	+18

32. COMPANIES ACT 2016

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effects of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

33. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

33.1 New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12, MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to MFRSs 2012 - 2014 Cycle</i>	1 January 2016

There is no material impact upon the adoption of these Standard and Amendments during the financial year, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows within the notes to the financial statements.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

33. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

33.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	Effective date
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2017
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (cont'd)

34. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	172,138	144,621	22,659	23,339
- Unrealised	(11,581)	(10,056)	(852)	(799)
	<u>160,557</u>	<u>134,565</u>	<u>21,807</u>	<u>22,540</u>
Total share of retained earnings from an associate:				
- Realised	23,874	19,206	-	-
- Unrealised	(1,115)	554	-	-
	<u>183,316</u>	<u>154,325</u>	<u>21,807</u>	<u>22,540</u>
Less: Consolidation adjustments	(41,998)	(31,963)	-	-
Total retained earnings	<u>141,318</u>	<u>122,362</u>	<u>21,807</u>	<u>22,540</u>



LIST OF PROPERTIES FOR YEAR ENDED 31 DECEMBER 2016

	Location	Tenure	Built-up Area	Year of Expiry	Description /Existing Use	Carrying Amount (RM'000)	Age of Building (years)	Date of Acquisition/ Revaluation
1	PRESTAR RESOURCES BERHAD GM 4895, Lot 1298 Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Freehold	588,793 sq ft	nil	Corporate office cum manufacturing site for subsidiaries	43,350	10 to 21	5 April 2001
1	PRESTAR STORAGE SYSTEM SDN BHD Geran 86261, Lot 162 (Lot 39), Seksyen 19, Bandar Rawang, District of Gombak, Selangor Darul Ehsan	Freehold	80,384 sq ft	nil	Office cum manufacturing site	14,948	23	17 Aug 2015
1	PRESTAR MARKETING SDN BHD Lot 17494, 8 1/2 Miles, Jalan Ipoh, Selayang Industrial Estate, 68100 Batu Caves, Selangor Darul Ehsan	Freehold	35,263 sq ft	nil	Corporate office cum warehouse	4,007	28	18 Nov 2009
2	Lot 1113, 65A, Jalan Perak, 10150 Penang	Freehold	2,904 sq ft	nil	Office cum warehouse	850	54	29 Dec 1993
1	PRESTAR ENGINEERING SDN BHD # PD Perdana Condominium Parcel 808, held under Master Title H.S. (D) 14950, PT No. 99, Pekan Telok Kemang, Daerah Port Dickson, Negeri Sembilan	Freehold	750 sq ft	nil	Vacant	49	18	5 June 2000
2	# Parcel No. M2-L2-1D Tuanku Jaafar Golf & Country Resort under Master Title H.S.(D) 99111 for PT No.18519 Mukim of Ampangan, District of Seremban, State of Negeri Sembilan	Freehold	898 sq ft	nil	Vacant	@168	16	4 Feb 2004
1	TASHIN STEEL SDN BHD Plot 40, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai, Penang	60 years Leasehold * (35 years)	152,835 sq ft	2052	Office cum manufacturing site	7,588	18	8 Aug 2000
2	Plot 39, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai, Penang	60 years Leasehold * (35 years)	132,552 sq ft	2052	Manufacturing site	16,518	9	17 Aug 2005
3	F 01-08, Taman Pelangi, Bukit Tengah, 13600 Prai, Penang	99 years Leasehold *(75 years)	500 sq ft	2092	Hostel	44	16	23 Apr 2008
4	V 03-16, Taman Pelangi, Bukit Tengah, 13600 Prai, Penang	99 years Leasehold *(75 years)	500 sq ft	2092	Hostel	61	16	2 Mar 2016
1	PRESTAR INDUSTRIES (VIETNAM) CO., LTD Lot CN7 - 1,2,3 adjacent to Road N5, Song Than III Industrial Zone, Tan Vinh Hiep Commune, Tan Uyen District, Binh Duong Province, Vietnam	49 years (lease) *(39 years)	196,200 sq ft	2055	Manufacturing site cum office	8,761	9	12 Apr 2007

* Balance of Leasehold Tenure

Acquired through debt settlement arrangement from various delinquent debtors

@ This amount has been fully impaired in view of ownership claim unresolved



STATISTICS OF SHAREHOLDINGS AS AT 31 MARCH 2017

Total Number of Issued Shares	:	189,550,840 ordinary shares
Class of Shares	:	Ordinary shares
Number of Shareholders	:	4,181
Voting Rights	:	One (1) vote per shareholder on a show of hands One (1) vote per ordinary share on a poll

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	No. of Shares Held			
	Direct	%	Indirect	%
Fabulous Essence Sdn. Bhd.	52,592,200	27.75	-	-
Toh Yew Keat	3,796,717	2.00	⁽¹⁾ 72,116,000	38.05
Dato' Toh Yew Peng	6,167,896	3.25	⁽¹⁾ 72,116,000	38.05
Toh Yew Kar	2,672,276	1.41	⁽¹⁾ 72,116,000	38.05
Toh Yew Chin	2,472,276	1.30	⁽¹⁾ 72,116,000	38.05
Toh Yew Keong	2,678,299	1.41	⁽¹⁾ 72,116,000	38.05
Toh Yew Seng	2,766,252	1.46	⁽¹⁾ 72,116,000	38.05
Toh Poh Khuan	2,060,230	1.09	⁽¹⁾ 72,116,000	38.05
Y. K. Toh Property Sdn. Bhd.	19,523,800	10.30	-	-
Soh Tik Siew	10,917,700	5.76	-	-
Andy Toh Jin Hong	72,000	0.04	⁽¹⁾ 72,116,000	38.05
Ian Toh Jin Hu	57,600	0.03	⁽¹⁾ 72,116,000	38.05

Note:

⁽¹⁾ Deemed interested by virtue of their respective substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1 - 99	23	0.55	789	0.00
100 - 1,000	282	6.74	219,593	0.12
1,001 - 10,000	2,558	61.18	13,940,658	7.35
10,001 - 100,000	1,185	28.34	36,679,400	19.35
100,001 - 9,477,541 (*)	130	3.11	65,057,500	34.32
9,477,542 and above (**)	3	0.07	73,652,900	38.86
Total	4,181	100.00	189,550,840	100.00

Remarks:

* Less than 5% of Issued Shares

** 5% and above of Issued Shares



STATISTICS OF SHAREHOLDINGS AS AT 31 MARCH 2017 (cont'd)

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Directors	Nationality	--Direct Interest--		--Indirect Interest--	
		No. of shares held	%	No. of shares held	%
Toh Yew Keat	Malaysian	3,796,717	2.00	**72,380,000	38.19
Dato' Toh Yew Peng	Malaysian	6,167,896	3.25	@72,200,000	38.09
Toh Yew Kar	Malaysian	2,672,276	1.41	*72,116,000	38.05
Toh Yew Seng	Malaysian	2,766,252	1.46	*72,116,000	38.05
Toh Yew Chin	Malaysian	2,472,276	1.30	*72,116,000	38.05
Md. Nahar Bin Noordin	Malaysian	2,092,400	1.10	0	0
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Malaysian	130,000	0.07	0	0
Dato' Lim Cheang Nyok	Malaysian	0	0	0	0
Lou Swee You	Malaysian	141,600	0.07	0	0

Notes:

- ** Deemed interested by virtue of his substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd. Also deemed interested by virtue of his daughter, Ms. Janice Toh Mei Ling, and his sons, Jason Toh Jin Hin and Kenny Toh Jin Tat's shareholdings in Prestar Resources Berhad pursuant to Section 59(11) of the Companies Act, 2016.
- @ Deemed interested by virtue of his substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd. Also deemed interested by virtue of his son, Alan Toh Jin Joo's shareholding in Prestar Resources Berhad pursuant to Section 59(11) of the Companies Act, 2016.
- * Deemed interested by virtue of their respective substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd.

The Directors' Share Options held under the Employees' Share Option Scheme ("ESOS") of the Company are as follows:-

Directors	Number of ESOS held
Toh Yew Keat	500,000
Dato' Toh Yew Peng	250,000
Toh Yew Kar	220,000
Toh Yew Seng	500,000
Toh Yew Chin	189,000
Md. Nahar Bin Noordin	105,000
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	105,000
Dato' Lim Cheang Nyok	294,000
Lou Swee You	47,400



STATISTICS OF SHAREHOLDINGS AS AT 31 MARCH 2017 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares Held	Percentage (%)
1.	FABULOUS ESSENCE SDN. BHD.	50,192,200	26.48
2.	Y. K. TOH PROPERTY SDN. BHD.	12,543,000	6.62
3.	SOH TIK SIEW	10,917,700	5.76
4.	Y. K. TOH PROPERTY SDN. BHD.	6,980,800	3.68
5.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. (PLEGDED SECURITIES ACCOUNT FOR DATO' TOH YEW PENG)	4,870,796	2.57
6.	TOH YEW KEAT	3,796,717	2.00
7.	TOH YEW SENG	2,766,252	1.46
8.	TOH YEW KEONG	2,678,299	1.41
9.	TOH YEW CHIN	2,472,276	1.30
10.	FABULOUS ESSENCE SDN. BHD.	2,400,000	1.27
11.	TOH YEW HOE	2,266,254	1.20
12.	MD NAHAR BIN NOORDIN	2,092,400	1.10
13.	TOH POH KHUAN	2,060,230	1.09
14.	TOH YEW KAR	1,728,276	0.91
15.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. (PHUA SIN MO)	1,400,000	0.74
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. (DATO' TOH YEW PENG)	1,297,100	0.68
17.	TOH YEW KAR	944,000	0.50
18.	TA NOMINEES (TEMPATAN) SDN. BHD. (PLEGDED SECURITIES ACCOUNT FOR CHOONG MING TONG)	825,000	0.44
19.	YEE WAI LENG	770,000	0.41
20.	TAY YING LIM @ TAY ENG LIM	768,800	0.41
21.	PHUA SIN MO	750,000	0.40
22.	NG WEE TIEW @ NG WEE CHIEW	676,300	0.36
23.	LIM CHOON TEIK	633,100	0.33
24.	CITIGROUP NOMINEES (ASING) SDN. BHD. (EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR))	604,000	0.32
25.	HLB NOMINEES (TEMPATAN) SDN. BHD. (PLEGDED SECURITIES ACCOUNT FOR FRANCIS KONG @ KONG FEN SHIN)	592,100	0.31
26.	ONG HONG CHOO	584,000	0.31
27.	TAN SEE TEIK	579,000	0.31
28.	FAM KEAT HONG	532,000	0.28
29.	HENG KOK PUAN @ HENG KOK PWAN	512,000	0.27
30.	SEOW MUN HON	500,000	0.26

Note : The analysis of shareholdings is based on the total number of issued shares of the Company after deducting 6,919,900 ordinary shares bought back by the Company and held as Treasury Shares as at 31 March 2017.

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PRESTAR RESOURCES BERHAD

(Company No. 123066 -A)
(Incorporated in Malaysia)

No. of Shares Held	CDS Account No.

FORM OF PROXY

*I/We, (FULL NAME IN BLOCK CAPITALS) NRIC/Passport No./Company

No. of

..... (FULL ADDRESS)

being a *member/members of PRESTAR RESOURCES BERHAD, hereby appoint

..... (FULL NAME IN BLOCK CAPITALS) NRIC/Passport No.

of

..... (FULL ADDRESS)

or failing *him/her, (FULL NAME IN BLOCK CAPITALS) NRIC/Passport No.

of

..... (FULL ADDRESS)

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 31 May 2017 at 10:00 a.m. or at any adjournment thereof.

The proxy is to vote on the business before the Meeting as indicated below (if no indication is given, the proxy will vote as he/she thinks fit or abstain from voting):

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.		
No.	Resolutions	For	Against
2.	To approve the declaration of the final single-tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2016. (Resolution 1)		
3.	To approve the payment of Directors' fees amounting to RM220,000 for the financial year ended 31 December 2016. (Resolution 2)		
4.	To approve an amount of up to RM20,000 as benefits payable to the Non-Executive Directors from 31 January 2017 to the Thirty-Third Annual General Meeting of the Company. (Resolution 3)		
5(a).	To re-elect Mr. Toh Yew Kar in accordance with Article 105 of the Company's Articles of Association. (Resolution 4)		
5(b).	To re-elect Mr. Toh Yew Seng in accordance with Article 105 of the Company's Articles of Association. (Resolution 5)		
6.	To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)		
As Special Business :			
7(a).	Ordinary Resolution No. 1 - Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Resolution 7)		
7(b).	Ordinary Resolution No. 2 - Proposed Renewal of Share Buy-Back Authority (Resolution 8)		
7(c).	Ordinary Resolution No. 3 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 9)		
7(d).	Ordinary Resolution No. 4 - Retention of Tuan Haji Fadzllullah Shuhaimi Bin Salleh as an Independent Non-Executive Director (Resolution 10)		
7(e).	Ordinary Resolution No. 5 - Retention of Dato' Lim Cheang Nyok as an Independent Non-Executive Director (Resolution 11)		
7(f).	Ordinary Resolution No. 6 - Retention of Encik Md Nahar Bin Noordin as an Independent Non-Executive Director (Resolution 12)		
7(g).	Ordinary Resolution No. 7 - Retention of Mr. Lou Swee You as an Independent Non-Executive Director (Resolution 13)		

* Strike out whichever not applicable.

Signed this day of 2017

.....
Signature of Member/Common Seal

Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead (subject always to a maximum of two (2) proxies of each Meeting). Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but does not need to be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is 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. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.
- 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.
- The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix
stamp

The Company Secretaries
PRESTAR RESOURCES BERHAD
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

FOLD HERE



PRESTAR RESOURCES BERHAD

(123066-A)

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur

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