Company No:
123066 - A

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2014

Company No:
123066 - A

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

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(Incorporated in Malaysia)

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 2014.

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 9 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	15,040	1,384
Attributable to:		
Owners of the parent	12,309	1,384
Non-controlling interests	2,731	-
	15,040	1,384

DIVIDENDS

As approved by the shareholders at the Annual General Meeting held on 20 June 2014, a final single tier dividend of 4.0% (2.0 sen per share), amounting to RM3,501,000 in respect of the financial year ended 31 December 2013 was paid on 18 September 2014.

The Directors propose a final single tier dividend of 4.0% (2.0 sen per share), amounting to RM3,502,000 in respect of the financial year ended 31 December 2014, which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM90,490,000 to RM91,001,000 by way of issuance of 1,022,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of employee share options.

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Options Scheme ('ESOS').

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

a) Eligible Directors and employees are those who are confirmed employees of the Group before the date of offer;

b) The maximum number of options to be offered under the ESOS based on the issued and paid-up ordinary share capital as at 31 December 2014 adjusted 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 of RM0.50 each-----]					
		Outstanding	Movements during the [--------financial year--------]			Outstanding	Exercisable
	Option price	as at 1.1.2014	Granted	Exercised	Lapsed	as at 31.12.2014	as at 31.12.2014
	RM	'000	'000	'000	'000	'000	'000
Date of offer							
2014 options	0.53	-	26,077	(1,022)	(1,695)	23,360	6,845

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 2 April 2015 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of employees who were granted 330,000 options and above.

OPTIONS GRANTED OVER UNISSUED SHARES (continued)

The list of employees of the Group and of the Company who have been granted 330,000 options and above are as follows:

	- Number of options over ordinary shares of RM0.50 each -			
	Balance as at 1.1.2014	**Granted**	**Exercised**	**Balance as at 31.12.2014**
Share options in the Company				
Koay Kah Ee	-	420,000	(50,000)	370,000
Lam Chung Ming	-	330,000	-	330,000
Lim Fong Kan	-	330,000	-	330,000
Toh Poh Khuan	-	330,000	-	330,000

DIRECTORS

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

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

In accordance with Article 105 of the Company's Articles of Association, Dato' Toh Yew Peng, Tuan Haji Fadzlullah Shuhaimi Bin Salleh and Md. Nahar Bin Noordin retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Lou Swee You who has attained the age of over seventy, retires in accordance with Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting. The Directors recommend that he be re-appointed in accordance with Section 129(6) of the said Act and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	------ Number of ordinary shares of RM0.50 each ------			
	Balance as at 1.1.2014	**Bought**	**Sold**	**Balance as at 31.12.2014**
Shares in the Company				
Direct interests				
Toh Yew Keat	3,296,717	-	-	3,296,717
Dato' Toh Yew Peng	5,417,896	-	-	5,417,896
Toh Yew Kar	2,472,276	-	-	2,472,276
Toh Yew Seng	2,266,252	-	-	2,266,252
Toh Yew Chin	2,472,276	-	-	2,472,276
Md. Nahar Bin Noordin	8,000,000	-	2,000,000	6,000,000
Indirect interests				
Toh Yew Keat	63,153,000	2,210,300	-	65,363,300
Dato' Toh Yew Peng	63,153,000	2,210,300	-	65,363,300
Toh Yew Kar	63,153,000	2,182,300	-	65,335,300
Toh Yew Seng	63,153,000	2,182,300	-	65,335,300
Toh Yew Chin	63,153,000	2,182,300	-	65,335,300

	- Number of options over ordinary shares of RM0.50 each -			
	Balance as at 1.1.2014	**Granted**	**Exercised**	**Balance as at 31.12.2014**
Share options in the Company				
Toh Yew Keat	-	1,000,000	-	1,000,000
Dato' Toh Yew Peng	-	1,000,000	-	1,000,000
Toh Yew Kar	-	420,000	-	420,000
Toh Yew Seng	-	1,000,000	-	1,000,000
Toh Yew Chin	-	189,000	-	189,000
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	-	420,000	-	420,000
Md. Nahar Bin Noordin	-	420,000	-	420,000
Dato' Lim Cheang Nyok	-	294,000	-	294,000
Lou Swee You	-	189,000	-	189,000

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

(i) director's fees and other emoluments as disclosed in Note 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 during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS disclosed in Note 29 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

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

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 1 October 2014, the Company completed an acquisition of a further thirty percent (30%) equity interest in Dai Dong Steel Sdn. Bhd. ('DDSB'). Together with the seventy percent (70%) equity interest in DDSB originally held by the Company, the total equity interest in DDSB now held by the Company after acquisition is one hundred percent (100%) as disclosed in Note 9 to the financial statements.

AUDITORS

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

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

....
Dato' Toh Yew Peng
Director

....
Toh Yew Seng
Director

Kuala Lumpur
15 April 2015

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 112 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 to the financial statements on page 113 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

....	....
Dato' Toh Yew Peng	Toh Yew Seng
Director	Director

Kuala Lumpur
15 April 2015

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 12 to 113 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)
15 April 2015) Koay Kah Ee

Before me:

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Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTAR RESOURCES BERHAD

Report on the Financial Statements

We have audited the financial statements of Prestar Resources Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 112.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 35 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

BDO

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

Other Matters

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

BDO

BDO
AF : 0206
Chartered Accountants

Francis Cyril A/L S R Singam
3056/04/17 (J)
Chartered Accountant

Kuala Lumpur
15 April 2015

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	NOTE	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	165,671	153,438	52,453	53,117
Investment properties	8	4,651	4,820	-	-
Investments in subsidiaries	9	-	-	113,719	108,197
Investment in an associate	10	39,799	41,504	16,965	16,965
Intangible assets	11	1,736	1,794	-	-
Deferred tax assets	12	682	1,951	-	-
		212,539	203,507	183,137	178,279
Current assets					
Inventories	13	143,190	164,103	-	-
Derivative assets	14	158	358	-	-
Trade and other receivables	15	172,982	169,450	74	4,306
Current tax assets		493	702	-	533
Cash and bank balances	16	32,137	20,420	1,273	2,432
		348,960	355,033	1,347	7,271
TOTAL ASSETS		561,499	558,540	184,484	185,550
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	91,001	90,490	91,001	90,490
Treasury shares	17	(5,854)	(5,854)	(5,854)	(5,854)
Reserves	18	118,735	109,296	21,682	23,071
		203,882	193,932	106,829	107,707
Non-controlling interests		56,275	58,171	-	-
TOTAL EQUITY		260,157	252,103	106,829	107,707
Non-current liabilities					
Borrowings	19	24,674	25,505	16,074	20,602
Deferred tax liabilities	12	7,696	5,577	1,605	1,608
		32,370	31,082	17,679	22,210
Current liabilities					
Trade and other payables	20	33,398	33,680	13,176	11,713
Derivative liabilities	14	123	39	-	-
Borrowings	19	233,932	240,776	46,624	43,920
Current tax liabilities		1,519	860	176	-
		268,972	275,355	59,976	55,633
TOTAL LIABILITIES		301,342	306,437	77,655	77,843
TOTAL EQUITY AND LIABILITIES		561,499	558,540	184,484	185,550

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

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	NOTE	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	23	630,101	600,538	8,917	11,956
Cost of sales		(558,884)	(536,140)	(1,222)	(1,189)
Gross profit		71,217	64,398	7,695	10,767
Other income		7,710	7,454	5,153	35
Selling and distribution expenses		(4,689)	(5,062)	-	-
Administrative expenses		(33,287)	(30,207)	(3,218)	(3,206)
Other expenses		(2,695)	(4,134)	(4,235)	(6,060)
Finance costs		(14,143)	(13,272)	(3,956)	(4,059)
Interest income		367	239	381	319
Share of (loss)/profit of an associate, net of tax		(1,568)	913	-	-
Profit/(Loss) before tax	24	22,912	20,329	1,820	(2,204)
Tax expense	25	(7,872)	(4,086)	(436)	(712)
Profit/(Loss) for the financial year		15,040	16,243	1,384	(2,916)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		812	838	-	-
Total other comprehensive income, net of tax		812	838	-	-
Total comprehensive income/(loss)		15,852	17,081	1,384	(2,916)

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

		Group		Company	
		2014	2013	2014	2013
	NOTE	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to:					
Owners of the parent		12,309	12,205	1,384	(2,916)
Non-controlling interests		2,731	4,038	-	-
		15,040	16,243	1,384	(2,916)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,121	13,043	1,384	(2,916)
Non-controlling interests		2,731	4,038	-	-
		15,852	17,081	1,384	(2,916)
Earnings per ordinary share attributable to equity holders of the Company:					
- Basic and diluted (sen):	27	7.05	7.01		

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

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	[------------------------Non-distributable				---------------------]	Distributable			
Group	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Share options reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total attributable to owners of the parent RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance as at 1 January 2014	90,490	1,687	303	-	(5,854)	107,306	193,932	58,171	252,103
Profit for the financial year	-	-	-	-	-	12,309	12,309	2,731	15,040
Other comprehensive income, net of tax	-	-	812	-	-		812	-	812
Total comprehensive income	-	-	812	-	-	12,309	13,121	2,731	15,852
Transactions with owners:									
Dividends paid (Note 26)	-	-	-	-	-	(3,501)	(3,501)	-	(3,501)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(1,035)	(1,035)
Ordinary shares issued pursuant to ESOS	511	51	-	(92)	-	-	470	-	470
Acquisition of additional interest from non-controlling interests	-	-	-	-	-	(909)	(909)	(3,592)	(4,501)
Share options granted under ESOS	-	-	-	769	-	-	769	-	769
Total transactions with owners	511	51	-	677	-	(4,410)	(3,171)	(4,627)	(7,798)
Balance as at 31 December 2014	91,001	1,738	1,115	677	(5,854)	115,205	203,882	56,275	260,157

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

	[------Non-distributable			------]	Distributable			
Group	**Share capital RM'000**	**Share premium RM'000**	**Translation 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 2013	90,490	1,687	(535)	(5,854)	96,145	181,933	56,168	238,101
Profit for the financial year	-	-	-	-	12,205	12,205	4,038	16,243
Other comprehensive income, net of tax	-	-	838	-	-	838	-	838
Total comprehensive income	-	-	838	-	12,205	13,043	4,038	17,081
Transactions with owners:								
Dividends paid (Note 26)	-	-	-	-	(1,044)	(1,044)	-	(1,044)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(2,035)	(2,035)
Total transactions with owners	-	-	-	-	(1,044)	(1,044)	(2,035)	(3,079)
Balance as at 31 December 2013	90,490	1,687	303	(5,854)	107,306	193,932	58,171	252,103

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

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	[------Non-distributable			------]	Distributable	
	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**
Company						
Balance as at 1 January 2013	90,490	1,687	(5,854)	-	25,344	111,667
Loss for the financial year	-	-	-	-	(2,916)	(2,916)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(2,916)	(2,916)
Transactions with owners:						
Dividends paid (Note 26)	-	-	-	-	(1,044)	(1,044)
Balance as at 31 December 2013	90,490	1,687	(5,854)	-	21,384	107,707
Profit for the financial year	-	-	-	-	1,384	1,384
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,384	1,384
Transactions with owners:						
Dividends paid (Note 26)	-	-	-	-	(3,501)	(3,501)
Ordinary shares issued pursuant to ESOS	511	51	-	(92)	-	470
Share options granted under ESOS	-	-	-	769	-	769
Balance as at 31 December 2014	91,001	1,738	(5,854)	677	19,267	106,829

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

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	NOTE	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		22,912	20,329	1,820	(2,204)
Adjustments for:					
Amortisation of development costs	11	58	58	-	-
Bad debts written off		53	-	-	-
Deficit on an associate being struck off	24	-	-	-	3
Depreciation of investment properties	8	2	2	-	-
Depreciation of property, plant and equipment	7	9,624	15,215	1,180	1,153
Gross dividend income from					
- subsidiaries	23	-	-	(4,215)	(7,345)
- an associate	23	-	-	(137)	-
Fair value adjustment on derivative instruments	14	284	(323)	-	-
Gain on disposal of property, plant and equipment	24	(88)	(183)	-	(26)
Impairment losses on investment in subsidiaries	9	-	-	4,096	5,900
Impairment losses on property, plant and equipment	7	248	2,654	-	-
Impairment loss on investment properties	8	167	-	-	-
Impairment losses on trade and other receivables	15(h)	843	595	-	-
Interest expense		14,143	13,272	3,956	4,059
Interest income		(367)	(239)	(381)	(319)
Inventories written down	13	135	1,814	-	-
Reversal of write down of inventories	13	(1,569)	(355)	-	-
Property, plant and equipment written off	7	299	72	-	-
Reversal of impairment losses on trade receivables	15(h)	(939)	(445)	-	-
Reversal of impairment losses on investment in subsidiaries	9	-	-	(5,117)	-
Share options expenses	28	769	-	91	-
Share of loss/(profit) of an associate, net of tax	10 (d)	1,568	(913)	-	-
Unrealised loss/(gain) on foreign exchange	24	123	5	(36)	-
Operating profit before changes in working capital		48,265	51,558	1,257	1,221

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

		Group		Company	
		2014	**2013**	**2014**	**2013**
	NOTE	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Operating profit before changes in working capital (continued)		48,265	51,558	1,257	1,221
Decrease/(Increase) in inventories		22,631	(16,563)	-	-
(Increase)/Decrease in trade and other receivables		(3,231)	(142)	87	(29)
(Decrease)/Increase in trade and other payables		(504)	(13,505)	(378)	117
Cash generated from operations		67,161	21,348	966	1,309
Tax refunded		567	279	518	149
Tax paid		(4,183)	(2,330)	(248)	(105)
Net cash from operating activities		63,545	19,297	1,236	1,353
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment from /(Advances to) subsidiaries		-	-	6,664	(1,125)
Acquisition of additional interest in a subsidiary	9	(4,501)	-	(4,501)	-
Dividend received, net		-	-	4,352	6,665
Fixed deposits pledged		(88)	(499)	(88)	(499)
Interest received		367	239	381	319
Proceeds from disposal of property, plant and equipment		406	297	17	32
Purchase of property, plant and equipment	7(b)	(13,978)	(7,432)	(533)	(108)
Dividend received from an associate	10 (d)	137	-	-	-
Net cash (used in)/from investing activities		(17,657)	(7,395)	6,292	5,284

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

	NOTE	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(14,143)	(13,272)	(3,956)	(4,059)
Repayment of hire purchase liabilities		(1,073)	(2,082)	(121)	(115)
Repayments of term loans		(5,901)	(9,268)	(4,739)	(8,644)
Net proceeds from issuance of ordinary shares		470	-	470	-
(Repayments of)/Drawdown of other borrowings		(9,374)	19,005	3,000	7,186
Dividends paid	26	(3,501)	(1,044)	(3,501)	(1,044)
Dividends paid to non-controlling interests		(1,035)	(2,035)	-	-
Net cash used in financing activities		(34,557)	(8,696)	(8,847)	(6,676)
Net increase/(decrease) in cash and cash equivalents		11,331	3,206	(1,319)	(39)
Effects of exchange rate differences		88	49	86	-
Cash and cash equivalents at beginning of financial year		18,557	15,302	1,789	1,828
Cash and cash equivalents at end of financial year	16(b)	29,976	18,557	556	1,789

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

PRESTAR RESOURCES BERHAD (123066 - A)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements for the financial year ended 31 December 2014 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 15 April 2015.

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 9 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 12 to 112 have been prepared in accordance with Malaysian Financial Reporting Standards (‘MFRSs’), International Financial Reporting Standards (‘IFRSs’) and the provisions of the Companies Act, 1965 in Malaysia. However, Note 35 to the financial statements as set out on page 113 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (‘MIA Guidance’) and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8.1 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

After initial recognition, property, plant and equipment except for freehold land are stated at cost less 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.

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 (see Note 4.9 to the financial statements on impairment of non-financial assets).

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.

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

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases and hire purchase (continued)

(a) Finance leases and hire purchase (continued)

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.6 Investment properties

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

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 (see Note 4.9 to the financial statements on impairment of non-financial assets).

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

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.

4.7 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less accumulated impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in an associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening period.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost and is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

(b) Associates (continued)

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.8 Intangible assets

4.8.1 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Intangible assets (continued)

4.8.2 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 operating 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 assets are tested for impairment annually.

4.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and an associate), inventories, and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (‘CGU’) to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets (continued)

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.10 Inventories

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

The cost of raw materials is determined on the weighted average basis and comprises all costs of purchase plus other cost bringing the inventories to their present location and condition.

The cost of work-in-progress and finished goods includes cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

4.11.1 Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

4.11.1 Financial assets (continued)

(b) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and bank balances include cash and cash equivalents, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

4.11.1 Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

4.11.2 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(b) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

4.11.2 Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

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.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

4.11.3 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

4.11.3 Equity (continued)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

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 Main Market Listing Requirements.

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.

4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of financial assets (continued)

(a) Loans and receivables (continued)

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.13 Borrowing costs

All non-qualifying borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Income taxes (continued)

4.14.1 Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties, if any.

4.14.2 Deferred tax

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and 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.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.16 Contingent liabilities and contingent assets

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.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.17 Employee benefits

4.17.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Employee benefits (continued)

4.17.1 Short term employee benefits (continued)

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4.17.2 Defined contribution plan

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.17.3 Share-based payments

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.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 **Foreign currencies**

4.18.1 Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

4.18.2 Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.18.3 Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Revenue recognition

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.

4.20 Operating segments

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Operating segments (continued)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the 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.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the 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 adjusted for the effects of dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Fair value measurements

The fair value of an asset or a liability, (except for share-based payment and lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset;

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the current 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 10 *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12 *Disclosure of Interest in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities*	1 January 2014
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014

There is no material effect upon the adoption of the above Amendments and Interpretation during the financial year.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to MFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to MFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015 (continued)

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company (continued).

Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
MFRS 15 *Revenue from Contracts with Customers*	1 January 2017
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018

The Group 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.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6.2 Critical judgement made in applying accounting policies

The following is judgement made by the Directors in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Contingent liabilities on corporate guarantees

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 11 to the financial statements.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within five (5) to fifty (50) years, which are common life expectancies applied in the industries relevant to the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. A three percent (3%) difference in the average useful lives of these assets from management's estimates would result in approximately a RM289,000 variance in profit for the financial year.

(iii) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses based on the interpretation of the tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(v) Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Such assessment requires the Directors to make estimates of the recoverable amounts. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The Directors believe that the estimates of the recoverable amounts are reasonable.

(vi) Impairment of receivables

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 concentrations, 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.

(vii) Impairment of investments in subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the business of the subsidiaries.

(viii) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trends and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(ix) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 33 to the financial statements.

(x) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

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

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures these elements in the financial statements at fair value:

(i) Derivative financial instruments, Note 14 to the financial statements; and
(ii) Financial instruments, Note 32 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2014 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	Transfer to inventories RM'000	Foreign currency translation difference RM'000	Balance as at 31.12.2014 RM'000
Carrying amount										
Freehold land	21,238	-	-	-	-	-	-	-	-	21,238
Buildings	57,189	73	-	-	(1,552)	-	3,398	-	235	59,343
Leasehold land	7,081	-	-	-	(177)	-	-	-	146	7,050
Plant and machinery	49,978	1,451	(45)	(26)	(3,783)	(248)	11,543	-	120	58,990
Office equipment	899	278	(2)	(4)	(284)	-	-	-	-	887
Furniture, fittings and renovations	977	1,265	-	-	(417)	-	161	-	3	1,989
Motor vehicles and forklifts	12,011	4,028	(269)	(268)	(2,778)	-	-	(126)	-	12,598
Moulds, tools and equipment	1,518	346	-	(1)	(633)	-	-	-	5	1,235
Construction-in-progress	2,547	14,898	(2)	-	-	-	(15,102)	-	-	2,341
	153,438	22,339	(318)	(299)	(9,624)	(248)	-	(126)	509	165,671

	<-------------As at 31 December 2014---------->		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Freehold land	21,238	-	21,238
Buildings	75,520	(16,177)	59,343
Leasehold land	8,881	(1,831)	7,050
Plant and machinery	112,301	(53,311)	58,990
Office equipment	4,940	(4,053)	887
Furniture, fittings and renovations	7,046	(5,057)	1,989
Motor vehicles and forklifts	23,524	(10,926)	12,598
Moulds, tools and equipment	10,798	(9,563)	1,235
Construction-in-progress	2,876	(535)	2,341
	267,124	(101,453)	165,671

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2013 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	Transfer to inventories RM'000	Foreign currency translation difference RM'000	Balance as at 31.12.2013 RM'000
Carrying amount										
Freehold land	21,238	-	-	-	-	-	-	-	-	21,238
Buildings	58,465	-	-	-	(1,545)	-	-	-	269	57,189
Leasehold land	7,093	-	-	-	(175)	-	-	-	163	7,081
Plant and machinery	52,608	4,056	-	(62)	(9,153)	(1,960)	4,309	-	180	49,978
Office equipment	1,043	185	-	(9)	(320)	-	-	-	-	899
Furniture, fittings and renovations	1,227	202	-	(1)	(456)	-	-	-	5	977
Motor vehicles and forklifts	11,264	3,360	(114)	-	(2,513)	-	59	(45)	-	12,011
Moulds, tools and equipment	2,942	280	-	-	(1,053)	(669)	-	-	18	1,518
Construction-in-progress	5,756	1,184	-	-	-	(25)	(4,368)	-	-	2,547
	161,636	9,267	(114)	(72)	(15,215)	(2,654)	-	(45)	635	153,438

	<-------------As at 31 December 2013---------->		
	Cost RM'000	**Accumulated depreciation and impairment RM'000**	**Carrying amount RM'000**
Freehold land	21,238	-	21,238
Buildings	71,750	(14,561)	57,189
Leasehold land	8,707	(1,626)	7,081
Plant and machinery	99,754	(49,776)	49,978
Office equipment	4,795	(3,896)	899
Furniture, fittings and renovations	5,624	(4,647)	977
Motor vehicles and forklifts	21,937	(9,926)	12,011
Moulds, tools and equipment	10,640	(9,122)	1,518
Construction-in-progress	3,082	(535)	2,547
	247,527	(94,089)	153,438

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2014 RM'000	Additions RM'000	Disposal RM'000	Depreciation charge for the financial year RM'000	Reclassification RM'000	Balance as at 31.12.2014 RM'000
Carrying amount						
Freehold land	17,460	-	-	-	-	17,460
Buildings	34,462	-	-	(884)	-	33,578
Office equipment	117	66	-	(35)	-	148
Furniture, fittings and renovations	278	467	-	(111)	99	733
Motor vehicles	701	-	(17)	(150)	-	534
Construction-in-progress	99	-	-	-	(99)	-
	53,117	533	(17)	(1,180)	-	52,453

	<-------------- At 31 December 2014 ----------->		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	17,460	-	17,460
Buildings	44,173	(10,595)	33,578
Office equipment	406	(258)	148
Furniture, fittings and renovations	2,133	(1,400)	733
Motor vehicles	1,195	(661)	534
	65,367	(12,914)	52,453

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2013 RM'000	Additions RM'000	Disposal RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.12.2013 RM'000
Carrying amount					
Freehold land	17,460	-	-	-	17,460
Buildings	35,345	-	-	(883)	34,462
Office equipment	143	9	-	(35)	117
Furniture, fittings and renovations	346	-	-	(68)	278
Motor vehicles	874	-	(6)	(167)	701
Construction-in-progress	-	99	-	-	99
	54,168	108	(6)	(1,153)	53,117

	<-------------- At 31 December 2013 ----------->		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	17,460	-	17,460
Buildings	44,173	(9,711)	34,462
Office equipment	343	(226)	117
Furniture, fittings and renovations	1,566	(1,288)	278
Motor vehicles	1,356	(655)	701
Construction-in-progress	99	-	99
	64,997	(11,880)	53,117

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As at the end of reporting period, freehold land, certain buildings and leasehold land of the Group with a carrying amount of RM70,929,000 (2013: RM86,090,000) and freehold land and building of the Company with a carrying amount of RM51,038,000 (2013: RM51,922,000) have been charged as securities for banking facilities granted to the Group and the Company as disclosed in Note 19 to the financial statements.

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of property, plant and equipment	22,339	9,267	533	108
Financed by hire purchase and lease arrangements	(8,361)	(1,835)	-	-
Cash payments on purchase of property, plant and equipment	13,978	7,432	533	108

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

	Group		Company	
Carrying amount	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant and machinery	2,416	1,615	-	-
Motor vehicles and forklifts	5,231	5,469	468	603
	7,647	7,084	468	603

8. INVESTMENT PROPERTIES

	Group 2014 RM'000	Group 2013 RM'000
At cost		
Balance as at 1 January/31 December	5,049	5,049
Accumulated depreciation		
Balance as at 1 January	(36)	(34)
Depreciation charge for the financial year	(2)	(2)
Balance as at 31 December	(38)	(36)
Accumulated impairment loss		
Balance as at 1 January	(193)	(193)
Impairment loss for the financial year	(167)	-
Balance as at 31 December	(360)	(193)
Net carrying amount as at 31 December	4,651	4,820

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

	Group 2014 RM'000	Group 2013 RM'000
Quit rent and assessment	1	1

(b) 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
2014				
Freehold land and buildings	-	-	4,675	4,675
2013				
Freehold land and buildings	-	-	5,564	5,564

8. INVESTMENT PROPERTIES (continued)

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

(i) There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2014 and 31 December 2013.

(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 an external valuation report and an assessment of previous sales of similar properties in the vicinity on a price per square foot basis.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	RM'000	**RM'000**
At cost		
Unquoted shares	138,050	133,549
Less: Impairment losses	(24,331)	(25,352)
	113,719	108,197

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

Name of company	**Effective equity interest 2014 %**	**Effective equity interest 2013 %**	**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')	75	75	Manufacture and supply of 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.

9. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Effective equity interest 2014 %	2013 %	Principal activities
Dai Dong Steel Sdn. Bhd. * ('DDSB')	100	70	Import and trading of steel materials and general hardware products.
Tashin Steel Sdn. Bhd. * ('TSSB')	51	51	Manufacture, reprocess and trading of steel related products.
Prestar Galvanising Sdn. Bhd. * ('PGSB')	95	95	General hot-dip galvanising and coating of metal products and threaded items, fabrication of moulds and dies, maintenance and installation of machinery.
Prestar Storage System Sdn. Bhd. * ('PSSSB')	100	100	Manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking systems.
Prestar Industries (Vietnam) Co., Ltd. **# ('PIVCL')	100	100	Manufacture and processing of all kinds of steel products such as material handling equipment, highway guardrails and building materials and other steel processed products.
Subsidiary of Prestar Precision Tube Sdn. Bhd.			
PT Prestar Precision Tube @ ('PTPPT')	75	75	Dormant.
Subsidiary of Tashin Steel Sdn. Bhd.			
Tashin Hardware Sdn. Bhd. * ('THSB')	51	51	Trading of steel material and general hardware products.
Subsidiary of Prestar Manufacturing Sdn. Bhd.			
PT Prestar MHE @ ('PTMHE')	100	100	Importing and trading of carbon steel pipes

* *Audited by BDO Malaysia.*
** *Audited by BDO Member Firm.*
\# *Incorporated in Vietnam.*
@ *Incorporated in Indonesia.*

9. INVESTMENTS IN SUBSIDIARIES (continued)

2014

During the financial year, the movements in investments in subsidiaries are as follows:

(i) An impairment loss on investments in subsidiaries amounting to RM4,096,000 relating to a subsidiary which has become dormant during the financial year, PSPSB, has been recognised during the financial year. The carrying amount of the investment in PSPSB after the impairment loss is Nil.

(ii) Reversal of impairment loss on investments in subsidiaries amounting to RM5,117,000 (2013: nil) relating to a subsidiary, PMSB, has been recognised during the financial year. The recoverable amount was determined based on the value-in-use calculation using cash flow projections based on financial budgets approved by the Directors covering a five (5)-year period. The discount rate applied to the cash flow projections was 5.50% based on the weighted average cost of capital of the Company and appropriate risk premiums

(iii) Transaction with non-controlling interest

On 1 October 2014, the Company increased its shareholding in DDSB, a subsidiary of the Company incorporated in Malaysia, which is principally involved in the business of importing and trading of steel materials and general hardware products, from 70% to 100% for a cash consideration of RM4,501,000.

The impact of the acquisition on the Group is as shown in the consolidated statement of changes in equity.

2013

In the previous financial year, the movements in investments in subsidiaries are as follows:

(i) An impairment loss on investments in subsidiaries amounting to RM331,000 relating to a subsidiary, PIVCL, has been recognised in the previous financial year. The recoverable amount was determined based on the value-in-use calculation using cash flow projections based on financial budgets approved by the Directors covering a five (5)-year period. The discount rate applied to the cash flow projections was 4.68% based on the weighted average cost of capital of the Company and appropriate risk premiums.

(ii) An impairment loss on investments in subsidiaries amounting to RM5,569,000 relating to a subsidiary, PSPSB, has been recognised during the financial year. The recoverable amount was determined based on the value-in-use calculation using cash flow projections based on financial budgets approved by the Directors covering a five (5) year period. The discount rate applied to the cash flow projections was 4.77% based on the weighted average cost of capital of the Company and appropriate risk premiums.

(iii) On 28 January 2013, the Company announced that its wholly-owned subsidiaries, PMSB and PSSSB, jointly incorporated a wholly-owned subsidiary, PTMHE with a total cost of investment of RM94,000. The incorporation did not have any material impact on the financial statements of the Group.

9. INVESTMENTS IN SUBSIDIARIES (continued)

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

	PESB	DDSB	TSSB	THSB	PGSB	PTPPT	TOTAL
2014							
NCI percentage of ownership interest and voting interest	25%	-	49%	49%	5%	25%	
Carrying amount of NCI (RM'000)	5,582	-	48,781	1,423	470	19	56,275
Profit/(Loss) allocated to NCI (RM'000)	1,086	230	1,141	194	85	(5)	2,731
2013							
NCI percentage of ownership interest and voting interest	25%	30%	49%	49%	5%	25%	
Carrying amount of NCI (RM'000)	4,996	3,407	48,130	1,229	385	24	58,171
Profit/(Loss) allocated to NCI (RM'000)	764	411	2,464	370	37	(8)	4,038

9. INVESTMENTS IN SUBSIDIARIES (continued)

(b) 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
2014						
Assets and liabilities						
Non-current assets	2,270	55,790	2,296	6,466	1	66,823
Current assets	30,581	111,174	13,710	8,061	76	163,602
Non-current liabilities	(273)	(6,699)	(454)	(756)	-	(8,182)
Current liabilities	(10,250)	(60,130)	(10,747)	(4,371)	(1)	(85,499)
Net assets	22,328	100,135	4,805	9,400	76	136,744
Results						
Revenue	51,979	185,720	43,243	21,019	-	301,961
Profit/(Loss) for the financial year	4,343	2,328	396	1,711	(20)	8,758
Total comprehensive income/(loss)	4,343	2,328	396	1,711	(20)	8,758
Cash flows from/(used in) operating activities	6,203	23,561	4,478	596	(17)	34,821
Cash flows from/(used in) investing activities	520	(6,070)	(7,094)	(851)	-	(13,495)
Cash flows (used in)/from financing activities	(2,853)	(16,055)	2,037	1,349	-	(15,522)
Net increase/(decrease) in cash and cash equivalents	3,870	1,436	(579)	1,094	(17)	5,804
Dividends paid to NCI	(500)	(490)	-	-	-	(990)

9. INVESTMENTS IN SUBSIDIARIES (continued)

(b) 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 (continued):

	PESB RM'000	DDSB RM'000	TSSB RM'000	THSB RM'000	PGSB RM'000	PTPPT RM'000	TOTAL RM'000
2013							
Assets and liabilities							
Non-current assets	2,422	580	43,968	2,552	6,412	2	55,936
Current assets	27,821	34,574	125,030	20,166	5,682	66	213,339
Non-current liabilities	(279)	-	(1,906)	(530)	(826)	-	(3,541)
Current liabilities	(10,014)	(23,781)	(68,286)	(17,778)	(3,199)	(1)	(123,059)
Net assets	19,950	11,373	98,806	4,410	8,069	67	142,675
Results							
Revenue	41,669	62,080	180,407	47,918	15,600	-	347,674
Profit/(Loss) for the financial year	3,055	1,371	5,630	755	736	(34)	11,513
Total comprehensive income/(loss)	3,055	1,371	5,630	755	736	(34)	11,513
Cash flows from/(used in) operating activities	1,236	523	(2,298)	4,238	1,527	(43)	5,183
Cash flows (used in)/from investing activities	(275)	1,852	(549)	(2,967)	(181)	-	(2,120)
Cash flows (used in)/from financing activities	(831)	(2,402)	2,948	(600)	(2,904)	-	(3,789)
Net increase/(decrease) in cash and cash equivalents	130	(27)	101	671	(1,558)	(43)	(726)
Dividends paid to NCI	750	180	980	-	125	-	2,035

9. INVESTMENTS IN SUBSIDIARIES (continued)

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

	2014 RM'000	2013 RM'000
Cash and cash equivalents	13,679	5,416
Buildings	11,552	23,706
Leasehold land	8,340	10,509
	33,571	39,631

The above restrictions arose from bank covenants as follows:

(i) The covenant of banking facilities taken by TSSB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends to its shareholders if the Company 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. The covenant also restricts the Company to dispose or transfer the ownership of its leasehold land and building.

(ii) The covenant of banking facilities taken by PESB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends to its shareholders if the Company 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) The covenant of banking facilities taken by DDSB, a subsidiary of the Company, restricts the ability of the subsidiary to declare dividends of more than 50% of its current year profit after tax to its shareholders without the bank's consent.

(iv) The covenant of banking facilities taken by PIVCL and PMktgSB, restricts the ability of the subsidiaries to dispose or transfer the ownership of its leasehold lands and buildings.

10. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost:				
Unquoted equity shares	16,965	16,965	16,965	16,965
Share of post acquisition reserves, net of dividends received	22,834	24,539	-	-
	39,799	41,504	16,965	16,965

10. INVESTMENT IN AN ASSOCIATE (continued)

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

Name of company	Effective equity interest 2014 %	2013 %	Principal activities
POSCO-MKPC Sdn. Bhd. * (Incorporated in Malaysia)	30	30	Slitting, shearing and sales of steel sheets and coils.

* *Audited by BDO Malaysia.*

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

(b) The financial statements of the above associate is coterminous with those of the Group, which is 31 December 2014.

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

2014	Posco-MKPC Sdn. Bhd. RM'000
Assets and liabilities	
Non-current assets	83,563
Current assets	281,861
Non-current liabilities	(11,741)
Current liabilities	(220,698)
Net assets	132,985
Results	
Revenue	503,422
Loss for the financial year	(5,226)
Total comprehensive loss	(5,226)
Cash flows from operating activities	18,480
Cash flows used in investing activities	(2,391)
Cash flows used in financing activities	(8,038)
Net increase in cash and cash equivalents	8,051

10. INVESTMENT IN AN ASSOCIATE (continued)

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

2013	Posco-MKPC Sdn. Bhd. RM'000
Assets and liabilities	
Non-current assets	85,336
Current assets	342,197
Non-current liabilities	(15,241)
Current liabilities	(273,625)
Net assets	138,667
Results	
Revenue	604,745
Profit for the financial year	3,044
Total comprehensive income	3,044
Cash flows from operating activities	86,771
Cash flows used in investing activities	(1,974)
Cash flows used in financing activities	(82,578)
Net increase in cash and cash equivalents	2,219

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

As at 31 December 2014	Posco-MKPC Sdn. Bhd. RM'000
The Group's share of net assets	39,799
Elimination of unrealised profits	-
Carrying amount in the statement of financial position	39,799
Share of results of the Group for the financial year ended 31 December 2014	
The Group's share of loss/other comprehensive loss	(1,568)
Other information	
Dividend received	137

10. INVESTMENT IN AN ASSOCIATE (continued)

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

	Posco-MKPC Sdn. Bhd. RM'000
As at 31 December 2013	
The Group's share of net assets	41,504
Elimination of unrealised profits	-
Carrying amount in the statement of financial position	41,504
Share of results of the Group for the financial year ended 31 December 2013	
The Group's share of profit/other comprehensive income	913

11. INTANGIBLE ASSETS

2014 **Group** **Carrying amount**	Balance as at 1.1.2014 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2014 RM'000
Goodwill	1,675	-	1,675
Development costs	119	(58)	61
	1,794	(58)	1,736

	<……… As at 31 December 2014 ………>		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	2,803	(1,128)	1,675
Development costs	589	(528)	61
	3,392	(1,656)	1,736

11. INTANGIBLE ASSETS (continued)

2013 Group Carrying amount	Balance as at 1.1.2013 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2013 RM'000
Goodwill	1,675	-	1,675
Development costs	177	(58)	119
	1,852	(58)	1,794

	<……… As at 31 December 2013 ………>		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	2,803	(1,128)	1,675
Development costs	589	(470)	119
	3,392	(1,598)	1,794

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

(b) Goodwill

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

	Manufacturing (CGU 1) RM'000	Trading (CGU 2) RM'000	Total RM'000
Goodwill, gross	1,799	1,004	2,803
Less: Impairment loss	(668)	(460)	(1,128)
Goodwill, net	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.

11. INTANGIBLE ASSETS (continued)

(b) Goodwill (continued)

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

	CGU 1		CGU 2	
	2014	**2013**	**2014**	**2013**
	%	%	%	%
Growth rates	3.0 – 9.0	4.0 - 9.0	3.0	3.0 - 5.0
Pre-tax discount rates	5.5	4.5	5.5	4.5

A reasonable change in the assumptions above 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 CGU 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.

12. DEFERRED TAX

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Balance as at 1 January	3,626	2,753	1,608	1,619
Recognised in profit or loss (Note 25)	3,388	873	(3)	(11)
Balance as at 31 December	7,014	3,626	1,605	1,608
Presented after appropriate offsetting:				
Deferred tax liabilities, net	7,696	5,577	1,605	1,608
Deferred tax assets, net	(682)	(1,951)	-	-
	7,014	3,626	1,605	1,608

12. DEFERRED TAX (continued)

(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 2014	5,577
Recognised in the profit or loss	2,119
At 31 December 2014	7,696
At 1 January 2013	4,903
Recognised in the profit or loss	674
At 31 December 2013	5,577

Deferred tax assets of the Group

	Provisions RM'000	Unused tax losses RM'000	Total RM'000
At 1 January 2014	1,341	610	1,951
Recognised in the profit or loss	(1,116)	(153)	(1,269)
At 31 December 2014	225	457	682
At 1 January 2013	373	1,777	2,150
Recognised in the profit or loss	968	(1,167)	(199)
At 31 December 2013	1,341	610	1,951

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
At 1 January 2014	1,608
Recognised in the profit or loss	(3)
At 31 December 2014	1,605
At 1 January 2013	1,619
Recognised in the profit or loss	(11)
At 31 December 2013	1,608

12. DEFERRED TAX (continued)

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

	Group 2014 RM'000	Group 2013 RM'000
Unused tax losses	1,834	675
Unabsorbed capital allowances	4,009	3,145
Excess of capital allowances over corresponding depreciation	(23)	840
Other temporary differences	-	11
	5,820	4,671

Deferred tax assets of a subsidiary has 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.

13. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
At cost		
Raw materials	63,468	71,786
Work-in-progress	10,025	13,877
Manufacturing and trading inventories	49,586	35,826
	123,079	121,489
At net realisable value		
Raw materials	14,076	22,686
Work-in-progress	2	21
Manufacturing and trading inventories	6,033	19,907
	20,111	42,614
	143,190	164,103

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM556,697,000 (2013: RM527,261,000).

(b) The Group reversed RM1,569,000 (2013: RM355,000) 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.

(c) Net write down of inventories recognised for the Group during the financial year amounted to RM135,000 (2013: RM1,814,000).

14. DERIVATIVE FINANCIAL INSTRUMENTS

Group 2014	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward currency contracts	11,452	158	(123)
2013			
Forward currency contracts	19,475	358	(39)

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 three (3) 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 date.

During the financial year, the Group recognised total loss of RM284,000 (2013: gain of RM323,000) 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.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
- Third parties	157,512	151,383	-	-
- Associate	173	386	-	-
- Related parties	759	709	-	-
	158,444	152,478	-	-
Less: Impairment losses	(692)	(1,194)	-	-
	157,752	151,284	-	-
Other receivables, deposits, and prepayments				
Other receivables	4,903	2,411	48	61
Amount owing by a subsidiary	-	-	-	4,145
Deposits	1,798	2,741	17	17
Prepayments	8,529	13,014	9	83
	15,230	18,166	74	4,306
	172,982	169,450	74	4,306

15. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 30 to 120 days (2013: 30 to 120 days) from date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amounts owing by related parties represent amounts owing by certain companies in which certain Directors have financial interests are subject to normal trade credit terms.

(c) The amount owing by an associate is subject to normal trade credit terms.

(d) The amount owing by a subsidiary represented advances of Nil (2013: RM4,145,000) which bore interest at a range of 6.68% to 6.82% per annum.

(e) Included in other receivables, deposits and prepayments of the Group are:

(i) Security deposits paid to a supplier of RM1,500,000 (2013: RM2,500,000) for purchase of raw materials; and

(ii) Prepayments of RM4,988,000 (2013: RM8,334,000) made to suppliers for purchase of raw materials.

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

	Group		**Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	160,027	152,148	74	4,306
US Dollar	3,728	3,475	-	-
Singapore Dollar	575	739	-	-
Indonesian Rupiah	103	74	-	-
Vietnamese Dong	16	-	-	-
Thai Baht	4	-	-	-
	164,453	156,436	74	4,306

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

	Group	
	2014 RM'000	**2013 RM'000**
Neither past due nor impaired	127,921	117,813
Past due, not impaired		
- 1 to 30 days past due	17,881	22,003
- 31 to 60 days past due	5,380	5,062
- 61 to 90 days past due	5,194	4,711
- More than 90 days past due	1,376	1,695
	29,831	33,471
Past due and impaired	692	1,194
	158,444	152,478

15. TRADE AND OTHER RECEIVABLES (continued)

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

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM29,831,000 (2013: RM33,471,000) 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. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Receivables that are past due and impaired

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

	Individually impaired	
	2014	**2013**
	RM ’000	**RM ’000**
Group		
Trade receivables, gross	692	1,194
Less: Impairment loss	(692)	(1,194)
	-	-

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

	Group	
	2014	**2013**
	RM’000	**RM’000**
At 1 January	1,194	1,061
Charge for the financial year	843	595
Reversal of impairment loss	(939)	(445)
Written off	(406)	(17)
At 31 December	692	1,194

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.

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

16. CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	30,695	19,022	581	1,828
Fixed deposits with licensed banks	1,442	1,398	692	604
	32,137	20,420	1,273	2,432

(a) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	30,244	18,623	581	1,828
US Dollar	1,615	1,413	692	604
Vietnamese Dong	141	304	-	-
Indonesian Rupiah	137	80	-	-
	32,137	20,420	1,273	2,432

(b) 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	30,695	19,022	581	1,828
Fixed deposits with licensed banks	1,442	1,398	692	604
Bank overdrafts (Note 19)	(1,469)	(1,259)	(25)	(39)
	30,668	19,161	1248	2,393
Less: Fixed deposits pledged to licensed banks	(692)	(604)	(692)	(604)
As reported in statements of cash flows	29,976	18,557	556	1,789

(c) The fixed deposits of the Group and of the Company have maturity periods ranging from one (1) month to three (3) months.

Included in fixed deposits of the Group and of the Company were amounts of RM692,000 (2013: RM604,000) pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Note 19 to the financial statements.

(d) Information on financial risks of cash and bank balances is disclosed in Note 33 to the financial statements.

17. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM0.50 each:				
Authorised	400,000	200,000	400,000	200,000
Issued and fully paid:				
Balance as at 1 January	180,980	90,490	180,980	90,490
Issued pursuant to the employee share options scheme	1,022	511	-	-
Balance as at 31 December	182,002	91,001	180,980	90,490

a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM90,490,000 to RM91,001,000 by way of issuance of 1,022,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of employee share options as disclosed in Note 29 to the financial statements.

b) 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.

Treasury shares

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 182,002,000 (2013: 180,980,000) issued and fully paid ordinary shares as at 31 December 2014, 6,920,000 (2013: 6,920,000) are held as treasury shares by the Company. As at 31 December 2014, the number of outstanding ordinary shares in issue net of treasury shares is 175,083,000 (2013: 174,061,000) ordinary shares of RM0.50 each.

18. RESERVES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable				
Share premium	1,738	1,687	1,738	1,687
Exchange translation reserve	1,115	303	-	-
Share options reserve	677	-	677	-
	3,530	1,990	2,415	1,687
Distributable				
Retained earnings	115,205	107,306	19,267	21,384
	118,735	109,296	21,682	23,071

(a) **Exchange translation reserve**

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

(b) **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.

19. BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current liabilities				
Secured				
Bank overdrafts	673	584	25	39
Trade financing	21,333	21,686	-	-
Revolving credits	40,050	39,000	40,050	39,000
Hire purchase liabilities (Note 19.1)	1,756	1,495	127	121
Term loans	7,157	4,620	4,422	4,180
Unsecured				
Bank overdrafts	796	675	-	-
Trade financing	148,667	163,136	-	-
Revolving credit	13,500	9,000	2,000	-
Term loans	-	580	-	580
	233,932	240,776	46,624	43,920

19. BORROWINGS (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current liabilities				
Secured				
Hire purchase liabilities (Note 19.1)	3,794	3,755	103	230
Term loans	20,880	21,750	15,971	20,372
	24,674	25,505	16,074	20,602
Total borrowings				
Secured				
Bank overdrafts	673	584	25	39
Trade financing	21,333	21,686	-	-
Revolving credits	40,050	39,000	40,050	39,000
Hire purchase liabilities (Note 19.1)	5,550	5,250	230	351
Term loans	28,037	26,370	20,393	24,552
Unsecured				
Bank overdrafts	796	675	-	-
Trade financing	148,667	163,136	-	-
Revolving credit	13,500	9,000	2,000	-
Term loans	-	580	-	580
	258,606	266,281	62,698	64,522

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	256,194	264,294	61,648	64,522
US Dollar	2,412	1,987	1,050	-
	258,606	266,281	62,698	64,522

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

19. BORROWINGS (continued)

Group

The bank borrowings of the Group (other than hire purchase liabilities as further disclosed in Note 19.1 to the financial statements) are secured by means of:

(a) first and third party registered legal charge over the Group's freehold land, certain buildings and leasehold land as disclosed in Note 7(a) to the financial statements;

(b) corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiaries;

(c) pledge against fixed deposits of the Group and of the Company as disclosed in Note 16 to the financial statements.

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 7(a) to the financial statements.

19.1 HIRE PURCHASE LIABILITIES - SECURED

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Minimum hire purchase payments:				
- Not later than one (1) year	2,051	1,762	135	135
- Later than one (1) year and not later than five (5) years	4,104	4,051	105	240
	6,155	5,813	240	375
Less: Future interest charges	(605)	(563)	(10)	(24)
Present value of hire purchase liabilities	5,550	5,250	230	351
Repayable as follows:				
- Current liabilities	1,756	1,495	127	121
- Non-current liabilities	3,794	3,755	103	230
	5,550	5,250	230	351

20. TRADE AND OTHER PAYABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade payables				
Third parties	15,979	16,090	-	-
Associate	1,762	2,312	-	-
Related parties	266	416	-	-
	18,007	18,818	-	-
Other payables				
Third parties	5,538	5,465	74	91
Amounts owing to subsidiaries	-	-	11,714	9,873
Associate	334	466	324	457
Related parties	28	34	-	-
Accruals	9,491	8,897	1,064	1,292
	15,391	14,862	13,176	11,713
	33,398	33,680	13,176	11,713

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days (2013: 30 to 120 days) from date of invoice.

(b) 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.

(c) The amount owing to an associate company (trade) is subject to normal trade credit terms.

(d) Amounts owing to subsidiaries and related parties (non-trade) represent advances and payments made on behalf which are unsecured, payable upon demand in cash and cash equivalents and interest-free except for advances of RM3,925,000 (2013: RM4,310,000) from a subsidiary which bears interest ranging from 4.66% to 4.96% (2013: 4.66% to 4.96%) per annum.

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

20. TRADE AND OTHER PAYABLES (continued)

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Ringgit Malaysia	30,697	31,215	13,176	11,713
US Dollar	1,952	409	-	-
Singapore Dollar	239	306	-	-
Euro	173	557	-	-
Japanese Yen	114	311	-	-
Indonesian Rupiah	25	14	-	-
Vietnamese Dong	97	868	-	-
Chinese Renminbi	101	-	-	-
	33,398	33,680	13,176	11,713

21. 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 2014 RM'000	Group 2013 RM'000
Not later than one (1) year	244	240
Later than one (1) year and not later than five (5) years	93	184
	337	424

21. COMMITMENTS (continued)

(a) Operating lease commitments (continued)

(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	
	2014 RM'000	2013 RM'000
Not later than one (1) year	5,325	3,771
Later than one (1) year and not later than five (5) years	7,355	4,886
	12,680	8,657

(b) Capital commitments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:				
Contracted but not provided for	2,667	6,418	-	409
Approved but not contracted for	523	344	-	-
	3,190	6,762	-	409

22. CONTINGENT LIABILITIES

	Company	
	2014 RM'000	2013 RM'000
Unsecured:		
- Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	340,391	295,646

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

23. REVENUE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Sale of goods	625,105	596,545	-	3
Gross dividend income from				
- subsidiaries	-	-	4,215	7,345
- associate	-	-	137	-
Rental income	4,996	3,993	4,565	4,608
	630,101	600,538	8,917	11,956

24. PROFIT/(LOSS) BEFORE TAX

	NOTE	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit/(Loss) before tax is arrived at after charging:					
Amortisation of development costs	11	58	58	-	-
Auditors' remuneration		200	184	25	25
Deficit on an associate being struck off		-	-	-	3
Depreciation of investment properties	8	2	2	-	-
Depreciation of property, plant and equipment	7	9,624	15,215	1,180	1,153
Directors' remuneration:					
- Fees		700	700	220	220
- Emoluments other than fees		5,288	4,953	1,106	1,057
Fair value adjustments on derivative instruments	14	284	-	-	-
Impairment losses on:					
- trade and other receivables	15(h)	843	595	-	-
- investment in subsidiaries	9	-	-	4,096	5,900
- property, plant and equipment	7	248	2,654	-	-
- investment property	8	167	-	-	-
Interest expenses on:					
- trade financing		9,125	8,447	-	-
- revolving credits		2,777	2,253	2,152	1,812
- bank overdrafts		102	117	34	17
- term loans		1,800	2,086	1,558	1,972
- hire purchase		339	369	13	20
- subsidiary		-	-	199	238

24. PROFIT/(LOSS) BEFORE TAX (continued)

		Group		Company	
		2014	2013	2014	2013
	NOTE	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at after charging (continued):					
Inventories written down	13(c)	135	1,814	-	-
Property, plant and equipment written off	7	299	72	-	-
Rental of:					
- equipment		11	11	-	-
- premises		390	390	-	-
- forklifts		174	80	-	-
Bad debts written off		53	-	-	-
Unrealised loss on foreign exchange		123	5	-	-
And crediting:					
Fair value adjustments on derivative instruments	14	-	323	-	-
Gain on disposal of property, plant and equipment		88	183	-	26
Gross dividend income from					
- subsidiaries	23	-	-	4,215	7,345
- an associate	23	-	-	137	-
Interest income:					
- subsidiaries		-	-	173	210
- deposits with licensed banks		367	239	208	109
Reversal of write down of inventories	13(b)	1,569	355	-	-
Realised gain on foreign exchange		315	441	-	9
Rental income:					
- subsidiaries		-	-	2,912	2,893
- related party		1,653	1,715	1,653	1,715
- others		3,343	2,278	-	-
Reversal of impairment loss on investment in subsidiaries	9	-	-	5,117	-
Reversal of impairment loss on trade receivables	15(h)	939	445	-	-
Unrealised gain on foreign exchange		-	-	36	-

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 RM174,000 (2013: RM181,000) and RM28,000 (2013: RM28,000) respectively.

25. TAX EXPENSE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current tax expense based on profit for the financial year:				
- income tax	4,887	3,204	455	727
(Over)/Under provision in prior years	(403)	9	(16)	(4)
	4,484	3,213	439	723
Deferred tax (Note 12)				
Relating to origination and reversal of temporary differences	3,478	(173)	-	(112)
(Over)/Under provision in prior years	(90)	1,046	(3)	101
	3,388	873	(3)	(11)
	7,872	4,086	436	712

(a) Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2013: 25%) 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.

(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 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit/(Loss) before tax	22,912	20,329	1,820	(2,204)
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	5,728	5,082	455	(551)
Tax effects in respect of:				
- Non-allowable expenses	2,695	1,503	2,367	2,322
- Non-taxable income	(32)	(160)	(2,367)	(1,156)
- Tax incentives and allowances	(313)	(1,480)	-	-
- Deferred tax assets not recognised	287	1,426	-	-
- Utilisation of previously unrecognised deferred tax assets	-	(3,340)	-	-
	8,365	3,031	455	615
(Over)/Under provision of tax expenses in prior year	(403)	9	(16)	(4)
(Over)/Under provision of tax deferred tax in prior years	(90)	1,046	(3)	101
	7,872	4,086	436	712

25. TAX EXPENSE (continued)

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

	Group					
	2014			2013		
	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	812	-	812	838	-	838

26. DIVIDENDS

	Group and Company			
	2014		2013	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
Final dividend in respect of financial year ended 31 December 2013	2.0	3,501	-	-
Final dividend in respect of financial year ended 31 December 2012	-	-	0.6	1,044
	2.0	3,501	0.6	1,044

As approved by an shareholders at an Annual General Meeting held on 20 June 2014, a final single tier dividend of 4.0% (2.0 sen per share), amounting to RM3,501,000 in respect of financial year ended 31 December 2013 was paid on 18 September 2014.

A final single tier dividend in respect of the financial year ended 31 December 2014 of 2.0 sen per ordinary share, amounting to RM3,502,000 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 2015.

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.

	Group	
	2014 RM'000	2013 RM'000
Consolidated profit attributable to equity holders of the parent	12,309	12,205
Weighted average number of ordinary shares outstanding (adjusted for treasury shares) ('000)	174,480	174,061
Basic earnings per ordinary share (sen)	7.05	7.01

(b) Diluted earnings per share

The ESOS that could potentially dilute the earnings per ordinary shares were not included in the calculation of diluted earnings per ordinary shares as the ESOS does not have a dilutive effect. The average market price of the ordinary shares do not exceed the exercise price of the ESOS.

28. EMPLOYEE BENEFITS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries, wages and bonuses	36,476	33,276	2,069	2,047
Defined contribution plan	3,477	2,956	273	245
Other employee benefits	2,265	2,674	43	56
Share options granted under share options scheme	769	-	91	-
	42,987	38,906	2,476	2,348

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM5,485,000 (2013: RM4,953,000) and RM1,188,000 (2013: RM1,057,000) respectively.

29. EMPLOYEES SHARE OPTION SCHEME ('ESOS')

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 2014 adjusted 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 of RM0.50 each ---]					
	Outstanding as at 1.1.2014	**Movement during the [------- financial year -------] Granted**	**Exercised**	**Lapsed**	**Outstanding as at 31.12.2014**	**Exercisable as at 31.12.2014**
2014						
2014 options (RM'000)	-	26,077	(1,022)	(1,695)	23,360	6,845
Weighted average exercise prices (RM)	-	0.53	0.53	0.53	0.53	0.53
Weighted average remaining contractual life (months)	-					112

29. EMPLOYEES SHARE OPTION SCHEME ('ESOS') (continued)

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

	Weighted average exercise price 2014 RM	Exercise period
2014 options	0.53	9.5.2014 – 20.4.2024

Share options exercised during the financial year resulted in the issuance of 1,022,000 ordinary shares at an average price of RM0.53 each. The related weighted average ordinary share price at the date of exercise was RM0.53.

The fair value of share options granted during the 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
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.

30. RELATED PARTIES TRANSACTIONS (continued)

(a) Identities of related parties (continued)

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

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

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

(collectively known as 'Substantial Shareholders').

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

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

30. RELATED PARTIES TRANSACTIONS (continued)

(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 2014 RM'000	Company 2013 RM'000
(i) Transactions with subsidiaries:		
Gross dividend income	(4,215)	(7,345)
Interest paid	199	238
Interest income	(173)	(210)
Rental income	(2,912)	(2,893)
Purchases	1	-
(ii) Transactions with an associate:		
POSCO-MKPC Sdn. Bhd.		
Gross dividend income	(137)	-
Rental income	(1,653)	(1,715)

	Group 2014 RM'000	Group 2013 RM'000
(i) Transactions with an associate:		
POSCO-MKPC Sdn. Bhd.		
Sales of goods	(217)	(90)
Purchase of goods	15,286	9,269
Rental receivables	(1,653)	(1,743)
Slitting services	92	174
(ii) Transactions with companies in which the Substantial Shareholders have financial interests:		
Chiho Hardware Sdn. Bhd.		
Sales of goods	(563)	(606)
Purchases	10	12
Wei Giap Hardware Sdn. Bhd.		
Sales of goods	(163)	(155)
Purchases	249	299
Wei Sheng Hardware Sdn. Bhd.		
Sales of goods	(104)	(121)
YK Toh (M) Sdn. Bhd.		
Rental paid	20	18
Purchases	263	272

30. RELATED PARTIES TRANSACTIONS (continued)

(b) Significant related party transactions (continued)

	Group 2014 RM'000	Group 2013 RM'000
(iii) 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	(49)	(50)
(iv) Transactions with companies in which Toh Yew Chin has financial interests:		
YK Toh Marketing (S) Pte. Ltd.		
Sales of goods	(4,213)	(3,221)
Purchases	1,700	2,560
(v) Transaction with a Director:		
Toh Yew Chin		
Professional fees paid	236	267

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

(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 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Short term employee benefits	5,196	5,024	1,149	1,147
Contributions to defined contribution plan	792	629	177	130
Share options granted under share options scheme	197	-	82	-
	6,185	5,653	1,408	1,277

30. RELATED PARTIES TRANSACTIONS (continued)

(c) **Compensation of key management personnel (continued)**

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 2014 '000	Company 2014 '000
As at 1 January 2014	-	-
Granted	7,391	4,932
Exercised	(106)	-
Lapsed	(330)	-
As at 31 December 2014	6,955	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 accounting policies of operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax.

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

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

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.

31. OPERATING SEGMENTS (continued)

2014	Investment RM'000	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue				
Total revenue	8,917	158,107	555,831	722,855
Inter-segment revenue	(7,616)	(811)	(84,327)	(92,754)
Revenue from external customers	1,301	157,296	471,504	630,101
Finance costs	(3,757)	(2,488)	(7,898)	(14,143)
Interest income	208	21	138	367
Net finance expense	(3,549)	(2,467)	(7,760)	(13,776)
Amortisation	-	-	58	58
Depreciation	1,180	1,899	6,547	9,626
Segment profit before income tax	**2,590**	**3,087**	**25,150**	**30,827**
Share of loss of an associate	(1,568)	-	-	(1,568)
Tax expenses	(436)	(1,160)	(6,276)	(7,872)
Other material non-cash items:				
Impairment losses on:				
- investment property	-	-	167	167
- property, plant and equipment	-	-	248	248
- trade and other receivables	-	140	703	843
Property, plant and equipment written off	-	3	296	299
Reversal of impairment losses on trade receivables	-	(380)	(559)	(939)
Reversal of write down of inventories	-	(226)	(1,343)	(1,569)
Gain on disposal of property, plant and equipment	-	45	(133)	(88)
Inventories written down	-	36	99	135
Capital expenditure	533	2,752	19,054	22,339
Investment in an associate	39,799	-	-	39,799
Segment assets	**53,800**	**88,000**	**377,050**	**518,850**
Segment liabilities	**64,160**	**40,387**	**187,580**	**292,127**

31. OPERATING SEGMENTS (continued)

2013	Investment RM'000	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue				
Total revenue	11,956	160,378	520,861	693,195
Inter-segment revenue	(10,241)	(1,562)	(80,854)	(92,657)
Revenue from external customers	**1,715**	**158,816**	**440,007**	**600,538**
Finance costs	(3,841)	(2,093)	(7,338)	(13,272)
Interest income	108	17	114	239
Net finance expense	(3,733)	(2,076)	(7,224)	(13,033)
Amortisation	-	-	58	58
Depreciation	1,153	1,629	12,435	15,217
Segment (loss)/profit before income tax	**(2,204)**	**4,320**	**19,427**	**21,543**
Share of profit of an associate	913	-	-	913
Tax expenses	(32)	(1,245)	(2,809)	(4,086)
Other material non-cash items:				
Impairment losses on:				
- trade and other receivables	-	170	425	595
- property, plant and equipment	-	-	2,654	2,654
Property, plant and equipment written off	-	3	69	72
Reversal of impairment losses on trade receivables	-	(158)	(287)	(445)
Reversal of write down of inventories	-	(141)	(214)	(355)
Gain on disposal of property, plant and equipment	(26)	(65)	(92)	(183)
Inventories written down	-	-	1,814	1,814
Capital expenditure	108	1,834	7,325	9,267
Investment in an associate	41,504	-	-	41,504
Segment assets	**55,709**	**81,306**	**375,693**	**512,708**
Segment liabilities	**61,067**	**38,885**	**200,048**	**300,000**

31. OPERATING SEGMENTS (continued)

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

Revenue	**2014 RM'000**	**2013 RM'000**
Total revenue for reportable segments	722,855	693,195
Elimination of inter-segmental revenues	(92,754)	(92,657)
Revenue of the Group per statements of profit or loss and other comprehensive income	630,101	600,538

Profit for the financial year	**2014 RM'000**	**2013 RM'000**
Total profit or loss for reportable segments	30,827	21,543
Share options granted under share options scheme	(769)	-
Elimination of inter-segment profits	(7,146)	(1,214)
Profit before tax	22,912	20,329
Tax expenses	(7,872)	(4,086)
Profit for the financial year of the Group per statements of profit or loss and other comprehensive income	15,040	16,243

Assets	**2014 RM'000**	**2013 RM'000**
Total assets for reportable segments	518,850	512,708
Investment in an associate	39,799	41,504
Tax assets	1,175	2,653
Goodwill	1,675	1,675
Assets of the Group per statements of financial position	561,499	558,540
Liabilities		
Total liabilities for reportable segments	292,127	300,000
Tax liabilities	9,215	6,437
Liabilities of the Group per statements of financial position	301,342	306,437

Geographical information

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

31. OPERATING SEGMENTS (continued)

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 2014 and 31 December 2013.

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.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Borrowings	258,606	266,281	62,698	64,522
Shareholders' funds (excluding non-controlling interests)	203,882	193,932	106,829	107,707
Less: Intangible assets	(1,736)	(1,794)	-	-
Net tangible assets	202,146	192,138	106,829	107,707
Gearing ratio	1.28	1.39	0.59	0.60

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 2014.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

Group **2014**	**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	164,453	-	164,453
Derivative assets	-	158	158
Cash and bank balances	32,137	-	32,137
	196,590	158	196,748

	Other financial liabilities RM'000	**Fair value through profit or loss RM'000**	**Total RM'000**
Financial liabilities			
Borrowings	258,606	-	258,606
Trade and other payables	33,398	-	33,398
Derivative liabilities	-	123	123
	292,004	123	292,127

Group **2013**	**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	156,436	-	156,436
Derivative assets	-	358	358
Cash and bank balances	20,420	-	20,420
	176,856	358	177,214

	Other financial liabilities RM'000	**Fair value through profit or loss RM'000**	**Total RM'000**
Financial liabilities			
Borrowings	266,281	-	266,281
Trade and other payables	33,680	-	33,680
Derivative liabilities	-	39	39
	299,961	39	300,000

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

Company

Loans and receivables	2014 RM'000	2013 RM'000
Financial assets		
Trade and other receivables, net of prepayments	65	4,223
Cash and bank balances	1,273	2,432
	1,338	6,655

Other financial liabilities		
Financial liabilities		
Borrowings	62,698	64,522
Trade and other payables	13,176	11,713
	75,874	76,235

(c) Methods and assumptions used to estimate fair value

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

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

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

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

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

(ii) Obligations under finance lease

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

32. FINANCIAL INSTRUMENTS (continued)

(c) **Methods and assumptions used to estimate fair value (continued)**

(iii) Derivatives

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

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

(iv) Financial guarantee

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

(d) **Fair value hierarchy**

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

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

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
2014										
Group										
Financial assets										
Financial assets at fair value through profit or loss										
- Forward currency contracts	-	-	158	158	-	-	-	-	158	158
2013										
Group										
Financial assets										
Financial assets at fair value through profit or loss										
- Forward currency contracts	-	-	358	358	-	-	-	-	358	358

32. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

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 (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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	RM'000	RM'000
2014										
Group										
Financial liabilities										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	-	-	123	123	-	-	-	-	123	123
Other financial liabilities										
- Hire purchase liabilities	-	-	-	-	-	4,962	-	4,962	4,962	5,550
	-	-	-	-	-	4,962	-	4,962	4,962	5,550
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 (continued)

(d) **Fair value hierarchy (continued)**

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 (continued).

	Fair value of financial instruments carried at fair value				**Fair value of financial instruments not carried at fair value**				**Total fair value**	**Carrying amount**
	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**	**RM'000**	**RM'000**
2014										
Company										
Financial liabilities										
Other financial liabilities										
- Term loans	-	-	-	-	-	-	-	-	-	-
- Hire purchase liabilities	-	-	-	-	-	225	-	225	225	230
	-	-	-	-	-	225	-	225	225	230
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 (continued)

(d) Fair value hierarchy (continued)

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 (continued).

	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
2013										
Group										
Financial liabilities										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	-	-	39	39	-	-	-	-	39	39
Other financial liabilities										
- Term loans	-	-	-	-	-	580	-	580	580	580
- Hire purchase liabilities	-	-	-	-	-	5,007	-	5,007	5,007	5,250
	-	-	-	-	-	5,587	-	5,587	5,587	5,830
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 (continued)

(d) Fair value hierarchy (continued)

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 (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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	RM'000	RM'000
2013										
Company										
Financial liabilities										
Other financial liabilities										
- Term loans	-	-	-	-	-	580	-	580	580	580
- Hire purchase liabilities	-	-	-	-	-	343	-	343	343	351
	-	-	-	-	-	923	-	923	923	931
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 (continued)

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Financial assets		
Balance as at 1 January	358	21
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	158	358
- Other expenses (realised)	(358)	(21)
Balance as at 31 December	158	358
Financial liabilities		
Balance as at 1 January	39	25
Gains and losses recognised in profit or loss		
- Other expenses (unrealised)	123	39
- Other expenses (realised)	(39)	(25)
Balance as at 31 December	123	39

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Profit after tax		
Foreign currency rate		
- Increase by 3% (2013: 3%)	79	283
- Decrease by 3% (2013: 3%)	(79)	(283)

(g) The Group has established policies and procedures in respect of the measurement of fair values of financial instruments. Management regularly reviews significant unobservable inputs and valuation adjustments.

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

<u>Exposure to credit risk</u>

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 15 to the financial statements. The Group does not have any significant concentration of credit risk related to any individual customers or counterparty, except that the Company has significant exposure in respect of amounts owing by subsidiaries as at the end of the reporting period.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15 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.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

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.

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

2014 **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	235,754	27,269	-	263,023
Trade and other payables	33,398	-	-	33,398
Derivatives liabilities	123	-	-	123
Total undiscounted financial liabilities	269,275	27,269	-	296,544
Company				
Financial liabilities				
Borrowings	47,942	17,945	-	65,887
Trade and other payables	13,176	-	-	13,176
Total undiscounted financial liabilities	61,118	17,945	-	79,063

2013 **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	242,676	28,471	478	271,625
Trade and other payables	33,680	-	-	33,680
Derivatives liabilities	39	-	-	39
Total undiscounted financial liabilities	276,395	28,471	478	305,344

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

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

2013 Company	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	45,490	23,167	478	69,135
Trade and other payables	11,713	-	-	11,713
Total undiscounted financial liabilities	57,203	23,167	478	80,848

(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.

<u>Sensitivity analysis for interest rate risk</u>

Group

As at 31 December 2014, 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 RM1,898,000 (2013: RM1,947,000) 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 RM1,898,000 (2013: RM1,947,000) 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 2014, 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 RM469,000 (2013: RM470,000) 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 RM469,000 (2013: RM470,000) 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 (continued)

(iii) Interest rate risk (continued)

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 2014		**Within**	**1 - 2**	**2 - 3**	**3 - 4**	**4 - 5**	**More than**	
	WAEIR	**1 year**	**years**	**years**	**years**	**years**	**5 years**	**Total**
Group	**%**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fixed rate								
Fixed deposits with licensed banks	2.75	1,442	-	-	-	-	-	1,442
Hire purchase liabilities	5.43	(1,756)	(1,737)	(1,317)	(517)	(223)	-	(5,550)
Floating rate								
Bank overdrafts	7.34	(1,469)	-	-	-	-	-	(1,469)
Trade financing	4.65	(170,000)	-	-	-	-	-	(170,000)
Revolving credits	5.46	(53,550)	-	-	-	-	-	(53,550)
Term loans	6.01	(7,157)	(7,045)	(6,998)	(6,037)	(800)	-	(28,037)
Company								
Fixed rate								
Fixed deposits with licensed banks	0.30	692	-	-	-	-	-	692
Hire purchase liabilities	4.71	(127)	(103)	-	-	-	-	(230)
Floating rate								
Amount owing to subsidiaries	4.79	(3,925)	-	-	-	-	-	(3,925)
Bank overdrafts	7.90	(25)	-	-	-	-	-	(25)
Revolving credits	5.51	(42,050)	-	-	-	-	-	(42,050)
Term loan	6.95	(4,422)	(4,751)	(5,099)	(5,477)	(644)	-	(20,393)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

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 (continued):

As at 31 December 2013 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	0.30	604	-	-	-	-	-	604
Hire purchase liabilities	5.48	(1,495)	(1,420)	(1,373)	(924)	(38)	-	(5,250)
Term loan	8.00	(580)	-	-	-	-	-	(580)
Floating rate								
Fixed deposits with licensed banks	2.14	794	-	-	-	-	-	794
Bank overdrafts	7.44	(1,259)	-	-	-	-	-	(1,259)
Trade financing	4.43	(184,822)	-	-	-	-	-	(184,822)
Revolving credits	4.73	(48,000)	-	-	-	-	-	(48,000)
Term loans	6.78	(4,620)	(4,940)	(5,284)	(5,551)	(5,497)	(478)	(26,370)
Company								
Fixed rate								
Fixed deposits with licensed banks	0.30	604	-	-	-	-	-	604
Hire purchase liabilities	4.71	(121)	(127)	(103)	-	-	-	(351)
Term loan	8.00	(580)	-	-	-	-	-	(580)
Floating rate								
Amount owing by subsidiaries	6.77	4,145	-	-	-	-	-	4,145
Amount owing to subsidiaries	4.78	(4,310)	-	-	-	-	-	(4,310)
Bank overdrafts	7.82	(39)	-	-	-	-	-	(39)
Revolving credits	5.37	(39,000)	-	-	-	-	-	(39,000)
Term loan	6.85	(4,180)	(4,475)	(4,792)	(5,130)	(5,497)	(478)	(24,552)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 currencies of the operating entities.

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 amount to RM1,201,000 (2013: RM399,000) for the Group.

Transactional currency exposures of the Group mainly arise from transactions entered into by subsidiaries in currencies other than their functional currencies. 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 2014 are as follows:

31 December 2014	**Currency**	**Contract amount in foreign currency ’000**	**RM’000 equivalent**	**Maturities within**
Forward contracts used to hedge trade receivables	USD	1,131	3,802	3 months
Forward contracts used to hedge trade receivables	SGD	73	189	3 months
Forward contracts used to hedge trade payables	RMB	175	100	1 month
Forward contracts used to hedge trade payables	USD	2,150	7,361	3 months

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk (continued)

The notional amount and maturity date of the forward foreign exchange contracts outstanding as at 31 December 2013 are as follows (continued):

31 December 2013	Currency	Contract amount in foreign currency '000	RM'000 equivalent	Maturities within
Forward contracts used to hedge trade receivables	USD	1,085	3,506	Three (3) months
Forward contracts used to hedge trade receivables	SGD	42	110	Three (3) months
Forward contracts used to hedge trade payables	YEN	9,752	306	One (1) month
Forward contracts used to hedge trade payables	USD	4,817	15,553	Three (3) months

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group's profit after tax to a reasonably possible change in US Dollar ('USD'), Singapore Dollar ('SGD'), Great Britain Pound ('GBP'), Chinese Renminbi ('RMB'), Japanese Yen ('YEN') and Euro ('EUR') exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2014 RM'000 Profit after tax	Group 2013 RM'000 Profit after tax
USD	- strengthen by 3%	-42	-23
	- weaken by 3%	+42	+23
SGD	- strengthen by 3%	+8	+10
	- weaken by 3%	-8	-10

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

		Group	
		2014	**2013**
		RM'000	**RM'000**
		Profit after tax	Profit after tax
GBP	- strengthen by 3%	+5	-
	- weaken by 3%	-5	-
RMB	- strengthen by 3%	-2	-
	- weaken by 3%	+2	-
YEN	- strengthen by 3%	-3	-7
	- weaken by 3%	+3	+7
EUR	- strengthen by 3%	-4	-12
	- weaken by 3%	+4	+12

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 1 October 2014, the Company completed an acquisition of a further thirty percent (30%) equity interest in Dai Dong Steel Sdn. Bhd. ('DDSB'). Together with the seventy percent (70%) equity interest in DDSB originally held by the Company, the total equity interest in DDSB now held by the Company after acquisition is one hundred percent (100%) as disclosed in Note 9 to the financial statements.

35. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised	121,634	104,519	19,854	22,011
- Unrealised	(7,887)	(4,208)	(587)	(627)
	113,747	100,311	19,267	21,384
Total share of retained earnings from an associate:				
- Realised	26,278	26,393	-	-
- Unrealised	(3,443)	(1,854)	-	-
	136,582	124,850	19,267	21,384
Less: Consolidation adjustments	(21,377)	(17,544)	-	-
Total retained earnings	115,205	107,306	19,267	21,384