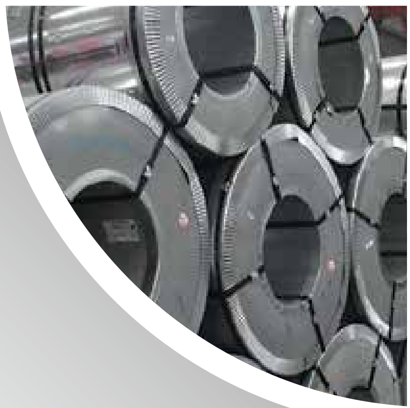
PRESTAR RESOURCES BERHAD

(123066-A)

Annual Report
Laporan Tahunan
2017



CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Third 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 Thursday, 31 May 2018 at 10:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of the single-tier final dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2017. *(Resolution 1)*

3. To approve the payment of Directors' fees amounting to RM220,000 for the financial year ended 31 December 2017. *(Resolution 2)*

4. To approve an amount of up to RM30,000 as benefits payable to the Non-Executive Directors from 31 May 2018 to the next Annual General Meeting of the Company held in 2019. *(Resolution 3)*

5. To re-elect Mr. Lou Swee You who retires pursuant to Article 112 of the Company's Articles of Association, and being eligible, has offered himself for re-election. *(Resolution 4)*

6. 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) Dato' Toh Yew Peng *(Resolution 5)*
   (b) Encik Md Nahar Bin Noordin *(Resolution 6)*
   (c) Tuan Haji Fadzlullah Shuhaimi Bin Salleh *(Resolution 7)*

7. 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 8)*

8. 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 THE COMPANIES ACT, 2016

   "**THAT** subject to 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 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." *(Resolution 9)*

   (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 ("**the Act**") 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

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

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

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 27 April 2018;

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 2017 of RM19,957,725;

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 and/or to transfer them for the purposes of or under an employees share scheme and/or to transfer them as purchase consideration in such manner as may be permitted and prescribed by the provisions of Bursa Securities Main Market Listing Requirements, the Act 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 condition, modification, variation and/or amendment (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 10)*

(c) ORDINARY RESOLUTION NO. 3
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**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 the related parties, 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

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

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

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier,

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 11)*

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

"**THAT** subject to the passing of Resolution No. 4, Mr. Lou Swee You who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." *(Resolution 12)*

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

"**THAT** subject to the passing of Resolution No. 6, Encik Md Nahar Bin Noordin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." *(Resolution 13)*

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

"**THAT** subject to the passing of Resolution No. 7, Tuan Haji Fadzlullah Shuhaimi Bin Salleh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." *(Resolution 14)*

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

"**THAT** Dato' Lim Cheang Nyok who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." *(Resolution 15)*

9. 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 single-tier final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2017 will be payable on 28 June 2018 to depositors who are registered in the Record of Depositors at the close of business on 12 June 2018, if approved by members at the forthcoming Thirty-Third Annual General Meeting on 31 May 2018.

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

(a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 12 June 2018 in respect of ordinary transfers; and

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

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

BY ORDER OF THE BOARD

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

Kuala Lumpur
Dated: 27 April 2018

Explanatory Notes:-

1. Authority to have shares pursuant to 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 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-Second Annual General Meeting held on 31 May 2017 and which will lapse at the conclusion of the Thirty-Third 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-Second Annual General Meeting held on 31 May 2017. 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-Second Annual General Meeting held on 31 May 2017. 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

   (a) 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 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 Notes:- (cont'd)

(b) Encik Md Nahar Bin Noordin

Encik Md Nahar Bin Noordin has served the Company for almost twenty-four (24) 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 eleven (11) 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.

(c) 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 twelve (12) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for twenty-three (23) 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.

(d) 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 twelve (12) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for sixteen (16) 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.

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 2017 Annual Report.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 May 2018 (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
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

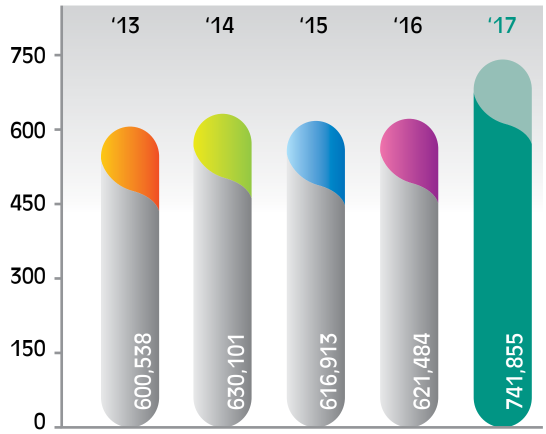
SOLICITORS
SKRINE
Lim & Yeoh

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Code : 9873

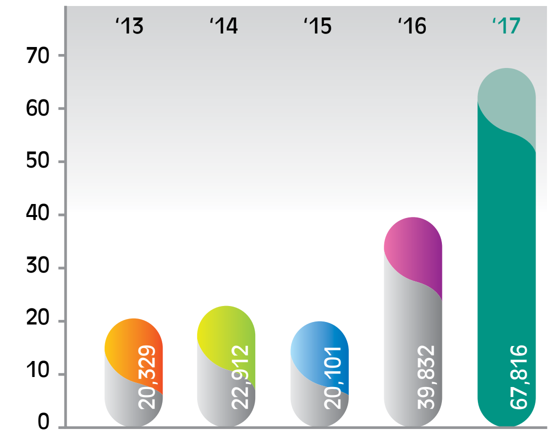
GROUP FINANCIAL HIGHLIGHTS

(RM'000)	2013	2014	2015	2016	2017
Revenue	600,538	630,101	616,913	621,484	741,855
Profit before tax	20,329	22,912	20,101	39,832	67,816
Profit attributable to owners of the parent	12,205	12,309	10,659	24,340	43,126
Total assets	558,540	561,499	578,228	624,898	697,093
Equity attributable to owners of the parent	193,932	203,882	214,651	236,732	278,372
EBITDA# *#Earnings before interests, depreciation, tax and amortisation*	48,876	46,739	44,231	63,873	92,626
Net assets per share* (RM)	1.11	1.16	1.23	1.32	1.41
Earnings per share* (sen) ** attributable to owners of the Company*	7.0	7.1	6.1	13.8	22.4

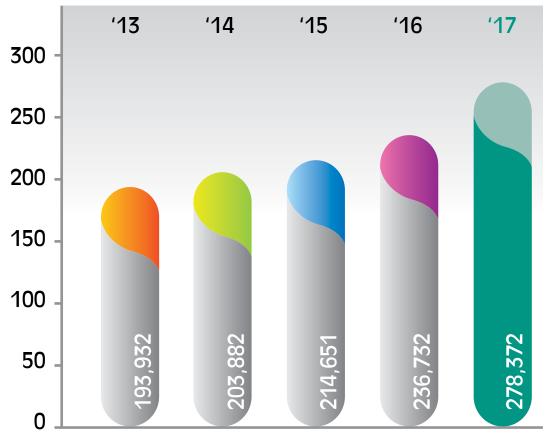
Revenue
(RM'000)



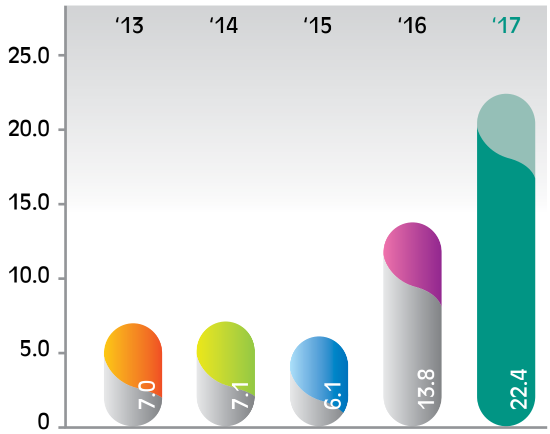
Profit Before Tax
(RM'000)



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



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



CORPORATE STRUCTURE

鴻達集團
PRESTAR RESOURCES BERHAD
(123066-A)

STEEL PROCESSING

100%
Prestar Steel Pipes Sdn. Bhd.
(375196-W)

100%
Prestar Precision Tube Sdn. Bhd.
(643193-X)

100%
Dai Dong Steel Sdn. Bhd.
(287846-W)

51%
Tashin Steel Sdn. Bhd.
(471094-P)

75%
*PT Prestar Precision Tube, Indonesia

30%
POSCO-MKPC Sdn. Bhd.
(372824-A)

PRODUCT MANUFACTURING

100%
Prestar Manufacturing Sdn. Bhd.
(170341-A)

100%
Prestar Storage System Sdn. Bhd.
(538520-A)

100%
Prestar Marketing Sdn. Bhd.
(76838-X)

95%
Prestar Galvanising Sdn. Bhd.
(315125-T)

100%
Prestar Engineering Sdn. Bhd.
(307178-A)

51%
Tashin Hardware Sdn. Bhd.
(642549-V)

100%
PT Prestar MHE, Indonesia

** 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 2017 and the Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2017 ("FYE 2017").

PERFORMANCE REVIEW

The FYE 2017 was a record year for the Group in terms of revenue and bottom line performance. The Group's revenue for the FYE 2017 had increased substantially to RM741.9 million and 19.4% higher than the same period of preceding year. The profit before taxation for the FYE 2017 was substantially higher at RM67.8 million as compared to RM39.8 million for the same period of preceding year. The strong improvement for the FYE 2017 was mainly due to better sales margin achieved at the beginning of the year 2017. In addition, the Group also recognised some extraordinary gains such as gain on disposal of property held in overseas, foreign exchange consolidation gain on liquidation of foreign subsidiary as well as gain on consolidation of acquisition. The strong bottom line performance also included the recognition of substantial gain from the equity accounting of an associate company's result which recorded good performance during the FYE 2017.

As a result of better financial performance of the Company, the basic earnings per share for the FYE 2017 had increased to 22.36 sen as compared to 13.83 sen in the previous financial year. Other improvement includes the increase in the net assets per share attributable to ordinary equity holders of the Company from RM1.32 per share recorded as at 31 December 2016 to RM1.41 per share as at 31 December 2017. The Group's financial position had further strengthened with a total equity increased to RM339.2 million as at 31 December 2017.

PROSPECTS

The actual gross domestic product ("GDP") in Malaysia for the year 2017 had escalated 5.9%, which was a remarkable improvement over the previous year. The Central Bank of Malaysia (Bank Negara Malaysia) also released their latest forecast of economic growth for year 2018 at 5.5% to 6.0% with the expectation of stable growth in economy and business volume. On the local front of supply aspect, some steel players are pursuing measures to prevent dumping of cold rolled coil from Vietnam, South Korea, Japan and India. Although there is no decision yet on the petition, the Group does not expect to encounter any material impact if the petition is granted as the nature of the steel business is

CHAIRMAN'S STATEMENT
(cont'd)


to pass through any pricing changes to the customers. In the meantime, the prices of the steel raw material are stabilising even though there are some fluctuations experienced in line with the stronger Ringgit Malaysia amid slower market demand.

Overall, the local business environment remains challenging with sentiments of rising inflationary pressure and keen competition. Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in order to remain competitive and generating better performance for the next financial year 2018.

DIVIDENDS

The Board had paid a single-tier interim dividend of 2.0 sen per ordinary share for the FYE 2017. The Board is pleased to recommend a single-tier final dividend of 3.0 sen per ordinary share amounting to RM5,931,868, which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company, resulting in total dividends of 5.0 sen per ordinary share for the FYE 2017.

APPRECIATION

On behalf of the Board of Directors, 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 FYE 2017.

Toh Yew Keat
Group Executive Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Prestar Resources Berhad ("Prestar" or "the Company") and its subsidiaries ("the Group") continued to grow favourably and strong in year 2017. The Group's revenue has escalated steadily to a height of RM741.9 million while the profit after taxation also crossed over the mark of RM50.0 million for the first time in its financial records. This was resulted from the prudent and pragmatic approaches taken by the Group to continuously remain focus on its core business ventures while adopting a long-term view in its strategic actions to ensure sustainable performance.

The financial and operational reviews of the Group as well as the major risks encountered are further elaborated below.

FINANCIAL REVIEW

Key financial highlights of the Group for the financial year ended 31 December 2017 ("FYE 2017") as compared to the financial year ended 31 December 2016 ("FYE 2016") are as follows:-

RM'000	FYE 2016	FYE 2017	Variance	Variance (%)
Revenue	621,484	741,855	120,371	19.4%
Profit before taxation	39,832	67,816	27,984	70.3%
Profit attributable to owners of the parent	24,340	43,126	18,786	77.2%
Total assets	624,898	697,093	72,195	11.6%
Equity attributable to owners of the parent	236,732	278,372	41,640	17.6%
Net assets per share (RM)	1.32	1.41	0.09	6.8%
Basic earnings per share* (sen)	13.83	22.36	8.53	61.7%
Diluted earnings per share* (sen)	13.33	22.28	8.95	67.1%

* Attributable to owners of the Company

The Group reported remarkable revenue of RM741.9 million for the FYE 2017, which had escalated by 19.4% or RM120.4 million over RM621.5 million recorded in the FYE 2016. In fact, the revenue performance for the year 2017 is the highest record achieved by the Group thus far. The domestic market continued to generate 94.7% or RM702.6 million of the Group's total revenue while overseas markets contributed 5.3% or RM39.2 million of the Group's total revenue. The increase was mainly derived from the manufacturing segment which shown a growth of 20.7% while trading segment generated growth of 15.6% in line with the higher economy growth in the country during the year 2017.

With the improved business conditions in steel industry since previous year coupled with gain from other income arising from several corporate exercises carried out during the FYE 2017, the profit before taxation was substantially increased by 70.3% to RM67.8 million as compared to RM39.8 million in the preceding financial year.

Total cost of sales of the Group for the FYE 2017 was RM635.6 million against RM527.4 million in the FYE 2016. The increase in total cost of sales of the Group was broadly in line with the higher revenue of the Group during the financial year under review.

During the financial year under review, the substantial improvement of 363.4% in other operating income from RM5.4 million in the preceding financial year to RM25.1 million. This was mainly due to the realised gain on disposal of property in overseas as well as exceptional gain in foreign exchange from liquidation of a foreign subsidiary and the consolidated gain on acquisition of 25% equity interest of a subsidiary.

During the FYE 2017, the administrative expenses increased by 16.8% to RM44.6 million as compared to RM38.2 million in the preceding financial year. This was mainly due to the provision of initial set-up service costs of RM3.5 million for the implementation of the employee retirement benefit scheme and the increase of payroll cost.

The Group recorded the highest achievement of profit after taxation for the FYE 2017 of RM50.7 million, an increase of RM20.0 million or 65.3% from RM30.7 million recorded in the preceding financial year. The substantial improvement in bottom line performance was mainly due to the cumulative results of the strong performance achieved in the first three (3) quarters of the FYE 2017 coupled with one-off gain of other income as mentioned above.

As a result of improved operational performance in year 2017, the profit after taxation attributable to owners for the FYE 2017 had increased by 77.2% from RM24.3 million in the preceding financial year to RM43.1 million. With the improved earnings, the Group's net assets per share for the FYE 2017 also increased by 6.8% or RM0.09, from RM1.32 in the preceding financial year to RM1.41. The Group's financial position was further strengthened with the total equity increased to RM339.2 million as at 31 December 2017. The Group's total assets for the FYE 2017 had increased to RM697.1 million from RM624.9 million recorded in the preceding financial year.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL REVIEW (cont'd)

As at 31 December 2017, the Group's cash and cash equivalents had increased significantly and this was mainly attributable to the proceeds from disposal of property in overseas. The Group's gearing ratio had further improved from 0.97 times as at 31 December 2016 to 0.86 times as at 31 December 2017 due to an increase in shareholders' equity.

The Group's trade payable for the FYE 2017 had increased from RM48.7 million recorded in the preceding financial year to RM72.1 million which was mainly due to higher purchase price of raw materials and extended credit terms by the suppliers to the Group. The Group's bank borrowings for the FYE 2017 had slightly increased by 3% from RM238.2 million recorded in the preceding financial year to RM245.4 million which was mainly utilised for funding of working capital of the Group.

As a result of higher value of Prestar's shares, the exercise of Employees' Share Option Scheme by its employees was very encouraging during the financial year under review and hence, the number of issued shares of the Company had increased from RM93.1 million at the beginning of the financial year 2017 to RM103.4 million as at end of the financial year 2017. This had definitely assisted to strengthen the equity base of Prestar.

The Board had earlier paid a single-tier interim dividend of 2.0 sen per ordinary share in respect of the FYE 2017 on 17 November 2017. The Board had also recommended a single-tier final dividend of 3.0 sen per ordinary share which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company scheduled to be held on 31 May 2018, resulting in total dividends of 5.0 sen per ordinary share for the FYE 2017. At the moment, there is no Dividend Policy adopted by the Company, 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

The financial year under review was an eventful year for the Group. The Group has carried out several corporate exercises such as crossed border asset disposal, establishment of new representative office, liquidation of a foreign subsidiary and internal re-organisation of the Group's structure to further improve the Group's efficiency and effectiveness. In addition, the Group is in the midst of undertaking an initial public offering of a subsidiary. Details of the corporate exercises undertaken by the Group for the FYE 2017 are elaborated below:-

i) Disposal of the factory and land use rights and liquidation of a foreign subsidiary

The Company had on 28 April 2017, announced that the foreign subsidiary in Vietnam, Prestar Industries (Vietnam) Co., Ltd ("PIVCL"), had entered into an Asset Purchase Agreement with Thai Binh Shoes Joint Stock Company, for the proposed disposal of the factory building and land use rights at Song Than 3 Industrial Park, Phu Tan Ward, Thu Dau Mot City, Binh Duong Province for a disposal consideration of approximately RM22.7 million. The aforesaid disposal was completed in May 2017 and PIVCL was officially liquidated upon receiving notification on the dissolution of the business/cease to exist for PIVCL dated 12 December 2017.

ii) Consolidation of the Group's interest

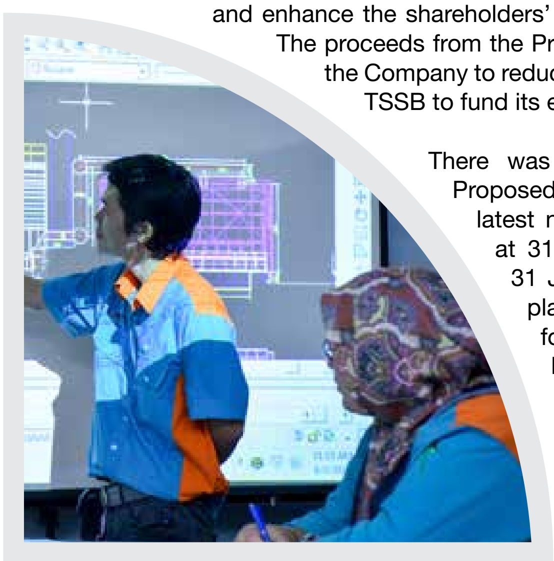
The Company had on 4 May 2017, entered into a Sale and Purchase Agreement with the minority shareholder of Prestar Engineering Sdn. Bhd. ("PESB") to acquire the balance of 750,000 ordinary shares, representing 25% of the total number of issued shares of PESB, at a total consideration of RM4.5 million. The said acquisition had been completed on 19 May 2017 and PESB has since became a wholly-owned subsidiary of the Company. As the negotiated purchase price was in favour of the Group, there was RM1.9 million gain on non-cash net consolidation recognised by the Group for the FYE 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

OPERATIONS REVIEW (cont'd)

iii) Proposed listing of a subsidiary on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities")

The Company had on 12 July 2017, announced the proposed listing of its 51%-owned subsidiary, Tashin Steel Sdn. Bhd. ("TSSB") on the ACE Market of Bursa Securities ("Proposed Listing"). The Proposed Listing would enable the Company to unlock and crystallise the value of its investment in TSSB and enhance the shareholders' value at the Company level. The proceeds from the Proposed Listing would enable the Company to reduce its existing borrowings and TSSB to fund its expansion plan.



There was a change to the original Proposed Listing plan by using the latest net assets value of TSSB as at 31 December 2017 instead of 31 July 2017. As at to-date, the planning and preparation works for the Proposed Listing is in line with the Proposed Listing plan and further details of the Proposed Listing would be announced in due course when the submission of listing application takes place.

iv) Internal Group restructuring

The Company had on 12 October 2017, initiated an internal restructuring of the Group's structure by disposing of the 95%-owned interests in Prestar Galvanising Sdn. Bhd. ("PGSB") to PESB, a wholly-owned subsidiary, for a total consideration of RM8.1 million. The said disposal had no financial effect to the Group for the financial year under review, however, the change in the Group's structure is expected to enhance the Group's efficiency in capital investment as well as synergy effect in operational management as all the products of PESB would be galvanised by PGSB.

v) Establishment of a representative office

The Group had been focusing on its export businesses in ASEAN region for several years and has long export its products to various countries in South East Asia such as Indonesia, Thailand, The Philippines, Brunei and etc. In order to make further in-roads in its export businesses, Prestar Storage System Sdn. Bhd., a wholly-owned subsidiary of the Company had taken a step ahead during the financial year under review to establish a representative office in Bangkok, Thailand to further enhance its competitive position enabling more effective marketing and promotional efforts, thus increasing future exports to this market. The representative office in Thailand was officially approved by the Department of Business Development of Thailand in October 2017.

vi) Capital and information and communication technology ("ICT") expenditure

During the financial year under review, the Group had incurred a total capital expenditure ("CAPEX") of RM13.4 million for replacing, upgrading and expanding its machineries and facilities to boost efficiency and productivity as well as to enhance production output of the Group. Out of the total CAPEX incurred of RM13.4 million, RM7.0 million was incurred for acquisition of new machineries and execution of additional facilities, which includes high speed tube cutting machine, automatic powder coating system, envicoat twin cyclone powder spray booth and new upright roll form machine. In addition, the CAPEX of RM1.1 million was incurred for replacement and renewal of the existing obsolete machineries, buildings and related facilities and minor items such as fixtures and fittings and offices. Furthermore, the CAPEX of RM5.3 million was spent on the purchase of new motor vehicles, delivery lorries, new forklifts and trucks for rental business.

Not overlooking the importance of continuous investment in ICT, the Group had incurred approximately RM1.0 million during the financial year under review in maintaining and upgrading of ICT hardware and software as well as information technology ("IT") human capital costs.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

OPERATIONS REVIEW (cont'd)

vii) Overseas operations

Notwithstanding that the Group had ceased its operation in Vietnam, the Group continues to maintain its presence in other parts of the ASEAN region through various market arms and promotional efforts. As at to-date, the Company has a trading subsidiary in Jakarta, Indonesia and a newly set-up representative office in Bangkok, Thailand as well as a number of appointed sales and marketing agents in various countries such as The Philippines, Sri Lanka and some other non-ASEAN countries. The in-roads to overseas markets may take some time to reap the results, but the encouraging results shown that the approach taken by the Group is on a right path and direction.

MANAGING MAJOR RISKS AT GROUP LEVEL

Business and credit risks

In this current volatile and challenging business environment, business credit risk is unavoidable and is one (1) of the greatest challenges and risks to the Group. Our subsidiaries' exposure to business and credit risks arise 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. In order to mitigate the aforesaid risks, each subsidiary has established a sound credit appraisal system and to review the daily operating procedure with well written standard operating procedure. The Debtors' Aging Report is prepared on a monthly basis, monitored and followed-up closely to ensure appropriate and timely actions are taken as an effort to mitigate the credit risk. In addition, the Headquarter is also monitoring the overdue accounts regularly to keep minimal impact of credit risk on the Group.

Other major risks at the Group level are the fire perils and fluctuations of foreign exchange rates ("FOREX") where most of our subsidiaries are encountering the aforesaid risks. The Group has put in place adequate insurance coverage to mitigate the risk of fire perils. The Group had also over the years, developed and implemented various action plans and protection measures to monitor and protect our facilities against fire perils. One (1) of the action plans carried out during the financial year under review was fire drill exercise. In addition, the audit and surveillance checks on fire fighting equipment are also carried out regularly during the year 2017. Currency hedging techniques and policy as well as regular monitoring and reporting actions are also implemented to mitigate the risk on FOREX fluctuations. Detailed report on the risk management and internal control of the Group is presented in other section of this Annual Report.

Strategic review

The Group has been listed on the stock market of Bursa Securities for more than twenty-two (22) years and has remained focus on its core business activities of steel product manufacturing, steel processing as well as trading of wide ranges of steel related products, hardware and related industrial products and equipment. The Group had experienced a number of financial crisis and economic downturns, however, each time it emerged stronger and leaner. This shown that the Group is on the right path in its strategic manoeuvre, thus the Group will continue to focus on its core business in both local market and overseas market such as South East Asia region and Middle East region.

Moving forward, the Group will continue its cautious and pragmatic strategy in adopting Lean Management approach in 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.

BOARD OF DIRECTORS' PROFILE

TOH YEW KEAT
Group Executive Chairman

Aged : 70, 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, Executive Director of the Company. Dato' Toh Yew Peng is also the major shareholder of the Company.

DATO' TOH YEW PENG
Group Managing Director

Aged : 65, 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, Executive Director of the Company. Mr. Toh Yew Keat is also the major shareholder of the Company.

BOARD OF DIRECTORS' PROFILE
(cont'd)

TOH YEW KAR
Group Executive Director

Aged : 59, 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, Executive Director of the Company. Mr. Toh Yew Keat and Dato' Toh Yew Peng are also the major shareholders of the Company.

TOH YEW SENG
Group Executive Director

Aged : 56, 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, Executive Director of the Company. Mr. Toh Yew Keat and Dato' Toh Yew Peng are also the major shareholders of the Company.

BOARD OF DIRECTORS' PROFILE
(cont'd)

TOH YEW CHIN
Executive Director

Aged : 54, 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. Mr. Toh Yew Keat and Dato' Toh Yew Peng are also the major shareholders of the Company.

TUAN HAJI FADZLULLAH SHUHAIMI BIN SALLEH
Independent Non-Executive Director

Aged : 60, 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 : 60, 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. ("Citibank"), 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 : 49, 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 : 74, 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, FFA 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 2017.

PROFILE OF KEY SENIOR MANAGEMENT

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

- **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 POH KHUAN

Executive Director, Prestar Marketing Sdn. Bhd. ("PMktg")
Aged: 69, 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 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, Executive Director. Mr. Toh Yew Keat and Dato' Toh Yew Peng 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: 59, 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 Practicing 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-six (36) 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., 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: 42, 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: 41, 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 activities of both companies.

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: 41, 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 sixteen (16) 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 does not have immediate 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.

JASON TOH JIN HIN
Sales Director, PPTSB
Aged: 37, 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
Managing Director, Tashin Steel Sdn. Bhd. ("TSSB") and Tashin Hardware Sdn. Bhd. ("THSB")
Aged: 65, 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 was re-designated to Managing Director of TSSB on 21 July 2017. 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.

LIM FONG KAN
Director, Prestar Galvanising Sdn. Bhd. ("PGSB")
Aged: 52, 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.

PROFILE OF KEY SENIOR MANAGEMENT
(cont'd)

FOONG KOK CHUIN
Chief Financial Officer, Tashin Group (TSSB & THSB)
Aged: 50, 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 was appointed as Chief Financial Officer of Tashin Group in 2018. 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.

THEN KWEE HONG
Assistant General Manager, Group Human Resources and Administration, Prestar
Aged: 54, 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 2017.

SUSTAINABILITY STATEMENT

Sustainability has been a key word and action driver in our growth strategies for years. In order to ensure long-term sustainable growth of Prestar Resources Berhad ("Prestar" or "the Company") and its subsidiaries ("the Group"), sustainability principles are embraced and imputed when the Company formulates and implements its business strategies. Practicing the manageable sustainability principles has guided and enabled the Group to withstand various financial storms and economic crisis since its listing on Bursa Malaysia Securities Berhad ("Bursa Securities"). It is timely that Bursa Securities promulgates and promotes to embed sustainability practices in the listed companies in a well organised and defined framework. As such, the Group is aware and mindful that the sustainability of its businesses is dependent on the sustainability of the economy, environment and society (social) ("ESS") as an integrated unit. A holistic approach to business management, taking into consideration of the ESS, risks and opportunities alongside financial implications, is being seen as a measure to generate long-term benefits and business continuity.

ECONOMIC THRUST

The Group is committed in creating "win-win" sustainable economic ties in handling with all its stakeholders. The Group takes into account seriously on its impact on the economic conditions of its stakeholders and the impact on economic systems at local, national and global levels. Among other things, the Group will ensure that the following are taken care when dealing with all levels of stakeholders:-

- Engaging local suppliers at all levels of not critical, day-to-day business requirements. For example, the Group will practice the support to local buyers in all its consumer items.
- Continuously supply the best products and services to our customers. The Group will continue to improve the quality of production process to ensure tip-top quality products and services are provided to all our customers on time.
- Endeavour to provide the best returns to our shareholders within our economic ability through continuous and sustainable profitability.
- Remunerating our employees with good working benefits and salary packages which are competitive among local employers in our vicinity.

ENVIRONMENTAL THRUST

The Group recognises the importance of environmental conservation and is committed to identify, manage and minimise the environmental impact by the Group's business operations in a manner that is environmental friendly. The following have been incorporated into our Group Environmental Policy and we are determined to carry out the actions progressively and constantly to accomplish the intended goals:-

- To comply with environmental regulatory and legal requirements.
- To reduce consumption of non-renewable and non-recycled materials.
- To minimise the level of pollutants entering into the surrounding environment from daily business operations.
- To provide safe and hygiene workplace and ensure the personnel are properly trained with appropriate safety procedures and control actions.
- To create an awareness of the Group Environmental Policy within the Group and stakeholders.

SUSTAINABILITY STATEMENT
(cont'd)

ENVIRONMENTAL THRUST (cont'd)

In line with the action plans as stated above, the actions taken by the Group includes:

- Handling all industrial wastes from the Group's daily business operations in accordance with the pre-set procedures, guidelines and regulations. All sorted industrial wastes are disposed strictly to the licensed parties authorised by the relevant authorities.
- Offices, factory premises and surrounding areas are well maintained, inspected and cleaned regularly and renovated where necessary to keep up with the hygiene, safety and comfortable of the workplace.
- Upgrading the plant discharge facilities to reduce the level of pollutants entering into the atmosphere.

WORKPLACE, COMMUNITY AND SOCIAL INTERACTION

The Group places great attention on the well-being and benefits of the workforce. Occupational Safety and Health Committee is tasked to develop policies and guidelines as well as to provide and maintain a safe and healthy workplace for all employees, contractors and visitors. Throughout the years, the additional benefits were introduced to enhance the safety and quality of the workplace such as greater medical protection scheme and better facilities and practices.

In addition, the Group continuously contributes towards the needs of less fortunate groups through the sponsorship of various non-governmental organisations.

Our Social Care Committee ("SCC") had during the financial year under review organised visitation trip to Pertubuhan Kebajikan Insan Istimewa in Kepong, Off Jalan Kuching, Kuala Lumpur to show our concern and care towards the less fortunate groups. During the visit, we have donated cash and supply in the form of foods, daily household products and gifts for the children. Our staff and senior management had also participated and mingled around during the aforesaid visit.

SUSTAINABILITY STATEMENT
(cont'd)

WORKPLACE, COMMUNITY AND SOCIAL INTERACTION (cont'd)

As part of our effort in taking care and support to the society, we had invited the orphans and children from Rumah Kasih Pertiwi/Ephratha Home, Rawang to join our Group's movie day where we reward our employees and taking care of the less fortunate at the same time. We had also invited various less fortunate groups from Rawang to celebrate our Group's Annual Employees Day and share our fun and joy with them. After the event, they went back with gifts and goodies.

It has become an annual affair for the Group to initiate a blood donation campaign by SCC at the Headquarter in Rawang, in collaboration with the National Blood Centre, and was concluded with the overwhelming participation of the employees.

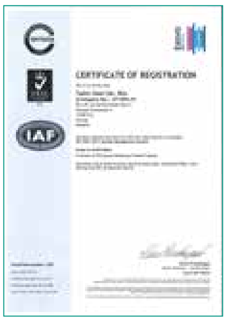
GOVERNANCE THRUST

The importance of governance sustainability in achieving the abovementioned initiatives are well recognised by the Group. As such, the Group incorporates proper control and governance features into all management functions and processes, which includes strategic planning, authority controls and approvals, reserved matters, accountability and annual and long range objectives such as:-

- To establish proper governance structure, control, monitor, evaluation and reporting features into the management process.
- To include sustainability thrust as an integral part of the strategic planning of the Group.
- To enhance sustainability through regular updates of strategies, policies, procedures and provide relevant trainings.
- To assess regularly the impacts and outcomes of sustainability principles adopted by the Group.

MOVING FORWARD

Moving forward, as we continue in developing our formal sustainability approach to meet the challenging business world in future, we will also benchmark against the champion of the similar industry in order to attain the best effects and position in future.





STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") recognises the importance of practising good corporate governance throughout the Company and its subsidiaries ("the Group") and committed to emulates the practices and guidance as set out in the Malaysian Code on Corporate Governance ("MCCG") towards achieving corporate excellence. In line with this, 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 the best corporate practices is in place at all levels of the Group's businesses and thus discharging its principal responsibility towards protecting and enhancing long-term shareholders' value and stakeholders' interest.

The ensuing paragraphs describe the extent of how the Group has applied and complied with the practices and guidance of the MCCG for the financial year ended 31 December 2017 ("FYE 2017"). The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's corporate website at www.prestar.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Part I : Board responsibilities

1) Clear functions, roles and responsibilities of the Board and Management

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

The Board has also delegated certain responsibilities to other Board Committees which operate within clearly defined terms of reference. The standing Board Committees include the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") 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) The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to Management. In order to ensure the effective discharge of its functions and duties, the principal responsibilities of the Board include, among others, 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 the budgets and financial results of the Company and the Group as well as monitor the 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 to facilitate the functioning of the Group's operations.

iii) Role of Company Secretaries

The Board is assisted by two (2) professional Chartered Company Secretaries (outsourced) who carry out the responsibilities of the company secretarial function for the Group. The main duties of the Company Secretaries, among others, are as follow:-

- Ensure compliance of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and related statutory obligations and requirements as well as updating the Board regularly on all relevant changes to the Listing Requirements of Bursa Securities and statutory requirements;

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I : Board responsibilities (cont'd)

1) Clear functions, roles and responsibilities of the Board and Management (cont'd)

iii) Role of Company Secretaries (cont'd)

- Attend Board Meetings, Board Committees Meetings and General Meetings, and ensure the proper recording of proceedings as well as follow-up on matters arising from the aforesaid Meetings;
- Ensure proper upkeep of statutory registers and records and maintain a secured retrieval system which stores meeting papers and Minutes of Meetings; and
- Assist the Chairman in the preparation for and conduct of various Meetings of the Group.

Both Company Secretaries have the requisite credentials and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

iv) Access to information and advice

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 Meetings, list of all announcements made, summary of Directors' dealings, list of all Board Circular Resolutions passed 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.

2) Demarcation of responsibilities

i) 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. The Board Charter was adopted by the Board on 25 April 2013 and the last review of the Board Charter was on 10 April 2018.

The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities. Any subsequent amendment to the Board Charter can only be approved by the Board.

The Board Charter is available on the Company's corporate website at www.prestar.com.my.

3) Good business conduct and corporate culture

i) 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. The Code of Conduct and Ethics is available on the Company's corporate website at www.prestar.com.my.

ii) 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. The Whistle Blowing 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 Group and/or compromise the interests of the stakeholders. The Whistle Blowing Policy is available on the Company's corporate website at www.prestar.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board composition

4) Board's objectivity

i) Composition of the Board

The Board presently has nine (9) members and comprises five (5) Executive Directors including the Chairman of the Board and four (4) Independent Non-Executive Directors, which fulfils the prescribed requirement of one-third (1/3rd) of the Board to be independent as stated in Paragraph 15.02 of Bursa Securities Main Market Listing Requirements ("MMLR"). However, the Board took note of the requirement of Practice 4.1 of the MCCG which requires at least half of the Board comprises Independent Directors.

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 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.

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

ii) Independent Directors, Board diversity and key Management

a) Tenure of Independent Director

At the time of writing this Statement, Tuan Haji Fadzlullah Shuhaimi Bin Salleh and Dato' Lim Cheang Nyok had served the Board as the Independent Non-Executive Directors of the Company for more than twelve (12) years while Encik Md. Nahar Bin Noordin has served the Board for eleven (11) years and Mr. Lou Swee You has served the Board for ten (10) years. During their tenure, they have continued to exercise their independence and carried out their professional duties in the best interest of the Company and shareholders.

b) Policy of Independent Director's tenure

The Company does not have a policy which limits the tenure of its Independent Directors to nine (9) years. The shareholders' approval is sought at every Annual General Meeting ("AGM") to retain the Independent Non-Executive Directors of the Company who have served the Board for more than nine (9) years. The Independent Directors who served more than twelve (12) years will be tabled to the shareholders for approval at every AGM through two-tier voting process according to Practice 4.2 of the MCCG.

The NC has assessed and determined that the Independent Non-Executive Directors of the Company who have served the Board for more than nine (9) years remained objective and independent. Based on the aforesaid assessment, the NC then recommended to the Board that the aforesaid Independent Non-Executive Directors should be retained as Independent Non-Executive Directors and the same be tabled to the shareholders for approval at the forthcoming AGM.

c) Diverse Board and Senior Management team

Appointment of Board and Senior Management are based on objective criteria, merit and due regard for diversity in skills, experience, age, cultural background and gender. Please refer to the Profile of Directors and the Management team in other section of this Annual Report, respectively for further information.

d) 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's strategic objectives.

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. The Gender Diversity Policy is available on the Company's corporate website at www.prestar.com.my.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board composition (cont'd)

4) Board's objectivity (cont'd)

ii) Independent Directors, Board diversity and key Management (cont'd)

e) New candidates for Board's appointment

There is no candidate to be appointed to the Board during the financial year under review. Any potential shortlisted candidate, whom is not known to the existing Board members, would be interviewed by the NC and thereafter, to meet with the Board for endorsement of appointment.

iii) 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

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 Group Managing Director, any Senior Management, any Director or any shareholder;
c) To recommend the nominees to fill the seat on the Board Committees;
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.

The 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 the Board Committees including the AC;
c) Assessed the contribution and performance of each individual Director and AC member;
d) Assessed the independency of the Independent Non-Executive Directors;
e) Reviewed and recommended to the Board, the re-election of the Directors who shall retire at the AGM of the Company; and
f) Reviewed and recommended to the Board, the retention of the Independent Non-Executive Directors in accordance with the MCCG.

The full terms of reference of the NC, outlining the NC's objectives, composition, retirement and resignation, proceeding of meetings, authority and duties and responsibilities, is available on the Company's corporate website at www.prestar.com.my.

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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board composition (cont'd)

4) Board's objectivity (cont'd)

iii) NC (cont'd)

Reinforce independence: Annual assessment of independence of Directors (cont'd)

As for the non-compliance of Practice 4.1 of the MCCG where the Board shall comprise at least half of the Independent Directors, the Board is of the view that the current composition of Independent Non-Executive Directors fairly reflects the interest of minority shareholders of 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 interests of the Company.

Re-election of Directors

In accordance with Article 105 of the Company's Articles of Association ("AA'"), at least one-third (1/3rd) of the Directors, or the number nearest to one-third (1/3rd) 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.

iv) 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

5) Overall Board effectiveness

i) Annual evaluation of the Board

The Board had through the NC undertakes the following annual assessments once every year:-

(a) Effectiveness of the Board as a whole and the Committees of the Board;
(b) Contribution and performance of the AC and each individual AC member;
(c) Contribution and performance of each individual Director; and
(d) Independence of the Independent Non-Executive Directors.

The outcome of the abovementioned annual assessments is disclosed in CG Report which is available on the Company's corporate website at www.prestar.com.my.

ii) Board Meetings

The Board intends to meet at least four (4) times a year, with additional meetings to be convened where necessary.

During the financial year under review, a total of four (4) Board Meetings were held and the details of each Director's attendance at the Board Meetings is as follows:-

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board composition (cont'd)

5) Overall Board effectiveness (cont'd)

ii) Board Meetings (cont'd)

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	2 / 4	50
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	4 / 4	100
Encik Md. Nahar Bin Noordin	4 / 4	100
Dato' Lim Cheang Nyok	4 / 4	100
Mr. Lou Swee You	4 / 4	100

In the intervals between the Board Meetings, the Board's approvals are obtained via circular resolutions for exceptional matters requiring urgent Board's decisions which are supported by the relevant information in order to form an informed decision. In order to facilitate the Directors' planning and time management, an annual meeting calendar is prepared and given to the Directors before the beginning of each financial year.

The Board is satisfied with the time commitment given by the Directors. All of the Directors do not hold more than five (5) directorships in the public listed companies as stipulated under Paragraph 15.06 of Bursa Securities MMLR. If any Director wishes to accept a new directorship in the public listed companies, the Chairman will be informed beforehand together with indication of time that will be spent on new appointment.

iii) 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 FYE 2017, the Directors had attended various talks and seminars organised by Bursa Securities and other local training organisations as follows:-

Attended by	Seminars/Programmes
Mr. Toh Yew Keat Dato' Toh Yew Peng Mr. Toh Yew Kar Mr. Toh Yew Seng Mr. Toh Yew Chin	• An introduction to Insolvency Act 1967, Section 66 of the Companies Act 2016 and Construction Industry Payment and Adjudication Act
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	• Leading in a volatile, uncertain, complex, ambiguous world • Effective Internal Audit function for AC workshop • Driving financial integrity and performance - Enhancing financial integrity • Leading change @ The Brain • An introduction to Insolvency Act 1967, Section 66 of the Companies Act 2016 and Construction Industry Payment and Adjudication Act

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board composition (cont'd)

5) Overall Board effectiveness (cont'd)

iii) Directors' training (cont'd)

Attended by	Seminars/Programmes
Encik Md. Nahar Bin Noordin	• Leading in a volatile, uncertain, complex, ambiguous world • An introduction to Insolvency Act 1967, Section 66 of the Companies Act 2016 and Construction Industry Payment and Adjudication Act
Dato' Lim Cheang Nyok	• SMEs and start up pathway toward LEAP or ACE Market listing • An introduction to Insolvency Act 1967, Section 66 of the Companies Act 2016 and Construction Industry Payment and Adjudication Act
Mr. Lou Swee You	• Leading in a volatile, uncertain, complex, ambiguous world • An introduction to Insolvency Act 1967, Section 66 of the Companies Act 2016 and Construction Industry Payment and Adjudication Act

In addition, the Company Secretaries and the External Auditors also 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.

Part III: Remuneration

6) Remuneration Policy

The objective of the Group's Remuneration Policy is to attract and retain the Directors and Senior Management that could lead the Group to achieve its long-term goals and enhance shareholders' value.

In the case of Executive Directors and Senior Management, the components of the remuneration packages are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

7) RC

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.

The RC reviews the Directors' fees and benefits and proposed to the Board for approval and recommendation to the shareholders for approval at the AGM.

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

The full Terms of Reference of the RC, outlining the RC's objectives, composition, retirement and resignation, proceeding of meetings, authority and duties and responsibilities, is available on the Company's corporate website at www.prestar.com.my.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III: Remuneration (cont'd)

8) Directors' remuneration

The information of the remuneration of the Directors of the Company comprising remuneration received/receivable from the Company and its subsidiary companies during the financial year ended 31 December 2017 is listed below:-

i) Aggregate remuneration categorised into the appropriate components is as follows:-

(a) Group

RM ('000)	Executive Directors	Non-Executive Directors
Fees	788	138
Salaries	3,497	-
Bonus and others	1,302	10
Benefits-in-kind	434	94
EPF and SOCSO	879	-

(b) Company

RM ('000)	Executive Directors	Non-Executive Directors
Fees	82	138
Salaries	719	-
Bonus and others	322	10
Benefits-in-kind	144	94
EPF and SOCSO	176	-

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
RM50,001 to RM100,000	-	4
RM550,001 to RM600,000	1	-
RM850,001 to RM900,000	1	-
RM900,001 to RM950,000	1	-
RM2,100,001 to RM2,150,000	1	-
RM2,300,001 to RM2,350,000	1	-

(b) Company

	Executive Directors	Non-Executive Directors
Below RM50,000	4	-
RM50,001 to RM100,000	-	4
RM1,350,001 to RM1,400,000	1	-

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

Detail remuneration of the Directors is not disclosed as the Board considered the information is sensitive and proprietary, besides the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties. The transparency and accountability aspects of corporate governance applicable to the remuneration of these Directors are deemed appropriately served by the above disclosures.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III: Remuneration (cont'd)

9) Remuneration of top Five (5) Senior Management staff

The remuneration of the top five (5) Senior Management staff of the Group in a RM50,000/- band are as follows:-

Range of Remuneration (RM)	No. of person
400,001 - 450,000	1
450,001 - 500,000	-
500,001 - 550,000	1
550,001 - 600,000	1
600,001 - 650,000	-
650 001 - 750,000	2

Details remuneration of the top five (5) key Management team is not disclosed as the Board considered the information is sensitive and proprietary, and the information may be wrongly used or quoted by certain parties. The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the above disclosures.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

10) AC

The AC consists of three (3) Independent Non-Executive Directors, which comply with Paragraph 15.09(1)(c) of Bursa Securities MMLR whereby the AC shall only consist of Non-Executive Directors and majority of whom are Independent Non-Executive Directors. In line with Practice 8.1 and Step-Up Practice 8.4 of MCCG, the AC of the Company comprised solely of Independent Directors and the Chairman of the AC, Mr. Lou Swee You, is not the Chairman of the Board. For detailed information on the AC with regards to its composition, activities and its report, please refer to the AC Report in this Annual Report.

None of the AC members was a former key audit partner of the Company and the Board would consider establishing a written policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC when the Board reviews the term of reference of the AC in due course.

All members of the AC have the relevant accounting, finance and/or related financial experience and expertise to effectively discharge their duties. The qualification and experience of the individual AC member are disclosed in the Directors' Profile in this Annual Report.

11) Suitability, objectivity and independence of the External Auditors

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 via a formal assessment form. 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.

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).

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

12) Group Risk Management Committee ("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 Committee Progress Reports are further presented to the AC and thereafter to the Board for their deliberations.

13) Sound Risk Management and Internal Audit Function

The Board acknowledges its responsibility for establishing a sound system of internal control and risk management framework and practices which encompasses financial, operational and compliance control that aims to safeguard shareholders' investment and the Group's assets during its course of business.

The Group has outsourced its internal audit function to assist the AC in discharging their duties and responsibilities. On-going reviews are performed on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the businesses and ensure that adequate and effective controls are in place. The Internal Auditors report their findings and recommendations to the AC during the quarterly AC Meeting.

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 control 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. The Board is updated on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance control on a quarterly basis.

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.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

14) Corporate 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. In order to achieve the above, 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 the 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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

15) Communication with stakeholders

The Board recognises the importance of an effective communication channel between the Board, shareholders, investors and general public. The Annual Reports, press releases, quarterly results and timely announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance and also form 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 MCCG and Bursa Securities MMLR.

The Group Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.

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.

16) Encourage shareholder participation at General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issue 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-eight (28) days is communicated to all the shareholders.

Before the commencement of the AGM, the Group Managing Director will provide a slide presentation to the shareholders on issues relating to the performance of the Group for the financial year under review as well as the outlook of the Group on its future performance and opportunities.

Healthy dialogues and interactions with the shareholders are greatly encouraged and no time limitation for shareholders to raise 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.

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

During the financial year ended 31 December 2017, Messrs. BDO, the External Auditors have rendered audit and non-audit services to the Company and the Group. A breakdown of the fees payable to the External Auditors are as follows:-

	Company (RM)	Group (RM)
Audit services rendered Audit fees payable to the External Auditors for the financial year ended 31 December 2017	29,500	204,700
Non-audit services rendered Non-audit fees payable to the External Auditors for the financial year ended 31 December 2017	4,400	240,400
Total	**33,900**	**445,100**

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 30 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 2017, a total of 15,897,680 ESOS were exercised at the issue price of RM0.53 each and a total of 2,498,000 ESOS were exercised at the issue price of RM0.83 each. Details of the ESOS of the Company are disclosed under Note 29 of the Audited Financial Statements in this Annual Report .

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance with Part II of Principle B, Intended Outcome 9.0, Practices 9.1 and 9.2 and Guidance 9.1 and 9.2 of the Malaysian Code on Corporate Governance, the Board of Directors of Prestar Resources Berhad ("Board") 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 are 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 the policies, standard operating procedures and other laws and regulations which possibly cause significant impact to the business operations 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 were 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 for POSCO-MKPC Sdn. Bhd., which is an associate company of the Company.

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 and the review adopted by the Board on 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 dated 27 February 2018.

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 2017.

1. COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the financial year ended 31 December 2017, 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	5/5

2. SUMMARY OF KEY ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended 31 December 2017, 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 the 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 and duties and responsibilities, is available at the Company's website at www.prestar.com.my.

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 2017, the IAF has successfully conducted the following audits in accordance with their Internal Audit Plan 2017 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 Inventory, Logistics and Warehousing System and Credit Management	Prestar Engineering Sdn. Bhd.
Review of Production Management and Credit Management	Prestar Galvanising Sdn. Bhd.
Review of Inventory and Warehousing Management	Prestar Precision Tube Sdn. Bhd.
Goods and Services Tax Health Check on recording and payment system	Prestar Storage System Sdn. Bhd. and Prestar Resources Bhd

The cost incurred in maintaining the IAF for the financial year ended 31 December 2017 was approximately RM70,000.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In respect of the preparation of the Audited Financial Statements

The Directors are required by the Companies Act, 2016 ("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, prepared in accordance with the 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 2017 are set out from pages 53 to 126 of this Annual Report.

The Directors are responsible for ensuring that the Audited Financial Statements of the Group are prepared in accordance with 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 2017, 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 assumptions.

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 10 April 2018.

FINANCIAL STATEMENTS

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 2017.

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	50,729	11,872
Attributable to:		
Owners of the parent	43,126	11,872
Non-controlling interests	7,603	-
	50,729	11,872

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

(a) Final single tier dividend of 2.0 sen per share, amounting to approximately RM3,894,000 in respect of the previous financial year paid on 16 June 2017.

(b) Interim single tier dividend of 2.0 sen per share, amounting to approximately RM3,953,000 in respect of the current financial year paid on 17 November 2017.

The Directors propose a final single tier dividend of 3.0 sen per share, amounting to approximately RM5,932,000 in respect of the financial year ended 31 December 2017, 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 186,230,000 to 204,626,000 by way of issuance of 18,396,000 new ordinary shares pursuant to the 18,396,000 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices ranging from RM0.53 to RM0.83 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

The Company implements an ESOS, which is 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 2017 for ordinary shares previously issued under the ESOS is 26,077,100;

(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:

		[---------------------- Number of options over ordinary shares ----------------------]					
		Outstanding as at	[-----------Movements during the financial year------------]			Outstanding as at	Exercisable as at
	Option price RM	1.1.2017 '000	Granted '000	Exercised '000	Lapsed '000	31.12.2017 '000	31.12.2017 '000
Date of offer							
2014 options	0.53/0.83	16,958	3,342	(18,396)	(49)	1,855	1,855

DIRECTORS

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

Prestar Resources Berhad

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 (cont'd)

The Directors who have held office since the date of the last report are (cont'd):

Subsidiaries of Prestar Resources Berhad

Alan Toh Jin Joo
Andy Toh Jin Hong
Jason Toh Jin Hin
Kenny Toh Jin Tat
Koay Kah Ee
Lim Choon Teik
Lim Fong Kan
Toh Poh Khuan

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 of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[------------------- Number of ordinary shares			-------------------]
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
Direct interests				
Toh Yew Keat	3,296,717	1,090,000	-	4,386,717
Dato' Toh Yew Peng	5,417,896	1,582,104	-	7,000,000
Toh Yew Kar	2,472,276	200,000	-	2,672,276
Toh Yew Seng	2,266,252	1,090,000	-	3,356,252
Toh Yew Chin	2,472,276	225,000	-	2,697,276
Md. Nahar Bin Noordin	2,437,400	463,000	(1,612,400)	1,288,000
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	-	420,000	(285,000)	135,000
Dato' Lim Cheang Nyok	-	220,500	(100,000)	120,500
Lou Swee You	-	189,000	-	189,000
Indirect interests				
Toh Yew Keat*	72,144,000	730,500	(124,000)	72,750,500
Dato' Toh Yew Peng**	72,172,000	478,500	-	72,650,500

DIRECTORS' INTERESTS (cont'd)

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows (cont'd):

	[-------------------- Number of ordinary shares		--------------------]
	Balance as at 1.1.2017	Granted	Exercised	Balance as at 31.12.2017
Share options in the Company				
Toh Yew Keat	1,000,000	90,000	(1,090,000)	-
Dato' Toh Yew Peng	1,000,000	90,000	(1,090,000)	-
Toh Yew Kar	420,000	30,000	(200,000)	250,000
Toh Yew Seng	1,000,000	90,000	(1,090,000)	-
Toh Yew Chin	189,000	36,000	(225,000)	-
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	420,000	-	(420,000)	-
Md. Nahar Bin Noordin	420,000	-	(420,000)	-
Dato' Lim Cheang Nyok	294,000	-	(220,500)	73,500
Lou Swee You	189,000	-	(189,000)	-

* Indirect interest by virtue of his interests in Fabulous Essence Sdn. Bhd., Y.K. Toh Property Sdn. Bhd., Jason Toh Jin Hin, Kenny Toh Jin Tat and Janice Toh Mei Ling.

** Indirect interest by virtue of his interests in Fabulous Essence Sdn. Bhd., Y.K. Toh Property Sdn. Bhd. and Alan Toh Jin Joo.

By virtue of their interests in the ordinary shares of the Company, all the Directors except for Toh Yew Kar, Toh Yew Seng, Toh Yew Chin, Tuan Haji Fadzlullah Shuhaimi Bin Salleh, Md. Nahar Bin Noordin, Dato' Lim Cheang Nyok and Lou Swee You are deemed to have interest in the 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 interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) 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 24 to the financial statements; and

(ii) deemed benefits arising from related party transactions as disclosed in Note 30 to the financial statements.

There were no arrangements made 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 as mentioned in Note 29 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 24 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

No indemnity or insurance was effected for any Director or officer of the Group and of the Company during the financial year.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, 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 had 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 the 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 the 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(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 this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 34 to the financial statements.

AUDITORS

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

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 23 to the financial statements.

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
10 April 2018

STATEMENT BY DIRECTORS/STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 53 to 126 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 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 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Toh Yew Peng Director	Toh Yew Seng Director

Kuala Lumpur
10 April 2018

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 53 to 126 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	)	
10 April 2018	)	Koay Kah Ee (MIA 4167)

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 2017 of the Group and of the Company, and the 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, as set out on pages 53 to 126.

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 at 31 December 2017, 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 2016 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 2017 of the Group as disclosed in Note 12 to the financial statements amounted to approximately RM192.5 million, of which, approximately RM28.2 million were past due but not impaired. 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) Reviewed the ageing analysis of trade receivables and tested the accuracy of the aging;

b) Assessed the recoverability of material outstanding trade receivables balances which were past due by inspecting sales transacted and receipts during the financial year; and

c) Assessed the effects of cash received subsequent to the end of the financial year in reducing balances which were past due at the financial year end.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

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 of the 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 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 2016 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 a going concern, 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:

- 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.

- 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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.

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):

- 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 of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Lim Chu Guan
03296/03/2019 J
Chartered Accountant

Kuala Lumpur
10 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	155,637	164,695	44,287	44,143
Investment properties	5	1	49	-	-
Investments in subsidiaries	6	-	-	92,982	113,223
Investment in an associate	7	44,456	39,724	16,965	16,965
Intangible assets	8	1,675	1,675	-	-
Deferred tax assets	9	20	108	-	-
		201,789	206,251	154,234	174,331
Current assets					
Inventories	10	208,130	179,202	-	-
Derivative assets	11	60	499	-	-
Trade and other receivables	12	208,037	193,326	167	139
Current tax assets		319	633	-	-
Cash and bank balances	13	78,758	44,987	20,741	2,811
		495,304	418,647	20,908	2,950
TOTAL ASSETS		697,093	624,898	175,142	177,281
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	103,411	93,115	103,411	93,115
Treasury shares	14	(5,873)	(5,854)	(5,873)	(5,854)
Reserves	15	180,834	149,471	30,102	25,427
		278,372	236,732	127,640	112,688
Non-controlling interests	6	60,859	63,595	-	-
TOTAL EQUITY		339,231	300,327	127,640	112,688
LIABILITIES					
Non-current liabilities					
Borrowings	16	10,081	18,983	1,116	6,099
Deferred tax liabilities	9	10,339	10,341	1,059	988
Retirement benefit obligations	18	3,554	-	1,231	-
		23,974	29,324	3,406	7,087
Current liabilities					
Trade and other payables	19	93,063	71,987	3,319	13,278
Derivative liabilities	11	100	55	-	-
Borrowings	16	235,343	219,266	40,638	44,114
Current tax liabilities		5,382	3,939	139	114
		333,888	295,247	44,096	57,506
TOTAL LIABILITIES		357,862	324,571	47,502	64,593
TOTAL EQUITY AND LIABILITIES		697,093	624,898	175,142	177,281

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 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	22	741,855	621,484	11,763	8,667
Cost of sales		(635,627)	(527,373)	(1,169)	(1,070)
Gross profit		106,228	94,111	10,594	7,597
Other income		25,125	5,422	9,604	4,516
Selling and distribution expenses		(6,455)	(5,257)	-	-
Administrative expenses		(44,632)	(38,161)	(4,605)	(3,419)
Other expenses		(5,334)	(8,108)	(296)	(159)
Finance costs		(13,506)	(12,066)	(2,951)	(3,469)
Interest income		1,208	892	-	5
Share of profit of an associate, net of tax	7(e)	5,182	2,999	-	-
Profit before tax	23	67,816	39,832	12,346	5,071
Tax expense	25	(17,087)	(9,146)	(474)	(420)
Profit for the financial year		50,729	30,686	11,872	4,651
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		(6,955)	609	-	-
Reclassification adjustment relating to winding up of a subsidiary		2,389	-	-	-
Total other comprehensive (loss)/ income, net of tax		(4,566)	609	-	-
Total comprehensive income		46,163	31,295	11,872	4,651
Profit attributable to:					
Owners of the parent		43,126	24,340	11,872	4,651
Non-controlling interests	6	7,603	6,346	-	-
		50,729	30,686	11,872	4,651
Total comprehensive income attributable to:					
Owners of the parent		38,560	24,949	11,872	4,651
Non-controlling interests		7,603	6,346	-	-
		46,163	31,295	11,872	4,651
Earnings per ordinary share attributable to equity holders of the Company (sen)					
- Basic	27	22.36	13.83		
- Diluted	27	22.28	13.33		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	[-----Non-distributable				-----]	Distributable			
Group	**Share capital RM'000**	**Share premium RM'000**	**Exchange translation reserve RM'000**	**Share options reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total attributable to owners of the parent RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance as at 1 January 2017	93,115	2,245	4,533	1,375	(5,854)	141,318	236,732	63,595	300,327
Profit for the financial year	-	-	-	-	-	43,126	43,126	7,603	50,729
Other comprehensive loss, net of tax	-	-	(4,566)	-	-	-	(4,566)	-	(4,566)
Total comprehensive income	-	-	(4,566)	-	-	43,126	38,560	7,603	46,163
Transactions with owners:									
Shares buy-back	-	-	-	-	(19)	-	(19)	-	(19)
Dividends to owners of the Company (Note 26)	-	-	-	-	-	(7,847)	(7,847)	-	(7,847)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(3,920)	(3,920)
Ordinary shares issued pursuant to ESOS (Note 14)	10,296	813	-	(611)	-	-	10,498	-	10,498
Acquisition of additional interest from non-controlling interest	-	-	-	-	-	-	-	(6,419)	(6,419)
Share options granted under ESOS	-	-	-	448	-	-	448	-	448
Total transactions with owners	10,296	813	-	(163)	(19)	(7,847)	3,080	(10,339)	(7,259)
Balance as at 31 December 2017	103,411	3,058	(33)	1,212	(5,873)	176,597	278,372	60,859	339,231

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

Group	[------Non-distributable			------]	Distributable			
	Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000	Share options reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance as at 1 January 2016	91,001	1,738	3,924	1,480	(5,854)	122,362	214,651	58,254	272,905
Profit for the financial year	-	-	-	-	-	24,340	24,340	6,346	30,686
Other comprehensive income, net of tax	-	-	609	-	-	-	609	-	609
Total comprehensive income	-	-	609	-	-	24,340	24,949	6,346	31,295
Transactions with owners:									
Dividends to owners of the company (Note 26)	-	-	-	-	-	(5,384)	(5,384)	-	(5,384)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(1,005)	(1,005)
Ordinary shares issued pursuant to ESOS (Note 14)	2,114	507	-	(380)	-	-	2,241	-	2,241
Share options granted under ESOS	-	-	-	275	-	-	275	-	275
Total transactions with owners	2,114	507	-	(105)	-	(5,384)	(2,868)	(1,005)	(3,873)
Balance as at 31 December 2016	93,115	2,245	4,533	1,375	(5,854)	141,318	236,732	63,595	300,327

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	[-----Non-distributable			-----]	Distributable	
Company	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Share options reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Balance as at 1 January 2017	93,115	2,245	(5,854)	1,375	21,807	112,688
Profit for the financial year	-	-	-	-	11,872	11,872
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	11,872	11,872
Transactions with owners:						
Dividends (Note 26)	-	-	-	-	(7,847)	(7,847)
Ordinary shares issued pursuant to ESOS (Note 14)	10,296	813	-	(611)	-	10,498
Share options granted under ESOS	-	-	-	448	-	448
Shares buy-back	-	-	(19)	-	-	(19)
Total transactions with owners	10,296	813	(19)	(163)	(7,847)	3,080
Balance as at 31 December 2017	103,411	3,058	(5,873)	1,212	25,832	127,640

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	[----------Non-distributable	----------	----------	----------]	Distributable	
Company	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Share options reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Balance as at 1 January 2016	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 26)	-	-	-	-	(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
Total transactions with owners	2,114	507	-	(105)	(5,384)	(2,868)
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 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		67,816	39,832	12,346	5,071
Adjustments for:					
Depreciation of investment properties	5	1	1	-	-
Depreciation of property, plant and equipment	4	11,303	11,974	1,101	1,111
Fair value adjustment on derivative instruments	11(c)	484	(441)	-	-
Gain on disposal of property, plant and equipment		(12,794)	(98)	(28)	(6)
Gross dividend income from subsidiaries	22	-	-	(7,080)	(4,495)
Gross dividend income from an associate	22	-	-	(450)	-
Impairment losses on investments in subsidiaries		-	-	-	1,551
Impairment losses on investment property	5	47	-	-	-
Impairment losses on property, plant and equipment	4	-	978	-	-
Impairment losses on trade and other receivables	12(h)	720	2,316	-	-
Interest expense		13,506	12,066	2,951	3,469
Interest income		(1,208)	(892)	-	(5)
Inventories written down	10(b)	51	1,359	-	-
Bargain purchase arising from acquisition of additional interest in a subsidiary		(1,919)	-	-	-
Net gain on disposal of a subsidiary	6(e)	-	-	(4,046)	-
Net gain on winding up of a subsidiary	6(f)	(2,389)	-	(5,384)	-
Property, plant and equipment written off	4	16	2,382	-	-
Retirement benefit obligations	18	3,554	-	1,231	-
Reversal of impairment losses on property, plant and equipment	4	(774)	-	-	-
Reversal of impairment losses on trade and other receivables	12(h)	(1,063)	(535)	-	-
Reversal of impairment losses on investments in subsidiaries		-	-	-	(6,055)
Reversal of write down of inventories	10(c)	(938)	(32)	-	-
Share options expenses	28	448	275	74	48
Share of profit of an associate, net of tax	7(e)	(5,182)	(2,999)	-	-
Unrealised (gain)/loss on foreign exchange		(33)	214	-	-
Operating profit before changes in working capital		71,646	66,400	715	689

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Operating profit before changes in working capital (cont'd)		71,646	66,400	715	689
Increase in inventories		(27,821)	(26,312)	-	-
(Increase)/Decrease in trade and other receivables		(15,077)	(20,994)	(28)	815
Increase/(Decrease) in trade and other payables		23,431	10,601	(1,962)	2,220
Cash generated from/(used in) operations		52,179	29,695	(1,275)	3,724
Tax refunded		877	-	-	-
Tax paid		(16,121)	(5,593)	(378)	(263)
Net cash from/(used in) operating activities		36,935	24,102	(1,653)	3,461
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional interest in a subsidiary		(4,500)	-	(6,016)	-
Repayments from/(Advances to) subsidiaries		-	-	201	(1,258)
Dividend received, from subsidiaries		-	-	7,080	4,495
Dividend received, from associate		450	-	450	-
Fixed deposits pledged		-	1,535	-	1,535
Interest received		1,208	892	-	5
Proceeds from disposal of investment in subsidiaries		-	-	2,108	-
Proceeds from winding up of a subsidiary		-	-	27,616	-
Proceeds from disposal of investment properties		-	4,599	-	-
Proceeds from disposal of property, plant and equipment		23,015	310	132	46
Purchase of property, plant and equipment	4(f)	(11,613)	(7,285)	(599)	(61)
Net cash from investing activities		8,560	51	30,972	4,762

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(13,506)	(12,066)	(2,951)	(3,469)
Net repayments of hire purchase liabilities		(3,973)	(3,738)	(65)	(103)
Net repayments of term loans		(7,842)	(7,149)	(5,144)	(4,758)
Net proceeds from issuance of ordinary shares		10,498	2,241	10,498	2,241
Drawdown of other borrowings		36,804	42,385	-	-
Repayments of other borrowings		(20,267)	(35,483)	(4,000)	(861)
Proceeds from capital reduction of a subsidiary	6(c)	-	-	-	5,000
Dividends paid		(9,708)	(3,523)	(9,708)	(3,523)
Dividends paid to non-controlling interests		(3,920)	(1,005)	-	-
Shares buy-back		(19)	-	(19)	-
Net cash used in financing activities		(11,933)	(18,338)	(11,389)	(5,473)
Net increase in cash and cash equivalents		33,562	5,815	17,930	2,750
Effects of exchange rate differences		(494)	99	-	-
Cash and cash equivalents at beginning of financial year		43,871	37,957	2,811	61
Cash and cash equivalents at end of financial year	13(c)	76,939	43,871	20,741	2,811

Reconciliation of liabilities arising from financing activities

Group

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes Financed by hire purchase arrangement RM'000	31.12.2017 RM'000
Term loans	19,041	(7,842)	-	11,199
Hire purchase liabilities	11,567	(3,973)	1,750	9,344
Other borrowings *	206,525	16,537	-	223,062
Total borrowings *	237,133	4,722	1,750	243,605

* Other borrowings and total borrowings exclude bank overdrafts.

Company

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes Financed by hire purchase arrangement RM'000	31.12.2017 RM'000
Term loans	11,213	(5,144)	-	6,069
Hire purchase liabilities	-	(65)	750	685
Other borrowings	39,000	(4,000)	-	35,000
Total borrowings	50,213	(9,209)	750	41,754

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. CORPORATE INFORMATION

Prestar Resources Berhad ("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 2017 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 10 April 2018.

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 53 to 126 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 35 to the financial statements.

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.

4. **PROPERTY, PLANT AND EQUIPMENT**

Group	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Depreciation charge for the financial year RM'000	Reversal of impairment loss RM'000	Transfer to inventories RM'000	Reclassification RM'000	Foreign currency translation difference RM'000	Balance as at 31.12.2017 RM'000
Carrying amount										
Freehold land	21,238	-	-	-	-	-	-	-	-	21,238
Buildings	57,128	-	(4,689)	-	(1,683)	-	-	-	(552)	50,204
Leasehold land	7,272	-	(3,051)	-	(298)	-	-	-	(336)	3,587
Plant and machinery	61,214	2,420	(1,941)	-	(4,196)	774	(138)	1,972	(1,085)	59,020
Office equipment	961	210	-	(1)	(265)	-	-	-	(59)	846
Furniture, fittings and renovations	1,582	871	-	(15)	(624)	-	-	-	52	1,866
Motor vehicles and forklifts	13,967	5,285	(540)	-	(3,776)	-	(148)	-	1	14,789
Moulds, tools and equipment	849	535	-	-	(461)	-	-	-	613	1,536
Construction-in-progress	484	4,042	-	-	-	-	-	(1,972)	(3)	2,551
	164,695	13,363	(10,221)	(16)	(11,303)	774	(286)	-	(1,369)	155,637

	<------------ As at 31 December 2017 ------------> Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Freehold land	21,238	-	21,238
Buildings	66,750	(16,546)	50,204
Leasehold land	5,333	(1,746)	3,587
Plant and machinery	112,897	(53,877)	59,020
Office equipment	4,762	(3,916)	846
Furniture, fittings and renovations	8,448	(6,582)	1,866
Motor vehicles and forklifts	31,962	(17,173)	14,789
Moulds, tools and equipment	9,111	(7,575)	1,536
Construction-in-progress	3,110	(559)	2,551
	263,611	(107,974)	155,637

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

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	Reclassifi-cation 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

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

Company	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposal RM'000	Write off RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2017 RM'000
Carrying amount						
Freehold land	15,293	-	-	-	-	15,293
Buildings	28,056	-	-	-	(750)	27,306
Office equipment	155	11	-	-*	(39)	127
Furniture, fittings and renovations	398	393	-	-	(168)	623
Motor vehicles	241	945	(104)	-	(144)	938
	44,143	1,349	(104)	-	(1,101)	44,287

	<------------ As at 31 December 2017 --------->		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	15,293	-	15,293
Buildings	37,481	(10,175)	27,306
Office equipment	448	(321)	127
Furniture, fittings and renovations	2,238	(1,615)	623
Motor vehicles	1,268	(330)	938
	56,728	(12,441)	44,287

* *Amount is immaterial to disclose*

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

Company	Balance as at 1.1.2016 RM'000	Additions RM'000	Disposal RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2016 RM'000
Carrying amount					
Freehold land	15,293	-	-	-	15,293
Buildings	28,806	-	-	(750)	28,056
Office equipment	135	61	(1)	(40)	155
Furniture, fittings and renovations	565	-	-	(167)	398
Motor vehicles	434	-	(39)	(154)	241
	45,233	61	(40)	(1,111)	44,143

	<------------ As at 31 December 2016 ---------		------>
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	15,293	-	15,293
Buildings	37,481	(9,425)	28,056
Office equipment	454	(299)	155
Furniture, fittings and renovations	1,845	(1,447)	398
Motor vehicles	961	(720)	241
	56,034	(11,891)	44,143

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 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.*

(e) As at the end of the reporting period, freehold land, certain buildings and leasehold land of the Group with a carrying amount of RM59,849,000 (2016: RM69,319,000) and freehold land and buildings of the Company with a carrying amount of RM42,599,000 (2016: RM43,350,000) have been charged as securities for banking facilities granted to the Group and the Company as disclosed in Note 16(c) to the financial statements.

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

(f) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of property, plant and equipment	13,363	14,350	1,349	61
Financed by hire purchase and lease arrangements	(1,750)	(7,065)	(750)	-
Cash payments on purchase of property, plant and equipment	11,613	7,285	599	61

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

	Group		Company	
Carrying amount	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant and machinery	5,958	7,843	-	-
Motor vehicles and forklifts	9,499	8,708	876	197
	15,457	16,551	876	197

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

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

	Group		Company	
Carrying amount	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Buildings	35,941	36,889	27,307	28,057
Plant and machinery	4,493	7,672	-	-
	40,434	44,561	27,307	28,057

5. INVESTMENT PROPERTIES

	Group 2017 RM'000	Group 2016 RM'000
At cost		
Balance as at 1 January	283	5,049
Less: Disposal during the financial year	-	(4,766)
Balance as at 31 December	283	283
Accumulated depreciation		
Balance as at 1 January	(41)	(40)
Depreciation charge for the financial year	(1)	(1)
Balance as at 31 December	(42)	(41)
Accumulated impairment losses		
Balance as at 1 January	(193)	(360)
Impairment for the financial year	(47)	-
Less: Disposal during the financial year	-	167
Balance as at 31 December	(240)	(193)
Net carrying amount as at 31 December	1	49

(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 estimate.

(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.

5. INVESTMENT PROPERTIES (cont'd)

(e) Direct operating expenses arising from non-income generating investment properties during the financial year are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Quit rent and assessment	-*	1

* *Amount is immaterial to disclose*

(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
2017				
Freehold land and buildings	-	-	49	49
2016				
Freehold land and buildings	-	-	50	50

(i) There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.

(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 2017 RM'000	Company 2016 RM'000
At cost		
Unquoted shares	103,233	133,050
Less: Accumulated impairment losses	(10,251)	(19,827)
	92,982	113,223

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 2017 %	2016 %	Principal activities
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")	100	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	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") (wound-up)	-	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.

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 2017 %	2016 %	Principal activities
Subsidiary of Prestar Engineering Sdn. Bhd.			
Prestar Galvanising Sdn. Bhd. * ("PGSB")	95	-	General hot-dip galvanising and coating of metal products and threaded items, fabrication of moulds and dies, maintenance and installation of machinery
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")	90	90	Importing and trading of wheelbarrows and other material handling equipment products.
Subsidiary of Prestar Storage System Sdn. Bhd.			
PT Prestar MHE ***^@ ("PTMHE")	10	10	Importing and trading of wheelbarrows and other material handling equipment products.

* *Audited by BDO Malaysia.*
** *Audited by BDO Member Firm.*
*** *Consolidated using management financial statements.*
^ *Not required to be audited under the local legislation.*
# *Incorporated in Vietnam.*
@ *Incorporated in Indonesia.*

(b) Investments 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 acquire 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) In the previous 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 2017 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) On 19 May 2017, the Company acquired the remaining 25% equity interest in PESB representing 750,000 ordinary shares for a consideration of RM4,500,000. PESB became a wholly-owned subsidiary of the Company. The acquisition resulted in bargain purchase of RM1,919,000 to the Group.

(e) On 17 November 2017, the Company disposed the entire equity interest in PGSB to a subsidiary, PESB.

The gain on disposal of the subsidiary during the financial year is as follow:

	Company 2017 RM'000
Cash proceeds from disposal	2,108
Contra of loan	5,963
	8,071
Less: Investment in subsidiary	(4,025)
	4,046

(f) On 15 May 2017, the Company had acquired additional interest in PIVCL for a consideration of RM1,516,000. On 12 December 2017, PIVCL has completed member's voluntary winding up.

The gain on winding up of the subsidiary during the financial year is as follow:

	Group 2017 RM'000	**Company 2017 RM'000**
Cash proceeds from winding up	27,616	27,616
Less: Net investment in subsidiary	-	(22,232)
Less: Net assets of subsidiary comprising cash and bank balances	(27,616)	-
Add: Foreign currency translation reserve	2,389	-
	2,389	5,384

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

	PESB	TSSB	THSB	PGSB	PTPPT	TOTAL
2017						
NCI percentage of ownership interest and voting interest	-	49%	49%	5%	25%	
Carrying amount of NCI (RM'000)	-	55,461	5,012	377	9	60,859
(Loss)/Profit allocated to NCI (RM'000)	(16)	5,809	1,843	(33)	-	7,603
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

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(h) 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:

	PESB RM'000	TSSB RM'000	THSB RM'000	PGSB RM'000	PTPPT RM'000	TOTAL RM'000
2017						
Assets and liabilities						
Non-current assets	-	74,642	3,624	7,295	-	85,561
Current assets	-	138,284	31,086	6,382	36	175,788
Non-current liabilities	-	(9,675)	(364)	(503)	-	(10,542)
Current liabilities	-	(90,065)	(24,117)	(5,634)	-	(119,816)
Net assets	-	113,186	10,229	7,540	36	130,991
Results						
Revenue	12,037	224,260	59,725	19,119	-	315,141
(Loss)/Profit for the financial year	(65)	12,855	3,762	(659)	-	15,893
Total comprehensive (loss)/income	(65)	12,855	3,762	(659)	-	15,893
Cash flows from operating activities	-	15,612	3,868	74	-	19,554
Cash flows used in investing activities	-	(7,087)	-	(1,776)	-	(8,863)
Cash flows from financing activities	-	2,263	1,483	1,581	-	5,327
Net increase/(decrease) in cash and cash equivalents	-	10,788	5,351	(121)	-	16,018
Dividends paid to NCI	-	(3,920)	-	-	-	(3,920)

6. **INVESTMENTS IN SUBSIDIARIES (cont'd)**

(h) 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):

	PESB RM'000	TSSB RM'000	THSB RM'000	PGSB RM'000	PTPPT RM'000	TOTAL RM'000
2016						
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)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

	2017 RM'000	2016 RM'000
Cash and cash equivalents	33,481	19,317
Buildings	10,970	16,217
Freehold land	13,428	13,428
Leasehold land	1,773	5,247
	59,652	54,209

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) In the previous financial year, 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Unquoted equity shares	16,965	16,965	16,965	16,965
Share of post acquisition reserves, net of dividends received	27,491	22,759	-	-
	44,456	39,724	16,965	16,965

(a) Investment in an associate is measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.

7. INVESTMENT IN AN ASSOCIATE (cont'd)

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

Name of company	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
POSCO-MKPC Sdn. Bhd. * (Incorporated in Malaysia)	30	30	Slitting, shearing and sales of steel sheets and coils.

* *Not Audited by BDO Malaysia.*

(c) The financial statements of the above associate is coterminous with those of the Group, which is 31 December 2017.

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

	2017 RM'000	2016 RM'000
Assets and liabilities		
Non-current assets	73,814	77,338
Current assets	369,044	314,570
Non-current liabilities	(7,088)	(7,443)
Current liabilities	(287,262)	(251,730)
Net assets	148,508	132,735
Results		
Revenue	625,502	472,282
Profit for the financial year	17,273	9,995
Total comprehensive income	17,273	9,995
Cash flows from operating activities	87,259	11,573
Cash flows from/(used in) investing activities	9	(302)
Cash flows used in financing activities	(78,354)	(19,952)
Net increase/(decrease) in cash and cash equivalents	8,914	(8,681)

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

	2017 RM'000	2016 RM'000
As at 31 December		
The Group's share of net assets	44,456	39,724
Elimination of unrealised profits	-	-
Carrying amount in the statements of financial position	44,456	39,724
Share of results of the Group for the financial year		
The Group's share of profit/other comprehensive income	5,182	2,999

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

8. INTANGIBLE ASSETS

2017	Balance as at 1.1.2017 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2017 RM'000
Group			
Carrying amount			
Goodwill	1,675	-	1,675

	<--------- As at 31 December 2017 --------->		
	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

2016	Balance as at 1.1.2016 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2016 RM'000
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

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 losses	(668)	(460)	(1,128)
Goodwill, net	1,131	544	1,675

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 (5) year period are as follows:

	CGU 1		CGU 2	
	2017 %	2016 %	2017 %	2016 %
Growth rates	4.0 – 5.0	4.0 – 5.0	4.0 – 5.0	5.0 – 8.0
Pre-tax discount rates	6.1	5.6	6.1	5.6

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.

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

9. DEFERRED TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance as at 1 January	10,233	9,288	988	935
Recognised in profit or loss (Note 25)	86	945	71	53
Balance as at 31 December	10,319	10,233	1,059	988
Presented after appropriate offsetting:				
Deferred tax liabilities, net	10,339	10,341	1,059	988
Deferred tax assets, net	(20)	(108)	-	-
	10,319	10,233	1,059	988

(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.

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 2017	10,341
Recognised in profit or loss	(2)
At 31 December 2017	10,339
At 1 January 2016	9,663
Recognised in profit or loss	678
At 31 December 2016	10,341

Deferred tax assets of the Group	Provisions RM'000	Unused tax losses RM'000	Total RM'000
At 1 January 2017	-	108	108
Recognised in profit or loss	-	(88)	(88)
At 31 December 2017	-	20	20
At 1 January 2016	36	339	375
Recognised in profit or loss	(36)	(231)	(267)
At 31 December 2016	-	108	108

Deferred tax liabilities of the Company	Property, plant and equipment RM'000
At 1 January 2017	988
Recognised in profit or loss	71
At 31 December 2017	1,059
At 1 January 2016	935
Recognised in the profit or loss	53
At 31 December 2016	988

9. DEFERRED TAX (cont'd)

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

	Group 2017 RM'000	Group 2016 RM'000
Unused tax losses	1,273	1,221
Unabsorbed capital allowances	3,145	3,145
	4,418	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 2017 RM'000	Group 2016 RM'000
At cost		
Raw materials	120,508	99,622
Work-in-progress	12,414	12,947
Manufacturing and trading inventories	60,943	53,320
	193,865	165,889
At net realisable value		
Raw materials	9,375	7,946
Work-in-progress	243	186
Manufacturing and trading inventories	4,647	5,181
	14,265	13,313
	208,130	179,202

(a) Cost of inventories is determined on the weighted average basis. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and manufacturing and trading inventories include the cost of raw materials, direct labour and a proportion of production overheads based on normal operating capacity of the production facilities.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM634,458,000 (2016: RM527,232,000). In addition, the amounts recognised in cost of sales include inventories written down of RM51,000 (2016: RM1,359,000).

(c) The Group reversed RM938,000 (2016: RM32,000) 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.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Group 2017	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward currency contracts	12,691	60	(100)
2016			
Forward currency contracts	32,870	499	(55)

(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 five (5) months (2016: 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 loss of RM484,000 (2016: gain of RM441,000) 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 32 to the financial statements.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade				
- Third parties	192,773	178,289	-	-
- Associate	20	14	-	-
- Related parties	944	1,403	-	-
	193,737	179,706	-	-
Less: Impairment losses	(1,255)	(1,890)	-	-
	192,482	177,816	-	-
Non-trade				
Other receivables	8,928	4,294	152	118
Deposits	356	343	13	13
	9,284	4,637	165	131
Less: Impairment losses	-	(258)	-	-
	9,284	4,379	165	131
Loans and receivables	201,766	182,195	165	131
Prepayments	6,271	11,131	2	8
	208,037	193,326	167	139

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 range from 30 to 120 days (2016: 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) Included in prepayments of the Group is an amount of RM3,190,000 (2016: RM7,538,000) made to suppliers for purchase of raw materials.

(f) The currency exposure profile of trade and other receivables (net of prepayments) is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ringgit Malaysia	197,627	179,560	165	131
US Dollar	3,708	2,257	-	-
Euro	202	-	-	-
Sterling Pound	113	-	-	-
Singapore Dollar	110	166	-	-
Thai Baht	6	10	-	-
Indonesian Rupiah	-	2	-	-
Vietnamese Dong	-	200	-	-
	201,766	182,195	165	131

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

	Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	164,302	154,232
Past due, not impaired		
- 1 to 30 days past due	17,146	15,867
- 31 to 60 days past due	6,380	5,416
- 61 to 90 days past due	3,531	1,757
- More than 90 days past due	1,123	544
	28,180	23,584
Past due and impaired	1,255	1,890
	193,737	179,706

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy customers 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.

12. TRADE AND OTHER RECEIVABLES (cont'd)

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM28,180,000 (2016: RM23,584,000) 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 individually impaired at the end of each reporting period are as follows:

	Individually impaired	
	2017	**2016**
	RM'000	**RM'000**
Group		
Trade receivables, gross	1,255	1,890
Less: Impairment losses	(1,255)	(1,890)
	-	-

(h) The reconciliation of movements in the impairment losses are as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables		
At 1 January	1,890	853
Charge for the financial year	720	2,058
Reversal of impairment losses	(805)	(535)
Written off	(550)	(486)
	1,255	1,890
Other receivables		
At 1 January	258	-
Charge for the financial year	-	258
Reversal of impairment losses	(258)	-
	-	258
At 31 December	1,255	2,148

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.

(i) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

13. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	78,258	41,434	20,741	2,811
Fixed deposits with licensed banks	500	3,553	-	-
	78,758	44,987	20,741	2,811

(a) Cash and bank balances are classified as loans and receivables, and measured at amortised cost using the effective interest method.

(b) Foreign currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	65,741	39,123	8,720	2,811
US Dollar	12,620	4,733	12,021	-
Vietnamese Dong	-	885	-	-
Indonesian Rupiah	397	246	-	-
	78,758	44,987	20,741	2,811

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	78,258	41,434	20,741	2,811
Fixed deposits with licensed banks	500	3,553	-	-
Bank overdrafts (Note 16)	(1,819)	(1,116)	-	-
As reported in statements of cash flows	76,939	43,871	20,741	2,811

(d) The fixed deposits of the Group have maturity period of one (1) month (2016: one (1) month to three (3) months) which bear interest of 3% (2016: 0.20% to 4.70%).

(e) In the previous 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 Company, 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 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

14. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid				
Balance as at 1 January	186,230	93,115	182,002	91,001
Issued pursuant to the employee share options scheme	18,396	10,296	4,228	2,114
Balance as at 31 December	204,626	103,411	186,230	93,115

(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 RM93,115,000 to RM103,411,000 by way of issuance of 18,396,000 new ordinary shares at exercise prices ranging from RM0.53 to RM0.83 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) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. Therefore, the Company has not consolidated the share premium account into share capital until the expiry of the transitional period.

(e) 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 2016 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 204,626,000 (2016: 186,230,000) issued and fully paid ordinary shares as at 31 December 2017, 6,938,000 (2016: 6,919,000) amounting to RM5,873,000 (2016: RM5,854,000) are held as treasury shares by the Company. As at 31 December 2017, the number of outstanding ordinary shares in issue net of treasury shares is 197,688,000 (2016: 179,311,000) ordinary shares.

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.

15. RESERVES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	3,058	2,245	3,058	2,245
Exchange translation reserve	(33)	4,533	-	-
Share options reserve	1,212	1,375	1,212	1,375
	4,237	8,153	4,270	3,620
Distributable				
Retained earnings	176,597	141,318	25,832	21,807
	180,834	149,471	30,102	25,427

(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

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 in foreign operations of the Group, 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Secured				
Trade financing	33,211	35,630	-	-
Revolving credits	34,000	42,000	31,000	35,000
Hire purchase liabilities (Note 17)	3,417	3,813	140	-
Term loans	7,045	7,812	5,498	5,114
Unsecured				
Bank overdrafts	1,819	1,116	-	-
Trade financing	139,351	117,395	-	-
Revolving credit	16,500	11,500	4,000	4,000
	235,343	219,266	40,638	44,114

16. BORROWINGS (cont'd)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Secured				
Hire purchase liabilities (Note 17)	5,927	7,754	545	-
Term loans	4,154	11,229	571	6,099
	10,081	18,983	1,116	6,099
Total borrowings				
Secured				
Trade financing	33,211	35,630	-	-
Revolving credits	34,000	42,000	31,000	35,000
Hire purchase liabilities (Note 17)	9,344	11,567	685	-
Term loans	11,199	19,041	6,069	11,213
Unsecured				
Bank overdrafts (Note 13(c))	1,819	1,116	-	-
Trade financing	139,351	117,395	-	-
Revolving credit	16,500	11,500	4,000	4,000
	245,424	238,249	41,754	50,213

(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) All borrowings are denominated in RM.

(c) The bank borrowings of the Group and of the Company (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(e) to the financial statements; and

(ii) corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiaries.

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(e) to the financial statements.

(d) Information on financial risks of borrowings of the Group and of the Company is disclosed in Note 33 to the financial statements.

17. HIRE PURCHASE LIABILITIES - SECURED

The hire purchase liabilities are repayable over the following periods:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum hire purchase payments:				
- Not later than one (1) year	3,888	4,462	168	-
- Later than one (1) year and not later than five (5) years	6,384	8,480	589	-
	10,272	12,942	757	-
Less: Future interest charges	(928)	(1,375)	(72)	-
Present value of hire purchase liabilities	9,344	11,567	685	-
Repayable as follows:				
- Current liabilities (Note 16)	3,417	3,813	140	-
- Non-current liabilities (Note 16)	5,927	7,754	545	-
	9,344	11,567	685	-

18. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statements of financial position are determined as follows:

	Group 2017 RM'000	Company 2017 RM'000
Present value of unfunded defined benefit obligations	3,554	1,231

The movements during the financial year in the amounts recognised in the statements of financial position in respect of the retirement benefit obligations are as follows:

	Group 2017 RM'000	Company 2017 RM'000
Balance as at 1 January	-	-
Past service costs recognised in profit or loss	3,554	1,231
Balance as at 31 December	3,554	1,231

The principal actuarial assumptions used are as follows:

	2017
Discount rate	5.10%
Salary increment rate	5.00%

The impact on changes of each significant actuarial assumption while holding all other assumptions constant as at the end of the reporting period are as follows:

	2017 RM'000
Discount rate increase by 1%	-163
Discount rate decrease by 1%	+178
Salary increment rate increase by 1%	+130
Salary increment rate decrease by 1%	-123

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

18. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(a) The Company operates an unfunded defined benefit plan for eligible employees of the Company. The benefits payable on retirement are generally based on the length of service and basic monthly salary of the eligible employee. The first valuation was carried out on 21 November 2017 and subsequently updated on 26 January 2018.

(b) The amount recognised as a liability in respect of defined benefit plan is the present value of the defined benefit obligations at the reporting date.

(c) The defined benefit obligation is measured using the projected unit credit actuarial cost method.

(d) The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

(e) The net changes in the defined benefit liabilities are recognised as a cost of defined benefit plan.

(f) Settlement of defined benefit schemes are recognized in the period when the settlement occurs.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables				
Third parties	54,991	28,025	-	-
Associate	16,662	20,153	-	-
Related parties	457	567	-	-
	72,110	48,745	-	-
Other payables				
Third parties	6,327	5,247	337	2,306
Amounts owing to subsidiaries	-	-	1,407	7,543
Associate	324	324	324	324
Related parties	11	24	-	-
Accruals	14,291	15,786	1,251	1,244
Dividend payable	-	1,861	-	1,861
	20,953	23,242	3,319	13,278
	93,063	71,987	3,319	13,278

(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 (2016: 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. In the previous financial year, there was an amount of RM6,155,000 owing to a subsidiary which bore interest ranging from 3.65% to 4.96% per annum.

19. TRADE AND OTHER PAYABLES (cont'd)

(f) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	91,304	68,694	3,319	13,278
Thai Baht	1,057	568	-	-
US Dollar	371	1,991	-	-
Singapore Dollar	260	495	-	-
Japanese Yen	50	134	-	-
Indonesian Rupiah	21	26	-	-
Vietnamese Dong	-	79	-	-
	93,063	71,987	3,319	13,278

(g) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

20. 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	
	2017 RM'000	2016 RM'000
Not later than one (1) year	190	426
Later than one (1) year and not later than five (5) years	85	44
	275	470

(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	
	2017 RM'000	2016 RM'000
Not later than one (1) year	3,478	3,806
Later than one (1) year and not later than five (5) years	4,799	4,753
Later than five (5) years	259	-
	8,536	8,559

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

20. COMMITMENTS (cont'd)

(b) Capital commitments

	Group	
	2017 RM'000	2016 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	1,392	122

21. CONTINGENT LIABILITIES

	Company	
	2017 RM'000	2016 RM'000
Unsecured:		
- Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	382,424	327,791

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.

(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) In the previous 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.

22. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	734,612	614,171	-	-
Gross dividend income from:				
- subsidiaries	-	-	7,080	4,495
- an associate	-	-	450	-
Rental income	7,243	7,313	4,233	4,172
	741,855	621,484	11,763	8,667

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

23. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- current year	205	223	30	28
- under provision in prior year	1	-	-	-
Interest expenses on:				
- trade financing	8,782	6,848	-	-
- revolving credits	2,934	2,859	2,069	2,109
- bank overdrafts	199	133	93	75
- term loans	910	1,429	583	947
- hire purchase	681	797	16	2
- subsidiary	-	-	190	336
Impairment loss on investment in subsidiaries	-	-	-	1,551
Rental of:				
- equipment	13	7	-	-
- premises	510	293	-	-
- forklifts	63	135	-	-
Retirement benefit obligations	3,554	-	1,231	-
Unrealised loss on foreign exchange	-	214	-	-
And crediting:				
Bargain purchase arising from acquisition of additional interest in a subsidiary	1,919	-	-	-
Gain on disposal of property, plant and equipment	12,794	98	28	6
Net gain on disposal of a subsidiary	-	-	4,046	-
Net gain on winding up of a subsidiary	2,389	-	5,384	-
Interest income:				
- deposits with licensed banks	1,208	892	-	5
Realised gain on foreign exchange	62	188	-	6
Rental income:				
- subsidiaries	-	-	2,626	2,555
- related party	1,607	1,617	1,607	1,617
- others	5,636	5,696	-	-
Reversal of impairment loss on investments in subsidiaries	-	-	-	6,055
Unrealised gain on foreign exchange	33	-	-	-

24. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Fees	1,342	342	82	82
Emoluments other than fees	7,468	6,408	1,217	1,100
Share options granted under share options scheme	78	75	14	15
Non-executive:				
Fees	138	138	138	138
Emoluments other than fees	10	11	10	11
Share options granted under share options scheme	12	17	12	17
	9,048	6,991	1,473	1,363

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 RM647,000 (2016: RM135,000) and RM238,000 (2016: RM23,000) respectively.

25. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense based on profit for the financial year:				
- income tax	17,473	8,157	420	375
- (over)/under provision in prior years	(472)	44	(17)	(8)
	17,001	8,201	403	367
Deferred tax (Note 9)				
Relating to origination and reversal of temporary differences	325	960	71	53
Over provision in prior years	(239)	(15)	-	-
	86	945	71	53
	17,087	9,146	474	420

(a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: twenty-four percent (24%)) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

25. TAX EXPENSE (cont'd)

(c) 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before tax	67,816	39,832	12,346	5,071
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	16,276	9,560	2,963	1,217
Tax effects in respect of:				
- Non-allowable expenses	1,603	1,065	1,622	277
- Non-taxable income	(33)	(7)	(4,094)	(1,066)
- Tax incentives and allowances	(60)	(1,501)	-	-
- Deferred tax assets not recognised	12	-	-	-
	17,798	9,117	491	428
(Over)/Under provision of tax expenses in prior year	(472)	44	(17)	(8)
Over provision of deferred tax in prior years	(239)	(15)	-	-
	17,087	9,146	474	420

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

	Group					
		2017			**2016**	
	Before tax RM'000	**Tax effect RM'000**	**After tax RM'000**	**Before tax RM'000**	**Tax effect RM'000**	**After tax RM'000**
Items that may be reclassified subsequently to profit or loss						
Foreign currency translations	(4,566)	-	(4,566)	609	-	609

26. DIVIDENDS

	Group and Company			
	2017		2016	
	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
In respect of financial year ended 31 December 2015				
- Final cash dividend	-	-	2.0	3,523
In respect of financial year ended 31 December 2016				
- Interim cash dividend	-	-	1.0	1,861
- Final cash dividend	2.0	3,894	-	-
In respect of financial year ended 31 December 2017				
- Interim cash dividend	2.0	3,953	-	-
	4.0	7,847	3.0	5,384

(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 shareholders at an Annual General Meeting held on 31 May 2017, a final single tier dividend of 2.0 sen per share, amounting to approximately RM3,894,000 in respect of financial year ended 31 December 2016 was paid on 16 June 2017.

As approved by the Directors at the Board of Directors' Meeting held on 23 August 2017, an interim single tier dividend of 2.0 sen per share, amounting to approximately RM3,953,000 in respect of the financial year ended 31 December 2017 was paid on 17 November 2017.

A final single tier dividend in respect of the financial year ended 31 December 2017 of 3.0 sen per ordinary share, amounting to approximately RM5,932,000 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 2018.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

27. 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:

	Group	
	2017	**2016**
Consolidated profit attributable to equity holders of the parent (RM'000)	43,126	24,340
Weighted average number of ordinary shares outstanding (adjusted for treasury shares) ('000)	192,879	175,959
Basic earnings per ordinary share (sen)	22.36	13.83

(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 29 to the financial statements.

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

	Group	
	2017	**2016**
Consolidated profit attributable to equity holders of the parent (RM'000)	43,126	24,340
Weighted average number of ordinary shares used in the calculation of basic earnings per ordinary share ('000)	192,879	175,959
Effects of dilution due to the ESOS ('000)	666	6,628
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	193,545	182,587
Diluted earnings per ordinary share (sen)	22.28	13.33

28. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Salaries, wages and bonuses	43,538	41,722	2,119	2,279
Defined contribution plan	4,462	3,871	325	321
Defined benefit plan	3,554	-	1,231	-
Other employee benefits	2,696	2,018	93	40
Share options granted under share options scheme	448	275	74	48
	54,698	47,886	3,842	2,688

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM7,568,000 (2016: RM6,511,000) and RM1,253,000 (2016: RM1,143,000) respectively.

29. 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 equity, with the introduction of the Companies Act 2016 effective 31 January 2017.

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:

(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 2017 for ordinary shares previously issued under the ESOS is 26,077,100;

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

29. EMPLOYEES SHARE OPTION SCHEME ("ESOS") (cont'd)

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

	[---- Number of options over ordinary shares ----]					
	Outstanding as at 1.1.2017	[---- Movement during the financial year ----] Granted	Exercised	Lapsed	Outstanding as at 31.12.2017	Exercisable as at 31.12.2017
2017						
2014 options ('000)	16,958	3,342	(18,396)	(49)	1,855	1,855
Weighted average exercise prices (RM)	0.53	0.83	0.57	0.53	0.57	0.57
Weighted average remaining contractual life (months)	88					76

	[---- Number of options over ordinary shares ----]					
	Outstanding as at 1.1.2016	[---- Movement during the financial year ----] Granted	Exercised	Lapsed	Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
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

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

	Weighted average exercise price 2017 RM	2016 RM	Exercise period
2014 options	0.57	0.53	9.5.2014 - 20.4.2024

Share options exercised during the financial year resulted in the issuance of 18,396,000 ordinary shares at an average price of RM0.57. The related weighted average ordinary share price at the date of exercise was RM0.57.

29. EMPLOYEES SHARE OPTION SCHEME ("ESOS") (cont'd)

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 ("MGSs"). 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 - 0.57
Expected volatility (%)	28.73
Expected life (years)	10
Risk free rate (%)	3.17
Expected dividend yield (%)	3.45

30. 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.

The Group also has related party relationships with the following parties:

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

30. RELATED PARTIES TRANSACTIONS (cont'd)

(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	
	2017 RM'000	**2016 RM'000**
Transactions with subsidiaries:		
Gross dividend income	(7,080)	(4,495)
Interest paid	190	336
Rental income	(2,626)	(2,555)
Disposal of property, plant and equipment	-	(1)
Transactions with an associate:		
POSCO-MKPC Sdn. Bhd.		
Rental income	(1,607)	(1,617)
Dividend income	(450)	-

	Group	
	2017 RM'000	**2016 RM'000**
Transactions with an associate:		
POSCO-MKPC Sdn. Bhd.		
Sales of goods	(100)	(420)
Purchase of goods	85,186	37,760
Rental income	(1,607)	(1,617)
Transactions with companies in which the substantial shareholders have financial interests:		
Chiho Hardware Sdn. Bhd.		
Sales of goods	(725)	(540)
Purchases	20	22
Wei Giap Hardware Sdn. Bhd.		
Sales of goods	(74)	(99)
Purchases	101	197
Wei Sheng Hardware Sdn. Bhd.		
Sales of goods	(89)	(116)
YK Toh (M) Sdn. Bhd.		
Rental paid	33	33
Transactions with a company in which Toh Yew Keat and Dato' Toh Yew Peng have financial interests:		
Syarikat Kwong Nam Hing Sdn. Bhd.		
Sales of goods	(35)	(23)
Transactions with companies in which Toh Yew Chin has financial interests:		
YK Toh Marketing (S) Pte. Ltd.		
Sales of goods	(7,659)	(6,761)
Purchases	2,984	2,505
Transaction with a Director:		
Toh Yew Chin		
Professional fees paid	-	160

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

30. RELATED PARTIES TRANSACTIONS (continued)

(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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits	9,595	6,770	1,545	1,152
Contributions to defined contribution plan	1,402	1,113	217	179
Share options granted under share options scheme	113	98	35	32
	11,110	7,981	1,797	1,363

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
As at 1 January	6,721	6,955	4,932	4,932
Grant	690	-	336	-
Exercised	(6,466)	(234)	(4,944)	-
Lapsed	(330)	-	-	-
As at 31 December	615	6,721	324	4,932

The terms and conditions of the share options are detailed in Note 29 to the financial statements.

31. 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (cont'd)

31. OPERATING SEGMENTS (cont'd)

2017	Investment RM'000	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue				
Total revenue	11,763	183,687	663,728	859,178
Inter-segment revenue	(10,156)	(4,521)	(102,646)	(117,323)
Revenue from external customers	1,607	179,166	561,082	741,855
Finance costs	(2,951)	(2,546)	(8,009)	(13,506)
Interest income	-	46	1,162	1,208
Net finance expense	(2,951)	(2,500)	(6,847)	(12,298)
Depreciation	1,101	2,838	7,364	11,303
Segment profit before income tax	**12,792**	**9,120**	**54,786**	**76,698**
Share of profit of an associate	5,182	-	-	5,182
Tax expenses	(474)	(2,917)	(13,696)	(17,087)
Other material non-cash items:				
Impairment losses on trade and other receivables	-	196	524	720
Property, plant and equipment written off	-	1	15	16
Reversal of impairment losses on property, plant and equipment	-	-	(774)	(774)
Reversal of impairment losses on trade and other receivables	-	-	(1,063)	(1,063)
Reversal of write down of inventories	-	(76)	(862)	(938)
Gain on disposal of property, plant and equipment	(28)	(11)	(12,755)	(12,794)
Net gain on winding up of a subsidiary	(2,389)	-	-	(2,389)
Inventories written down	-	24	27	51
Bargain purchase arising from acquisition of additional interest in a subsidiary	(1,919)	-	-	(1,919)
Unrealised loss/(gain) on foreign exchange	-	1	(34)	(33)
Capital expenditure	1,349	2,270	9,744	13,363
Segment assets	**108,661**	**116,960**	**469,458**	**695,079**
Segment liabilities	**44,759**	**64,692**	**232,690**	**342,141**

31. OPERATING SEGMENTS (cont'd)

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**

31. 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:

	2017 RM'000	2016 RM'000
Revenue		
Total revenue for reportable segments	859,178	705,617
Elimination of inter-segmental revenues	(117,323)	(84,133)
Revenue of the Group per statements of profit or loss and other comprehensive income	741,855	621,484
Profit for the financial year		
Total profit or loss for reportable segments	76,698	46,296
Share options granted under share options scheme	(448)	(275)
Elimination of inter-segment profits	(8,434)	(6,189)
Profit before tax	67,816	39,832
Tax expenses	(17,087)	(9,146)
Profit for the financial year of the Group per statements of profit or loss and other comprehensive income	50,729	30,686
Assets		
Total assets for reportable segments	695,079	622,482
Tax assets	339	741
Goodwill	1,675	1,675
Assets of the Group per statements of financial position	697,093	624,898
Liabilities		
Total liabilities for reportable segments	342,141	310,291
Tax liabilities	15,721	14,280
Liabilities of the Group per statements of financial position	357,862	324,571

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.

32. 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 2017 and 31 December 2016.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Borrowings	245,424	238,249	41,754	50,213
Shareholders' funds (excluding non-controlling interests)	278,372	236,732	127,640	112,688
Less: Intangible assets	(1,675)	(1,675)	-	-
Add: Net deferred tax	10,319	10,233	1,059	988
Net tangible assets	287,016	245,290	128,699	113,676
Gearing ratio	0.86	0.97	0.32	0.44

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 2017.

32. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments

Group **2017**	**Loans and receivables RM'000**	**Fair value through profit or loss RM'000**	**Total RM'000**
Financial assets			
Trade and other receivables, net of prepayments	201,766	-	201,766
Derivative assets	-	60	60
Cash and bank balances	78,758	-	78,758
	280,524	60	280,584

	Other financial liabilities RM'000	**Fair value through profit or loss RM'000**	**Total RM'000**
Financial liabilities			
Borrowings	245,424	-	245,424
Trade and other payables	93,063	-	93,063
Derivative liabilities	-	100	100
	338,487	100	338,587

Group **2016**	**Loans and receivables RM'000**	**Fair value through profit or loss RM'000**	**Total RM'000**
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
	227,182	499	227,681

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

32. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments (cont'd)

Company	**2017 RM'000**	**2016 RM'000**
Loans and receivables		
Financial assets		
Trade and other receivables, net of prepayments	165	131
Cash and bank balances	20,741	2,811
	20,906	2,942
Other financial liabilities		
Financial liabilities		
Borrowings	41,754	50,213
Trade and other payables	3,319	13,278
	45,073	63,491

(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.

32. FINANCIAL INSTRUMENTS (cont'd)

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

(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.

(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).

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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).

32. 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					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2017										
Group										
Financial assets										
Financial assets at fair value through profit or loss										
- Forward currency contracts	-	-	60	60	-	-	-	-	60	60
2016										
Group										
Financial assets										
Financial assets at fair value through profit or loss										
- Forward currency contracts	-	-	499	499	-	-	-	-	499	499

32. 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					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2017										
Group										
Financial liabilities										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	-	-	100	100	-	-	-	-	100	100
Other financial liabilities										
- Hire purchase liabilities	-	-	-	-	-	8,535	-	8,535	8,535	9,344
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.

32. 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					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2016										
Group										
Financial liabilities										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	-	-	55	55	-	-	-	-	55	55
Other financial liabilities										
- Hire purchase liabilities	-	-	-	-	-	10,470	-	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.

32. 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 ffinancial position (cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2017										
Company										
Financial liabilities										
Other financial liabilities										
- Hire purchase liabilities	-	-	-	-	-	606	-	606	606	685
Unrecognised financial liabilities										
- Contingent liabilities	-	-	-	-	-	-	#	#	#	-
2016										
Company										
Financial liabilities										
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.

32. FINANCIAL INSTRUMENTS (cont'd)

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

	Group	
	2017 RM'000	**2016 RM'000**
Financial assets		
Balance as at 1 January	499	41
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	60	499
- Other expenses (realised)	(499)	(41)
Balance as at 31 December	60	499
Financial liabilities		
Balance as at 1 January	55	38
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	100	55
- Other expenses (realised)	(55)	(38)
Balance as at 31 December	100	55

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

	Group	
	2017 RM'000	**2016 RM'000**
Profit after tax		
Foreign currency rate		
- Increase by 3% (2016: 3%)	155	651
- Decrease by 3% (2016: 3%)	(155)	(651)

33. 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.

33. 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.

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.

33. 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:

2017 **Group**	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Financial liabilities				
Borrowings	236,284	10,824	-	247,108
Trade and other payables	93,063	-	-	93,063
Derivatives liabilities	100	-	-	100
Total undiscounted financial liabilities	329,447	10,824	-	340,271
Company				
Financial liabilities				
Borrowings	40,907	1,159	-	42,066
Trade and other payables	3,319	-	-	3,319
Total undiscounted financial liabilities	44,226	1,159	-	45,385

2016 **Group**	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
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

33. 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 fixed rate borrowings at the end of the reporting period is not presented as it is not affected by changes in interest rates.

Sensitivity analysis for interest rate risk

Group

As at 31 December 2017, 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 RM1,795,000 (2016: RM1,723,000) 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 RM1,795,000 (2016: RM1,723,000) 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 2017, 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 RM312,000 (2016: RM382,000) 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 RM312,000 (2016: RM382,000) lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

33. 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 2017 Group	WAEIR %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Fixed rate								
Fixed deposits with licensed banks	3.00	500	-	-	-	-	-	500
Hire purchase liabilities	5.65	(3,417)	(2,910)	(2,233)	(556)	(228)	-	(9,344)
Floating rate								
Bank overdrafts	7.28	(1,819)	-	-	-	-	-	(1,819)
Trade financing	4.76	(172,562)	-	-	-	-	-	(172,562)
Revolving credits	5.29	(50,500)	-	-	-	-	-	(50,500)
Term loans	5.83	(7,045)	(1,582)	(857)	(857)	(858)	-	(11,199)
Company								
Fixed rate								
Hire purchase liabilities	4.45	(140)	(147)	(153)	(160)	(85)	-	(685)
Floating rate								
Revolving credits	5.31	(35,000)	-	-	-	-	-	(35,000)
Term loan	6.90	(5,498)	(571)	-	-	-	-	(6,069)

33. 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 2016 Group	WAEIR %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total 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)	(857)	(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)

33. 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 RM13,017,000 (2016: RM5,864,000) 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 currencies 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 2017 and 31 December 2016 are as follows:

	Currency	Contract amount in foreign currency '000	RM'000 equivalent	Maturities within
2017				
Forward contracts used to hedge trade receivables	USD	627	2,662	5 months
Forward contracts used to hedge trade receivables	SGD	31	96	2 months
Forward contracts used to hedge trade receivables	EURO	42	204	4 months
Forward contracts used to hedge trade payables	USD	2,116	8,703	4 months
Forward contracts used to hedge trade payables	THB	7,338	976	3 months
Forward contracts used to hedge trade payables	JPY	1,375	50	3 months
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

33. 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"), Thai Baht ("THB"), Indonesian Rupiah ("IDR"), Euro ("EUR"), Sterling Pound ("GBP"), Singapore Dollar ("SGD"), Japanese Yen ("YEN") and Vietnamese Dong ("VND") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2017 **RM'000**	**2016** **RM'000**
Profit after tax			
USD	- strengthen by 3%	+89	+46
	- weaken by 3%	-89	-46
THB	- strengthen by 3%	-24	-13
	- weaken by 3%	+24	+13
IDR	- strengthen by 3%	+9	-
	- weaken by 3%	-9	-
EUR	- strengthen by 3%	+5	-
	- weaken by 3%	-5	-
GBP	- strengthen by 3%	+3	-
	- weaken by 3%	-3	-
SGD	- strengthen by 3%	-2	-7
	- weaken by 3%	+2	+7
YEN	- strengthen by 3%	-1	-3
	- weaken by 3%	+1	+3
VND	- strengthen by 3%	-	+20
	- weaken by 3%	-	-20

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Company is proposing to list its 51% owned subsidiary, Tashin Steel Sdn. Bhd. on the ACE Market of Bursa Malaysia Securities Berhad via a special purpose vehicle.

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

35.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	**Effective Date**
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

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

35.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	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
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	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
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *and* MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

LIST OF PROPERTIES
FOR YEAR ENDED 31 DECEMBER 2017

	Location	Tenure	Built-up Area	Year of Expiry	Description /Existing Use	Carrying Amount (RM'000)	Age of Building (years)	Date of Acquisition/ Revaluation
	PRESTAR RESOURCES BERHAD							
1	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	42,600	11 to 22	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	14,846	24	17 Aug 2015
	PRESTAR MARKETING SDN BHD							
1	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	3,979	29	18 Nov 2009
2	Lot 1113, 65A, Jalan Perak, 10150 Penang	Freehold	2,904 sq ft	nil	Office cum warehouse	831	55	29 Dec 1993
	PRESTAR ENGINEERING SDN BHD							
1	# 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	1	19	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	17	4 Feb 2004
	TASHIN STEEL SDN BHD							
1	Plot 40, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold * (34 years)	152,835 sq ft	2052	Office cum manufacturing site	27,557	19	31 July 2017
2	Plot 39, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold * (34 years)	132,552 sq ft	2052	Manufacturing site	23,748	10	31 July 2017
3	F 01-08, Taman Pelangi, Bukit Tengah, 13600 Perai, Penang	99 yrs Leasehold *(74 years)	500 sq ft	2092	Hostel	43	17	23 Apr 2008
4	V 03-16, Taman Pelangi, Bukit Tengah, 13600 Perai, Penang	99 yrs Leasehold *(74 years)	500 sq ft	2092	Hostel	60	17	2 Mar 2016

* 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 2 APRIL 2018

Total number of issued shares	:	204,698,030 ordinary shares
Class of Shares	:	Ordinary shares
Number of Shareholders	:	3,995
Voting Rights	:	One (1) vote per ordinary share on a poll

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	[------------------------ No. of Shares Held ----------------------]			
Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
Fabulous Essence Sdn. Bhd.	52,592,200	26.65	-	-
Toh Yew Keat	4,386,717	2.22	(1) 72,490,500	36.74
Dato' Toh Yew Peng	7,000,000	3.55	(1) 72,490,500	36.74
Y.K. Toh Property Sdn. Bhd.	19,898,300	10.08	-	-
Soh Tik Siew	10,917,700	5.53	-	-
Prudential Plc	10,149,500	5.14	-	-

Note:

(1) Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 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	25	0.63	772	0.00
100 - 1,000	323	8.09	248,460	0.13
1,001 - 10,000	2,471	61.85	13,120,358	6.65
10,001 - 100,000	1,056	26.43	32,595,136	16.52
100,001 - 9,866,545 (*)	117	2.93	77,713,304	39.38
9,866,546 and above (**)	3	0.08	73,652,900	37.32
Total	3,995	100.00	197,330,930	100.00

Remarks:
* Less than 5% of issued sharess
** 5% and above of issued shares

STATISTICS OF SHAREHOLDINGS
AS AT 2 APRIL 2018 (cont'd)

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

		[------ Direct Interest ------]		[---- Indirect Interest ----]	
Directors	**Nationality**	**No. of shares held**	**%**	**No. of shares held**	**%**
Toh Yew Keat	Malaysian	4,386,717	2.22	*72,750,500	36.87
Dato' Toh Yew Peng	Malaysian	7,000,000	3.55	@72,650,500	36.82
Toh Yew Kar	Malaysian	2,672,276	1.35	0	0
Toh Yew Seng	Malaysian	3,356,252	1.70	0	0
Toh Yew Chin	Malaysian	2,697,276	1.37	0	0
Md. Nahar Bin Noordin	Malaysian	1,395,800	0.71	0	0
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Malaysian	135,000	0.07	0	0
Dato' Lim Cheang Nyok	Malaysian	120,500	0.06	0	0
Lou Swee You	Malaysian	189,000	0.10	0	0

Notes:

* Deemed interested in Fabulous Essence Sdn. Bhd. and Y.K. Toh Property Sdn. Bhd by virtue of Section 8(4) of the Companies Act, 2016 and the shareholdings of his daughter, Ms. Janice Toh Mei Ling, and his sons, Jason Toh Jin Hin and Kenny Toh Jin Tat in Prestar Resources Berhad pursuant to Section 59(11) of the Companies Act, 2016.

@ Deemed interested in Fabulous Essence Sdn. Bhd. and Y.K. Toh Property Sdn. Bhd. by virtue of Section 8(4) of the Companies Act, 2016 and the shareholdings of his son, Alan Toh Jin Joo in Prestar Resources Berhad pursuant to Section 59(11) of the Companies Act, 2016.

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

Directors	**Number of ESOS held**
Toh Yew Keat	0
Dato' Toh Yew Peng	0
Toh Yew Kar	250,000
Toh Yew Seng	0
Toh Yew Chin	0
Md. Nahar Bin Noordin	0
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	0
Dato' Lim Cheang Nyok	73,500
Lou Swee You	0

STATISTICS OF SHAREHOLDINGS
AS AT 2 APRIL 2018 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares Held	Percentage (%)
1.	FABULOUS ESSENCE SDN. BHD.	50,192,200	25.44
2.	Y.K. TOH PROPERTY SDN. BHD.	12,543,000	6.36
3.	SOH TIK SIEW	10,917,700	5.53
4.	Y.K. TOH PROPERTY SDN. BHD.	7,355,300	3.73
5.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *(PLEDGED SECURITIES ACCOUNT FOR DATO' TOH YEW PENG)*	5,100,000	2.58
6.	TOH YEW KEAT	4,386,717	2.22
7.	TOH YEW SENG	3,356,252	1.70
8.	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. *(DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND)*	3,235,500	1.64
9.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. *(EXEMPT AN FOR UOB KAY HIAN PTE LTD [A/C CLIENTS])*	3,005,000	1.52
10.	TOH YEW CHIN	2,697,276	1.37
11.	TOH YEW KEONG	2,678,299	1.36
12.	FABULOUS ESSENCE SDN. BHD.	2,400,000	1.22
13.	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. *(DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA AL-ILHAM)*	2,399,900	1.22
14.	TOH POH KHUAN	2,390,230	1.21
15.	TOH YEW HOE	2,266,254	1.15
16.	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. *(DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA DINAMIK)*	1,764,800	0.89
17.	TOH YEW KAR	1,728,276	0.88
18.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *(PHUA SIN MO)*	1,563,800	0.79
19.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *(NG HAU CHING)*	1,500,000	0.76
20.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *(DATO' TOH YEW PENG)*	1,400,000	0.71
21.	MD NAHAR BIN NOORDIN	1,395,800	0.71
22.	SEOW MUN HON	1,315,900	0.67
23.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *(KUMPULAN WANG PERSARAAN (DIPERBADANKAN) [ESPG IV SCE])*	1,291,500	0.65
24.	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. *(DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND)*	1,057,300	0.54
25.	TAY YING LIM @ TAY ENG LIM	1,006,800	0.51
26.	HLB NOMINEES (TEMPATAN) SDN. BHD. *(PLEDGED SECURITIES ACCOUNT FOR YEE WAI LENG)*	1,000,000	0.51
27.	TOH YEW KAR	944,000	0.48
28.	NG WEE TIEW @ NG WEE CHIEW	841,300	0.43
29.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *(CIMB BANK FOR YEONG SING ONG)*	601,000	0.30
30.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *(PLEDGED SECURITIES ACCOUNT FOR LEE BOON SIONG)*	600,000	0.30

Note : The analysis of shareholdings is based on the total number of issued shares of the Company after deducting 7,367,100 ordinary shares bought back by the Company and held as treasury shares as at 2 April 2018.

No. of Shares Held	CDS Account No.

PRESTAR RESOURCES BERHAD

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

FORM OF PROXY

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

No...of..

....
(FULL ADDRESS)

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

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

of..

....
(FULL ADDRESS)

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

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-Third 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 Thursday, 31 May 2018 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 2017 together with the Reports of the Directors and the Auditors thereon.		
No.	**Resolutions**	**For**	**Against**
2.	To approve the payment of the single-tier final dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2017. (Resolution 1)		
3.	To approve the payment of Directors' fees amounting to RM220,000 for the financial year ended 31 December 2017. (Resolution 2)		
4.	To approve an amount of up to RM30,000 as benefits payable to the Non-Executive Directors from 31 May 2018 to the next Annual General Meeting of the Company held in 2019. (Resolution 3)		
5.	To re-elect Mr. Lou Swee You in accordance with Article 112 of the Company's Articles of Association. (Resolution 4)		
6.(a)	To re-elect Dato' Toh Yew Peng in accordance with Article 105 of the Company's Articles of Association. (Resolution 5)		
6.(b)	To re-elect Encik Md. Nahar Bin Noordin in accordance with Article 105 of the Company's Articles of Association. (Resolution 6)		
6.(c)	To re-elect Tuan Haji Fadzlullah Shuhaimi Bin Salleh in accordance with Article 105 of the Company's Articles of Association. (Resolution 7)		
7.	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 8)		
As Special Business :			
8.(a)	Ordinary Resolution No. 1 - Authority to issue shares pursuant to the Companies Act, 2016 (Resolution 9)		
8.(b)	Ordinary Resolution No. 2 - Proposed Renewal of Share Buy-Back Authority (Resolution 10)		
8.(c)	Ordinary Resolution No. 3 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 11)		
8.(d)	Ordinary Resolution No. 4 - Retention of Mr. Lou Swee You as an Independent Non-Executive Director (Resolution 12)		
8.(e)	Ordinary Resolution No. 5 - Retention of Encik Md Nahar Bin Noordin as an Independent Non-Executive Director (Resolution 13)		
8.(f)	Ordinary Resolution No. 6 - Retention of Tuan Haji Fadzlullah Shuhaimi Bin Salleh as an Independent Non-Executive Director (Resolution 14)		
8.(g)	Ordinary Resolution No. 7 - Retention of Dato' Lim Cheang Nyok as an Independent Non-Executive Director (Resolution 15)		

* Strike out whichever not applicable.

Signed this .... day of 2018

....
Signature of Member/Common Seal

Notes:
1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 May 2018 (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.

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

T: 03 2084 9000 • F: 03 2094 9940/2095 0292

www.prestar.com.my