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## 2 Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Nineteenth Annual General Meeting of Prestar Resources Bhd will be held at Level 4, Starhill 6, JW Marriot Hotel, 183, Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 14 June, 2004 at 10.00 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December, 2003 together with the Reports of the Directors and the Auditors thereon. Resolution 1
2. To approve the declaration of the Final Dividend of 5.0% less 28% Malaysian Income Tax for the financial year ended 31 December, 2003. Resolution 2
3. To sanction the payment of Directors' Fees for the financial year ended 31 December, 2003. Resolution 3
4. To re-elect the following Directors who retire pursuant to Article 105 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
  - (a) Mr. Toh Yew Peng Resolution 4
  - (b) Mr. Lim Cheang Nyok Resolution 5
  - (c) Encik Fadzlullah Shuhaimi Bin Salleh Resolution 6
5. To re-appoint Messrs. KPMG as Auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix their remuneration. Resolution 7
6. As Special Business:-

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

#### **ORDINARY RESOLUTION NO. 1 - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad); **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 8

#### **ORDINARY RESOLUTION NO. 2 - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

"**THAT**, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby authorised to make



purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through the BMSB subject further to the following:-

1. the maximum number of ordinary shares of RM1.00 each in Prestar ("Shares") which may be purchased and/or held by the Company shall be equivalent to ten per centum (10%) of the issued and paid-up share capital for the time being of the Company, subject to a restriction that the issued and paid-up share capital of Prestar does not fall below RM60 million pursuant to the repurchase of Shares, if any;
2. the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and the share premium of the Company based on the audited financial statements for the financial year ended 31 December, 2003 of RM6,063,458/- and nil respectively;
3. the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-
  - (a) the conclusion of the first annual general meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
  - (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the BMSB and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and
4. upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:-
  - (i) cancel the Shares so purchased; or
  - (ii) retain the Shares so purchased as treasury shares; or
  - (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder;

the treasury shares of which may be distributed as dividends to shareholders, and/or resold on the BMSB, and/or subsequently cancelled;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the BMSB and any other relevant authorities for the time being in force;

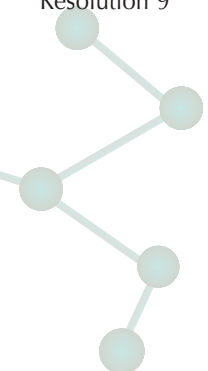
**AND THAT** the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares."

**ORDINARY RESOLUTION NO. 3**

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

"**THAT**, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with Wei Giap Hardware Sdn. Bhd., Chiho Hardware Sdn. Bhd.,

Resolution 9





Y.K. Toh Marketing (S) Pte. Ltd., Wei Sheng Hardware Sdn. Bhd., Syarikat Kwong Nam Hing Sdn. Bhd., Logam Indah Sdn. Bhd. and Y.K. Toh (M) Sdn. Bhd., as described in Section 3.2 of the Circular to Shareholders dated 21 May, 2004 subject further to the following:-

- (i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall, commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
  - (a) the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,whichever is earlier.
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 10

**ORDINARY RESOLUTION NO. 4  
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH LIM & YEOH**

"**THAT**, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with Lim & Yeoh, as described in Section 3.2 of the Circular to Shareholders dated 21 May, 2004 subject further to the following:-

- (i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall, commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
  - (a) the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,whichever is earlier.
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 11



**ORDINARY RESOLUTION NO. 5**

**- PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH POSCO, POSCO STEEL SERVICE & SALES CO. LTD. AND DIAGER SG PTE. LTD.**

"**THAT**, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with POSCO, Posco Steel Service & Sales Co. Ltd. and Diager SG Pte. Ltd. as described in Section 3.2 of the Circular to Shareholders dated 21 May, 2004 subject further to the following:-

- (i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall, commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
  - (a) the conclusion of the first annual general meeting ("AGM") of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,whichever is earlier.
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 12

7. To transact any other business of which due notice shall have been given.

**NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS HEREBY GIVEN** that the Final Dividend of 5.0% less 28% Malaysian Income Tax will be payable on 28 June, 2004 to depositors who are registered in the Record of Depositors at the close of business on 15 June, 2004, if approved by members at the forthcoming Nineteenth Annual General Meeting.

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

- (a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 15 June, 2004 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

**BY ORDER OF THE BOARD**

**CHUA SIEW CHUAN** (MAICSA 0777689)

**CHIN MUN YEE** (MAICSA 7019243)

*Secretaries*

Kuala Lumpur

Dated : 21 May, 2004



**EXPLANATORY NOTE TO SPECIAL BUSINESS:-**

1. Authority pursuant to Section 132D of the Companies Act, 1965.

The proposed adoption of the Ordinary Resolution No. 1 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.

2. Authority to renew the purchase of the Company's own shares

The proposed adoption of the Ordinary Resolution No. 2 is to renew the authority granted by the shareholders of the Company at the Eighteenth Annual General Meeting held on 26 June, 2003. The proposed renewal will allow the Board of Directors to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company any time within the time period stipulated in the Listing Requirements of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

3. Authority to renew the shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed adoption of the Ordinary Resolutions Nos. 3 and 4 are to renew the Shareholders' Mandate granted by the shareholders of the Company at the Eighteenth Annual General Meeting held on 26 June, 2003. The proposed renewal of the Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

4. Authority to obtain the additional shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Posco, Posco Steel Service & Sales Co. Ltd. and Diager Sg Pte. Ltd.

The proposed adoption of the Ordinary Resolution No. 5 is to enable the Company's subsidiaries to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Renewal of Shares Buy-Back, Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions and Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2003 Annual Report.

**NOTES:-**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) to (d) of the Companies Act, 1965 shall not apply to the Company.

Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) which came into force on 1 June, 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

2. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.



# Statement Accompanying Notice of Annual General Meeting 7

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (BMSB)

## 1. Directors Standing For Re-Election

The Directors who are standing for re-election at the Nineteenth Annual General Meeting of the Company are as follows:-

<b>Mr Toh Yew Peng</b>	Article 105	Resolution 4
<b>Mr Lim Cheang Nyok</b>	Article 105	Resolution 5
<b>Encik Fadzlullah Shuhaimi Bin Salleh</b>	Article 105	Resolution 6

## 2. Details of Attendance of Directors at Board Meetings

The Board of Directors met four times during the financial year ended 31 December, 2003. Details of each Director's attendance are as follows:-

Name of Director	No. of meetings attended
Mr Toh Yew Peng	4/4
Mr Toh Yew Seng	4/4
Mr Toh Yew Keat	4/4
Mr Toh Yew Kar	4/4
Ms Toh Poh Khuan	2/4
Encik Md. Nahar Bin Noordin	4/4
Encik Fadzlullah Shuhaimi Bin Salleh	4/4
Mr Yee Chee Seng @ Yee Yen	4/4
Mr Lim Cheang Nyok	4/4

## 3. Details of Annual General Meeting

The Nineteenth Annual General Meeting of the Company will be held at Level 4, Starhill 6, JW Marriot Hotel, 183, Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 14 June, 2004 at 10.00 a.m.

## 4. Profile and Shareholdings of Directors who are standing for re-election

The details of Directors who are standing for re-election are attached in the Directors' Profile Section of this Annual Report.

Shareholdings of Directors standing for re-election, as at 26 April, 2004 are as follows:-

Directors	Nationality	----- Direct Interest -----		----- Indirect Interest -----	
		No. of shares held	%	No. of shares held	%
<b>Toh Yew Peng</b>	Malaysian	318,798	0.37	*30,251,500	34.78
<b>Lim Cheang Nyok</b>	Malaysian	0	0	0	0
<b>Fadzlullah Shuhaimi Bin Salleh</b>	Malaysian	0	0	0	0

Note:-

\* Deemed interested by virtue of his shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd.



## 8 Corporate Information

### BOARD OF DIRECTORS

**Toh Yew Keat**

*(Group Executive Chairman)*

**Toh Yew Peng**

*(Group Managing Director)*

**Toh Yew Kar**

*(Group Executive Director)*

**Toh Yew Seng**

*(Group Executive Director)*

**Toh Poh Khuan**

*(Group Executive Director)*

**Md. Nahar Bin Noordin**

**Fadzlullah Shuhaimi Bin Salleh**

**Yee Chee Seng @ Yee Yen**

**Lim Cheang Nyok**

### COMPANY SECRETARIES

**Chua Siew Chuan** (MAICSA 0777689)

**Chin Mun Yee** (MAICSA 7019243)

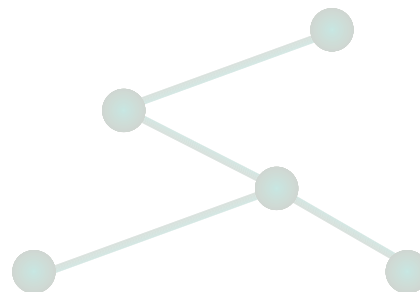
### REGISTERED OFFICE

Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur  
Tel. No. : 03-2084 9000  
Fax No. : 03-2094 9940  
Website : [www.prestar.com.my](http://www.prestar.com.my)  
E-mail : [info@prestar.com.my](mailto:info@prestar.com.my)

### REGISTRAR

**Securities Services (Holdings) Sdn. Bhd.**

Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur  
Tel. No. : 03-2084 9000  
Fax No. : 03-2094 9940



### AUDITORS

KPMG  
Chartered Accountants  
Kuala Lumpur

### PRINCIPAL BANKERS

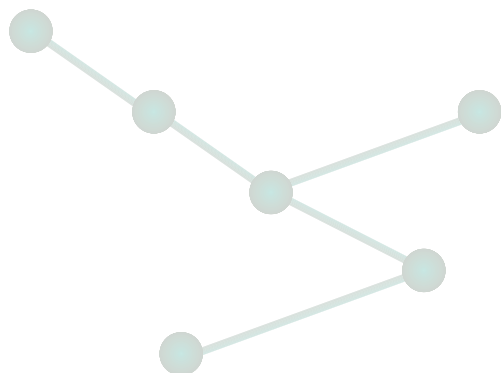
Bumiputra Commerce Bank Bhd  
United Overseas Bank Bhd  
RHB Bank Berhad  
Affin Bank Berhad

### SOLICITORS

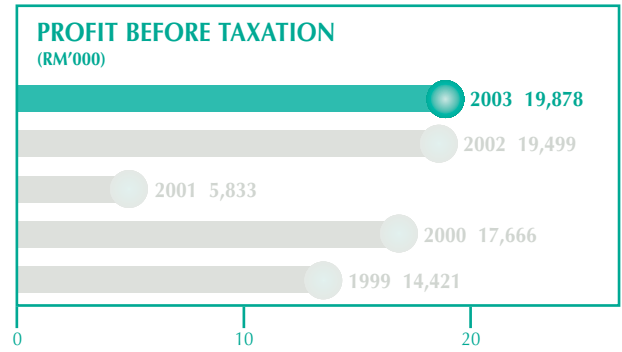
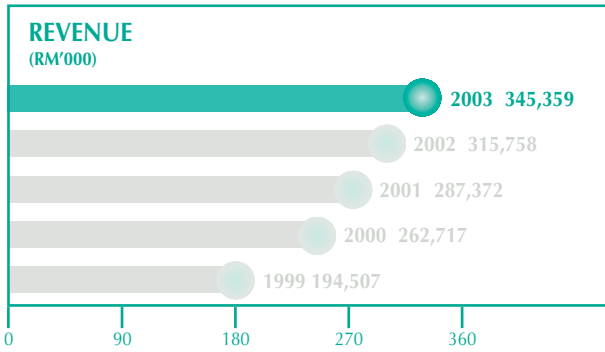
SKRINE  
Amin Tan & Co

### STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities  
Berhad (formerly known as Malaysia  
Securities Exchange Berhad)  
Stock Code : 9873





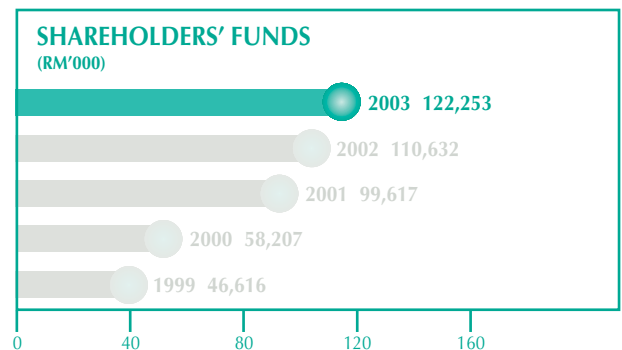


	1999 RM'000	2000 RM'000	2001 RM'000	2002 (#) RM'000	<b>2003 RM'000</b>
Revenue	194,507	262,717	287,372	315,758	<b>345,359</b>
Profit Before Taxation	14,421	17,666	5,833	19,499	<b>19,878</b>
Net Profit	13,080	12,091	2,040	11,789	<b>11,423</b>
Total Assets Employed	185,444	236,949	273,693	330,040	<b>329,243</b>
Shareholders' Funds	46,616	58,207	99,617	110,632	<b>122,253</b>
Net Tangible Assets	45,421	55,583	97,145	108,312	<b>120,085</b>
Net Tangible Assets Per Share (RM)	2.23	2.73	2.36	2.61	<b>1.38</b>
Earnings Per Share (Sen)+	20.6	16.5	2.5	14.0	<b>13.3</b>

+ Restated following the bonus issue of 43,265,900 new ordinary shares during the year.

# Comparative figures for 2002 have been adjusted to conform with changes in presentation due to the requirements of the new MASB 25 - "Income Taxes" and MASB 29 - "Employee Benefits" that have been applied retrospectively.

The comparative figures for the years preceding 2002 have not been adjusted for the effects of MASB 25 and MASB 29 due to impracticability within the constraints of timeliness and cost.





**On behalf of the Board of Directors of Prestar Resources Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2003.**



**OVERVIEW**

In 2003, the steel industry was operating under a highly challenging macro environment. The war in Iraq along with the SARS outbreak forced a gradual rise in crude oil price resulting in the emergence of a vulnerable global market. This further contributed to the shortage of raw materials which eventually triggered off the escalation of steel prices for the year.

Amidst a scenario of demand greater than supply in the steel market, prices of steel fluctuated in an exceptionally strange pattern. Local and overseas steel mills frequently changed quoted rates, a phenomenon that has never occurred before.

The above-mentioned unprecedented swing in steel prices resulted in rising

steel costs for both raw materials and fabricated products. At times goods were sold at a compromised margin to retain existing customers. Nevertheless, around September 2003, the price movement slowly gained acceptance. Trader and consumer confidence returned which resulted in their procuring from Prestar once again. Meanwhile, we noticed that besides steel, market prices of other commodities were also spiraling upwards.

Despite these setbacks, the continuous commitment of our management team and staff enabled us to successfully meet the various challenges faced in 2003. In addition, our innovative marketing strategies resulted in further growth of our market share in both the domestic and overseas markets. We successfully exported a wide range of

steel products such as highway guardrails, material handling equipment and accessories to North America, Middle East, Europe and other Asean countries.

The resultant demand boosted our revenue for financial year 2003 to RM345.3 million, a 9% increase as compared to the preceding year. For the year under review, the Prestar Group generated a profit after tax of RM11.4 million, earnings per share of 13.34 sen and the net tangible asset per share stood at RM 1.38 as at 31 December 2003.

During the year under review, several measures were taken to enhance our manufacturing and production efficiencies. Guidelines were set to address various operational and productivity issues. These positive



measures allowed us to maintain competitive costings in our products despite vulnerable market sentiments. Our market recognition improved and we gained several new customers in the process.

While our principal activities continue to be in the steel related arena, we are always seeking opportunities to acquire other steel based companies in view of enlarging our export sector and enhancing our global presence.

#### MAJOR EVENTS AND DEVELOPMENTS IN YEAR 2003

- ❖ Completion of Bonus Issue of up to 43,265,900 new ordinary shares of RM1.00 each in conjunction with the transfer of Prestar's listing status from the Second Board to the Main Board of Bursa Malaysia Securities Berhad on 1 October 2003.

- ❖ Increase in the authorised share capital of Prestar from RM100,000,000 to RM200,000,000 by the creation of 100,000,000 new ordinary shares of RM1.00 each.
- ❖ Establishment of a New Employees Share Option Scheme (ESOS II) on 1 October 2003.
- ❖ Payment of Prestar's first ever Special Dividend of 5% tax-exempt and a final dividend of 3.5% less income tax of 28%.

#### PROSPECTS OF 2004 FINANCIAL YEAR

Moving forward, we anticipate continued sluggishness in our operating environment in 2004 due to the weakening US Dollar, continuous global price hikes of raw materials,

the impending unrest in the Middle East and neighbouring countries and the expected slowdown in China's economic growth. Nevertheless, at Prestar, we have confidence that the Group will continue to seek manufacturing and marketing breakthroughs, enabling us to deliver promising financial results for the coming year.

#### DIVIDENDS

The Board of Directors of the Prestar Group is recommending the first and final dividend of 5% less 28% tax with respect to the financial year ended 31 December 2003 subject to Shareholders' Approval at the forthcoming Annual General Meeting of the Company.

#### ACKNOWLEDGEMENT

As always, and on behalf of the Board, I would like to convey my sincere thanks to our valued customers, suppliers, financial institutions, government agencies and the investors for their co-operation and support. Finally, I would like to thank the management and staff of the Prestar Group for their hard work in 2003 and wish them even greater success in the current year.

**TOH YEW KEAT**

*Group Executive Chairman*

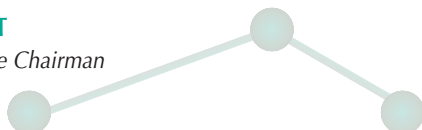




## 12 Profile of Board of Directors

### TOH YEW KEAT

Group Executive Chairman



Age: 57, Malaysian  
Appointed to the Board on 12 July 1984

Mr Toh Yew Keat is one of the founders of the Group. He has more than 30 years of experience in importation and distribution of material handling equipment, hardware products and building material.

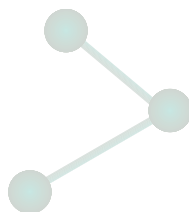
Mr Toh is actively involved in formulating and implementing the Group's business policies and corporate strategies and contributes to the continued growth and profitability of the Group by identifying new business ventures. He sits on the Board of Prestar Resources Berhad's subsidiaries and several other private limited companies.

He is a substantial shareholder in the Company by virtue of his direct and indirect interests.

He is a brother of Mr Toh Yew Peng, the Group Managing Director; Mr Toh Yew Kar, Group Executive Director; Mr Toh Yew Seng, Group Executive Director and Ms Toh Poh Khuan, Group Executive Director of Prestar Resources Berhad.

### TOH YEW PENG

Group Managing Director  
Member of Audit Committee



Age: 52, Malaysian  
Appointed to the Board on 12 July 1984

Mr Toh Yew Peng is one of the founders of the Group. He has been the Group Managing Director of Prestar Resources Berhad since 1984 and is responsible for the strategic development and overall growth, profitability and management of the Group.

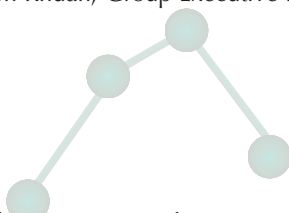
He travels extensively to keep abreast with the latest developments in the industry and constantly assesses new market prospects and opportunity for the Group. He sits on the Board of Prestar Resources Berhad's subsidiaries and several other private limited companies.

He is a substantial shareholder in the Company by virtue of his direct and indirect interests.

He is a brother of Mr Toh Yew Keat, the Executive Chairman; Mr Toh Yew Kar, Group Executive Director; Mr Toh Yew Seng, Group Executive Director and Ms Toh Poh Khuan, Group Executive Director of Prestar Resources Berhad.

### TOH YEW KAR

Group Executive Director



Age: 46, Malaysian  
Appointed to the Board on 12 July 1984

Mr Toh Yew Kar has been the Marketing Director of Prestar Resources Berhad since 1984. Prior to his involvement in Prestar Group, he has obtained substantial experience and exposure in sales and marketing with a trading company in Osaka, Japan.

He is responsible for the marketing affairs of Prestar Resources Berhad and is actively involved in the implementation of marketing strategies and development of new products and markets. He sits on the Board of Prestar Resources Berhad's subsidiaries and several other private limited companies.

He is deemed interested in the Company by virtue of his direct and indirect interest.

He is a brother of Mr Toh Yew Keat, the Executive Chairman; Mr Toh Yew Peng, Group Managing Director; Mr Toh Yew Seng, Group Executive Director and Ms Toh Poh Khuan, Group Executive Director of Prestar Resources Berhad.



**TOH YEW SENG**

*Group Executive Director*

*Age: 43, Malaysian*

*Appointed to the Board on 31 January 1986*

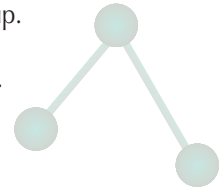
Mr Toh Yew Seng was the General Manager of Prestar Resources Berhad from 1984 to 1985 prior to his appointment as Executive Director. He obtained his Bachelor of Arts majoring in Business Administration from Tunghai University, Taiwan.

He oversees and manages the manufacturing activities of Prestar Resources Berhad where he is responsible for the planning and formulating of manufacturing strategies which include setting up of manufacturing facilities within the Group.

He sits on the Board of Prestar Resources Berhad's subsidiaries and several other private limited companies.

He is deemed interested in the Company by virtue of his indirect interest.

He is a brother of Mr Toh Yew Keat, the Executive Chairman; Mr Toh Yew Peng, Group Managing Director; Mr Toh Yew Kar, Group Executive Director and Ms Toh Poh Khuan, Group Executive Director of Prestar Resources Berhad.



**TOH POH KHUAN**

*Group Executive Director*

*Age: 56, Malaysian*

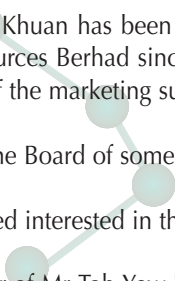
*Appointed to the Board on 30 September 1989*

Ms Toh Poh Khuan has been the Finance cum Executive Director of Prestar Marketing Sdn. Bhd., a wholly owned subsidiary of Prestar Resources Berhad since 1981 prior to her appointment as Group Executive Director. She is responsible for the day-to-day operations of the marketing subsidiary in the northern region of Peninsular Malaysia.

She sits on the Board of some of Prestar Resources Berhad's subsidiaries and several other private limited companies.

She is deemed interested in the Company by virtue of her indirect interest.

She is a sister of Mr Toh Yew Keat, the Executive Chairman; Mr Toh Yew Peng, Group Managing Director; Mr Toh Yew Kar, Group Executive Director and Mr Toh Yew Seng, Group Executive Director of Prestar Resources Berhad.



**MD. NAHAR BIN NOORDIN**

*Non-Independent Non-Executive Director  
Member of Remuneration Committee*

*Age: 47, Malaysian*

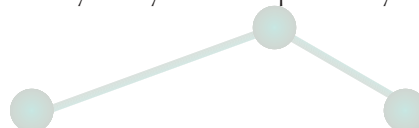
*Appointed to the Board on 18 June 1994*

Encik Md. Nahar bin Noordin obtained his Masters in Business Administration (Finance) from California State University, USA in 1985 after having obtained a Bachelor of Science (Finance) from University of Pacific, USA in 1984.

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

Encik Nahar is a major shareholder of the Company by virtue of his direct interest. Besides Prestar, he also sits on the Board of Habib Corporation Berhad and several private limited companies.

Save as disclosed above, Encik Nahar does not have any family relationship with any Director and/or major shareholder of the Company.



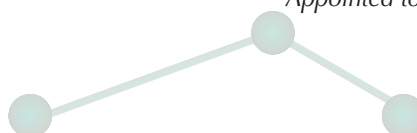


**FADZLULLAH SHUHAIMI BIN SALLEH**

Age: 47, Malaysian

Independent Non-Executive Director  
Member of Audit Committee  
Chairman of Remuneration Committee  
Member of Nomination Committee

Appointed to the Board on 18 March 1995



Encik Fadzlullah Shuhaimi bin Salleh obtained his Master in Computer Science from the University of Michigan, Ann Arbor, USA in 1980. He was the Deputy President of Digital Equipment Corporation Users Society, Malaysia from 1991 to 1992.

He is the Managing Director and a shareholder of Tenaga Tokoh (M) Sdn. Bhd., a company involved in computer forms, pre-printed forms and the supply of computer-related products. He also sits on the Board of several private limited companies.

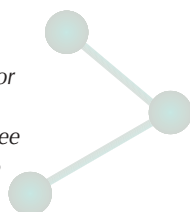
Save as disclosed above, Encik Shuhaimi does not have any family relationship with any Director and/or major shareholder of the Company.

**YEE CHEE SENG @ YEE YEN**

Age: 64, Malaysian

Independent Non-Executive Director  
Chairman of Audit Committee  
Member of Remuneration Committee  
Member of Nomination Committee

Appointed to the Board on 27 November 2001



Mr Yee Chee Seng is qualified as an Accountant. Currently, he is a Fellow Member of the Chartered Institute of Management Accountants of UK.

Mr Yee has worked over 30 years in Federal Land Development Authority (FELDA), the biggest land development organisation in Malaysia and retired in 2000. During his service with FELDA, Mr Yee held various senior positions which included the post of Finance Director and Deputy Director-General (Services). In addition to these, he also served as a member of the Board of Directors of several subsidiary companies of FELDA.

Save as disclosed above, Mr Yee does not have any family relationship with any Director and/or major shareholder of the Company.

**LIM CHEANG NYOK**

Age: 36, Malaysian

Independent Non-Executive Director  
Chairman of Nomination Committee

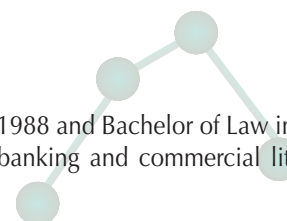
Appointed to the Board on 28 March 2002

Mr Lim Cheang Nyok is an advocate and solicitor, and senior partner of the firm Lim & Yeoh.

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

Besides legal practice, Mr Lim has been involved in various areas of business including IT, mining, pharmaceutical products and real property and sits on the Board of several private limited companies.

Saved as disclosed above, Mr Lim does not have any family relationship with any Director and/or major shareholder of the company.



**ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS**

**Conflict of interest**

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

**List of convictions for offences within past 10 years other than traffic offences**

NONE of the Directors of the Company has been convicted for offences within the past ten (10) years other than traffic offences.



**INVESTMENT HOLDING DIVISION**

**100%** Prestar Ventures Sdn. Bhd.

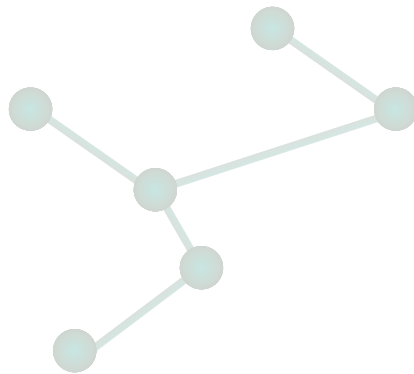
**MANUFACTURING DIVISION**

- 100%** Prestar Manufacturing Sdn. Bhd.
- 100%**
  - Excelpath Sdn. Bhd.
- 79%**
  - Prestar Storage System Sdn. Bhd.\*
- 95%** Prestar Tooling Sdn. Bhd.
- 75%** Prestar Engineering Sdn. Bhd.
- 68%** Posmmit Steel Centre Sdn. Bhd.
- 97%** Prestar Steel Pipes Sdn. Bhd.
- 100%**
  - Allied Reach Marketing Sdn Bhd
- 51%** Tashin Steel Sdn. Bhd.
- 100%**
  - Achievers Factor Sdn Bhd
- 100%** Prestar Galvanising Sdn. Bhd.



**PRESTAR RESOURCES BERHAD**

(123066-A)



**TRADING DIVISION**

- 100%** Prestar Marketing Sdn. Bhd.
- 70%** Dai Dong Steel Sdn. Bhd.

\* 30% through 100% owned subsidiary Excelpath Sdn. Bhd.



## 16 Corporate Governance Statement

Recognising the importance and relevance of good corporate governance to a public listed company recommended by the Malaysian Code on Corporate Governance ("the Code"), the Board of Directors is committed to implement the principles and best practices prescribed by the Code within the Group. The Board has taken steps to enhance the Group's transparency and accountability in its operations and reporting systems to achieve an optimal governance framework as promulgated by the Code while pursuing greater height of corporate performance.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place during the financial year:-

### A. THE BOARD OF DIRECTORS

The Board takes full responsibility for the overall performance of the Group by setting the directions and objectives, formulating the policies and strategic action plans as well as responsible for the allocation of the Group's resources. The Board regularly review the Group's business operations and maintains full and effective control over the management of the Group. The Chairman, Group Managing Director and Executive Directors' roles and functions are clearly identified, distinct and separated to ensure effective running of the Group.

All the Independent Directors are independent of Management and are free from any relationship that could materially interfere with the exercise of their independent judgement.

#### (i) Composition of the Board

The Board has nine (9) members and comprises five (5) Executive Directors and four (4) Non-Executive Directors, out of which, three (3) are independent.

Members of the Board bring with them wide range of business and entrepreneur skill as well as finance, commercial and technical experiences to the Company.

A brief profile of each Director is presented on pages 12 to 14 of the annual report.

#### (ii) Directors' Training

The Company has fulfilled the requirements for Independent Directors as required under the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("BMSB") and all the Directors have attended the Mandatory Accreditation Training Program ("MAP") prescribed by the BMSB. Apart from the MAP, the Company encourages its Directors to attend training programmes on a continual basis to enhance their knowledge and keep abreast with the latest technological, market and regulatory developments.

The Directors will continue to attend the Continuing Education Programme ("CEP") prescribed by the BMSB.

#### (iii) Board Meetings and Supply of Information

There were four (4) Board Meetings held during the year under review. Details of each Director's attendance at the Board Meetings are set out in the Statement Accompanying the Notice of Annual General Meeting ("AGM").

All Directors are provided with the agenda and information necessary for them to deal with prior to each Board Meeting. Senior Management staff were invited to attend Board Meeting to provide the Board with detailed explanations and clarifications on certain matters that are tabled to the Board. Directors have direct access to the advices and services of the Company Secretary as well as access to the information within the Group, whether as a full Board or in their individual capacity for discharging their duties.

#### (iv) Re-election of Directors

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

Directors who are appointed by the Board to fill a casual vacancy shall hold office until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting (Article 112).

Information of the Directors seeking for re-election at the forthcoming AGM are set out in the *Statement Accompanying the Notice of AGM*.

#### (v) Board Committees

The Board is assisted by an Audit Committee, whose role and function is as set out in the report of Audit Committee. Two other committees, namely the Nomination Committee and Remuneration Committee have also been established to further enhance the overall effectiveness of the Board in discharging its duties and responsibilities.



**a) Audit Committee**

Since the establishment of the Audit Committee in August 1995, it has discharged its duties and responsibilities satisfactorily. For detailed information about the Audit Committee with regards to its composition and terms of reference together with its report, please refer to the section on Audit Committee Report on pages 20 to 23 of this Annual Report.

**b) Nomination Committee**

The Nomination Committee was established on 27 November 2001. Its members composed exclusively of Independent Non-Executive Directors. The primary objective of the Committee is to assist the Board of Directors in their responsibilities in nomination new nominees to the Board of Directors.

Members of the Committee are as follows:-

Mr Lim Cheang Nyok (appointed as Chairman on 26 February 2003, Independent Non-Executive Director)

Encik Fadzlullah Shuhaimi Bin Salleh (Member [resigned as Chairman on 26 February 2003], Independent Non-Executive Director)

Mr Yee Chee Seng @ Yee Yen (Member, Independent Non-Executive Director)

The terms of reference of the Committee stipulates that it meets at least once a year. The Committee has met six (6) times since its establishment.

**c) Remuneration Committee**

In line with the recommendation of the Code, the Remuneration Committee was established on 27 November 2001. Its members composed wholly of Non-Executive Directors. The primary objective of the Committee is to assist the Board in their responsibilities in assessing the remuneration packages of the Executive Directors with a view to have a competitive remuneration package to attract and retain Directors of the necessary calibre to run the Company successfully.

Members of the Committee are as follows:-

Encik Fadzlullah Shuhaimi Bin Salleh (Chairman, Independent Non-Executive Director)

Encik Md. Nahar Bin Noordin (Member, Non-Executive Director)

Mr Yee Chee Seng @ Yee Yen (Member, Independent Non-Executive Director)

The terms of reference of the Committee stipulates that it meets at least once a year. The Committee has met four (4) times since its establishment.

**B. DIRECTORS' REMUNERATION**

Details of the remuneration for Directors of the Company comprising remuneration received / receivable from the Company and subsidiary companies during the financial year ended 31 December 2003 are as follows:-

**(i) Aggregate remuneration categorised into appropriate components:**

RM ('000)	Executive Directors	Non-Executive Directors
Fees	213	78
Salaries	1,355	-
Bonus	382	-
Benefits-in-kind	79	-
EPF and Socso	197	-

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

	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM 300,001 to RM 350,000	1	-
RM 400,001 to RM 450,000	1	-
RM 450,001 to RM 500,000	1	-
RM 500,001 to RM 550,000	2	-



Remuneration of each member of the Board of Directors is not shown in detail individually as the Directors are of the opinion that there was necessity to safeguard the physical security of the Directors and members of their family, besides the amount paid to individual Directors is not individually material, hence no separate disclosure.

### C. ACCOUNTABILITY AND AUDIT

#### (i) Financial Reporting

It is the Board's commitment to ensure that the annual financial statements and quarterly announcements of the Group's results always present a balanced and understandable assessment of the Group's position and prospects. The Board is assisted by the Audit Committee to review and assess the accuracy and adequacy of all the information to be disclosed and ensuring its compliance to the requirements of the rules and regulations of the authority and approved accounting standards.

The Statement of Directors' Responsibility pursuant to para 15.27(a) of the Listing Requirements of BMSB on its responsibilities in preparing the financial statements is set out on page 26 of this Annual Report.

#### (ii) Internal Control

The Directors are responsible for the Group's overall system of internal control and risk management that aims to safeguard shareholders' investment and the Group's assets during its course of business.

The Statement of Internal Control furnished on page 24 of the annual report provides an overview on the state of internal controls within the Group.

#### (iii) Relationship with Auditors

The Board, through Audit Committee maintains a formal and transparent relationship with its External Auditors in seeking professional advices. Each year, the Audit Committee will hold meeting with the External Auditors, without the presence of Executive Board Members regarding audit planning and other relevant audit and accounting issues.

A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 20 to 23 of the annual report.

### D. RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS

#### (i) Communication and dissemination of information

The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. In this respect, the Company reaches out to its shareholders and investors through its Annual Report and timely announcement through BMSB on material information, corporate proposals and quarterly financial results.

The Company has a website at [www.prestar.com.my](http://www.prestar.com.my) where shareholders and investors can conveniently access for information.

#### (ii) Annual General Meeting

The Annual General Meeting (AGM) is the principal forum for dialogue with shareholders. Notice of AGM and related circular are sent out to the shareholders at least 21 days before the date of the meeting. The Board encourages shareholders' participation at the AGM which is held at a convenient, easily accessible venue in town. The Board is supported by the auditors, legal & financial advisers and senior management staff, where applicable, who are also present at the AGM to communicate with the shareholders, investors and media.

### E. COMPLIANCES STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the Best Practices as set out in the Code. Apart from the following, the Board considers that all other Best Practices have been substantially implemented in accordance with the Code:

- Appointment of a Senior Independent Non-Executive Director has not been made. This is in view of the current composition of the Board which reflects a strong independent element and the separation of the roles of Chairman and Group Managing Director (CEO), the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.



The following information is provided in compliance with Paragraph 9.25 of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) Listing Requirements.

**1. UTILISATION OF PROCEEDS**

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

**2. SHARE BUY-BACK**

The information on share buy-back for the financial year is presented in the Financial Statements.

**3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED**

A total of 2,243,000 options were exercised during the financial year pursuant to the Company's ESOS. The Company has not issued any warrants, or convertible securities up to this point of time.

**4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME**

During the financial year, the Company did not sponsor any ADR or GDR programme.

**5. IMPOSITION OF SANCTIONS AND PENALTIES**

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

**6. NON-AUDIT FEE**

The amount of non-audit fees paid to the external auditors by the Group for the financial year were RM94,400.

**7. PROFIT ESTIMATES / FORECAST PROJECTION / UNAUDITED RESULTS**

The Company did not issue any profit estimates, forecast or projection for the financial year. There were no variances of 10% or more between the results for the financial year and the unaudited results announced.

**8. PROFIT GUARANTEE**

During the financial year, there were no profit guarantees given by the Company.

**9. MATERIAL CONTRACTS INVOLVING DIRECTORS' INTERESTS AND MAJOR SHAREHOLDERS' INTERESTS**

There were no material contracts made by the Company and its subsidiaries involving Directors' interests and major shareholders' interest during the financial year ended 31 December 2003.

**10. REVALUATION POLICY**

The Company does not have a revaluation policy on its landed properties.

**11. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPT")**

The information on RRPT for the financial year is presented in the Financial Statements of this Annual Report.



## 20 Audit Committee Reports

### MEMBERS

Audit committee consists of the following members:

**Mr Yee Chee Seng @ Yee Yen** *Chairman of Audit Committee, Independent Non-Executive Director*

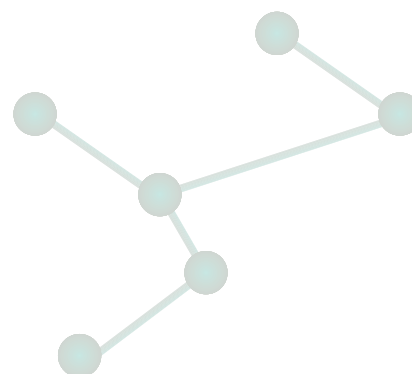
**Encik Fadzlullah Shuhaimi Bin Salleh** *Independent Non-Executive Director*

**Mr Toh Yew Peng** *Group Managing Director*

### JOINT SECRETARIES

**Ms Chua Siew Chuan** (MAICSA 0777679)

**Ms Chin Mun Yee** (MAICSA 7019243)



### (A) TERMS OF REFERENCE

#### 1. Composition of members

- 1.1 The Board shall elect the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, where the majority shall be independent directors. The term of office of the audit committee is 2 years and may be re-nominated and appointed by the Board of Directors.

*In this respect, the Board adopts the definition of "independent director" as defined under the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements.*

- 1.2 At least one member of the Audit Committee must be:

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least 3 years of working experience and:
  - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad.

- 1.3 No alternate director of the Board shall be appointed as a member of the Audit Committee.

#### ***Retirement and resignation***

- 1.4 If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

#### 2. Chairman

- 2.1 The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an independent director. The Chairman of the Committee shall be approved by the Board of Directors.

#### 3. Secretary

- 3.1 The Secretary of the Audit Committee shall be the Company Secretary.
- 3.2 The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting.
- 3.3 The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board of Directors and for following up outstanding matters.



#### 4. Meetings

- 4.1 The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
- 4.2 In the absence of the Chairman, the other independent director shall be the Chairman for that meeting.
- 4.3 The members of the Audit Committee, General Manager (Corporate Affairs, Finance and Administration), Finance Manager and the Head of Internal Audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.
- 4.4 Other directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee. However, at least once a year the Audit Committee shall meet with the external auditors without any executive board member present.
- 4.5 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

#### 5. Quorum

- 5.1 The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

#### 6. Reporting

- 6.1 The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.
- 6.2 The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

#### 7. Objectives

- 7.1 The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:
  - (a) evaluate the quality of the audits performed by the internal and external auditors;
  - (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
  - (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
  - (d) determine the quality, adequacy and effectiveness of the Group's control environment.

#### 8. Authority

- 8.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,
  - (a) authorise to investigate any activity within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee.
  - (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group.
  - (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
  - (d) be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary.
  - (e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.



**9. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall be:

- 9.1 To review the quarterly announcements to the Bursa Malaysia Securities Berhad and year end annual financial statements before submission to the Board, focussing on:
  - (a) going concern assumption;
  - (b) compliance with accounting standards and regulatory requirements which include the Bursa Malaysia Securities Berhad listing rules and SC guidelines;
  - (c) any changes in accounting policies and practices;
  - (d) significant and unusual issues arising from the audit; and
  - (e) major judgemental areas.
- 9.2 To review with the external auditors the following:
  - (a) the audit plan;
  - (b) the maintenance and control of an effective accounting system;
  - (c) his evaluation of the system of internal controls;
  - (d) his audit reports and findings;
  - (e) problems and reservations arising from their interim and final audits; and
  - (f) the assistance given by the employees of the company or group to the external auditor.
- 9.3 To review the internal audit functions on the following:
  - (a) adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work;
  - (b) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (c) internal audit plan, consider the audit reports and findings of internal audit, fraud investigations and actions and steps taken by management in response to audit findings.
- 9.4 To assess the adequacy and effectiveness of the systems of internal control and accounting control procedures of the Company and the Group by reviewing the external auditors' management letters and management response.
- 9.5 To assist the Board on the appointment and resignation of the external auditors, to recommend the nomination of external auditors and negotiate on the auditor fee.
- 9.6 To monitor Related Party Transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity such as the basis of transactions are of arms-length terms and terms are not disadvantageous to the Group.
- 9.7 To undertake such other responsibilities as may be agreed to by the Committee and the Board.
- 9.8 To report to the Board its activities, significant results and findings.

**(B) SUMMARY OF ACTIVITIES OF THE COMMITTEE**

The activities of the Audit Committee for the financial year were summarised as follow:

- 1. The Audit Committee met four times during the financial year ended 31 December 2003. The attendance record of each director is as follows:

<b>Name of Committee Member</b>	<b>No. of Meetings Held During Directors' Tenure in Office</b>	<b>No. of Meetings Attended by Directors</b>
Mr Yee Chee Seng @ Yee Yen	4	4
Encik Fadzlullah Shuhaimi Bin Salleh	4	4
Mr Toh Yew Peng	4	4



2. Reviewed the quarterly unaudited financial results announcement for the Group and the Companies before recommending them for the Board's approval.
3. Reviewed the annual reports and the audited financial statements of the Group and the Companies prior to submission to the Board for their consideration and approval. The review would ensure the financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the MASB.
4. Reviewed the effectiveness of risk management reports from the Group Risk Management Committee. Significant risk issues were summarised and communicated to the Board for consideration and resolution.
5. Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code of Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement of Internal Control pursuant to the Bursa Malaysia Securities Berhad Listing Requirements.
6. Met with the external auditor once during a year without the present of the senior board member to discuss the audit issue and recommendations raised by them and review the audit plan for 2003 accounts.
7. Reviewed the internal audit plan and internal audit reports and discussed the audit issues and recommendations with regard to system and control weaknesses noted in the course of audit and management response thereto.
8. Reviewed the internal audit department's resources requirement and the competency of the internal auditors to ensure they have the necessary requirements and knowledge to carry out the assignments effectively.

**(C) INTERNAL AUDIT FUNCTIONS**

1. The Audit Committee is assisted by the Internal Audit Department (IAD) primary to ensure that a sound system of internal control is in place. The IAD undertakes internal audit functions based on the audit plan that is reviewed and approved by the Audit Committee.
2. A risk-based audit approach is adopted to add value and improve the effectiveness of risk management, control and governance processes by providing independent, objective assurance and consulting activities. The main objective of the audit is to provide reasonable assurance that all the control is practiced satisfactorily and effectively.
3. The internal audit activities that were carried out by the IAD during the period under review were:
  - a) Reviewed with Management the operational activities and ensure the principal objectivities are aligned to overall Group's objectives.
  - b) Identified all auditable activities and relevant risk factors, and assessed their significance.
  - c) Analysed, examined and recommended appropriate controls to overcome deficiencies and to enhance operations of the Group.
  - d) Evaluated procedures in place to safeguard Group assets.
  - e) Assisted Management in establishing a proper risk management framework, assessed risks and monitored the effectiveness of the risk management programme and ensured the adequacy of internal control system.
  - f) Carried out investigation audit at the request of the Committee and senior management on specific areas of concern.
4. The IAD reports directly to the Audit Committee and its findings and recommendations are communicated to the Board.



## 24 Statement on Internal Control

### INTRODUCTION

The Board of Directors acknowledges its responsibilities in ensuring a sound system of internal controls encompassing all its financial and operating activities are being maintained within the Group. The aim is to safeguard the Group's assets and shareholder's value as well as upkeep of good corporate governance practices.

In relation to this objective as well as pursuant to the requirement of paragraph 15.27(b) of Bursa Malaysia Securities Berhad Listing Requirements (BMSB LR), the Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

### BOARD RESPONSIBILITY

The Board accepts its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy, integrity and effectiveness of those systems. However, due to the limitations that are inherent in any system of internal controls, such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. Therefore, the systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board affirms that the Group had in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives for the year under review and up to the date of this report. The Board via Group Risk Management Committee and Audit Committee regularly reviews this process.

### RISK MANAGEMENT FRAMEWORK

Since year 2002, the Board established a Group Risk Management Committee. The Group Risk Management Committee is chaired by the Group Managing Director and includes the Group's Executive Directors, Group Financial Controller and Internal Audit Manager. The Group Risk Management Committee further incorporates Risk Management Units at various subsidiaries to delegate the process of risks identification, evaluating, monitoring and managing significant risks at the various business levels.

The Group Risk Management Committee remains responsible for the overall Group's Risk Management process, monitoring and reporting, while the Group's Internal Audit Manager acts as the management facilitator in coordinating the on-going Risk Management process in conjunction with all the Risk Management Unit Heads within the Group.

The risk management function had enabled the management within the group to be more aware of the risk identification, evaluation, control and on going monitoring of the risk process to manage and mitigate potential losses. In addition to that, the review carried out by external consultants in the previous year has also provided good feedback and benchmark for further enhancement and implementation of the risk management process.

### INTERNAL AUDIT FUNCTION

The Group has established the Internal Audit function since the beginning of the prior year to assist the Audit Committee in discharging their duties and provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls.

The internal audit function, which includes the review of risk identification procedures and control processes is performed according to the audit plan approved by the Audit Committee to which the internal audit department reports. There were no material control weaknesses identified during the year, which had a material impact on the company's financial performance or operations.

Major activities carried out during the year were:

- Performed regular reviews of operational compliance with the established internal standard operating procedures.
- Conduct ad-hoc investigative tasks as requested by Audit Committee and /or the Management.
- Facilitate and coordinating the Group's Risk Management processes.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

Apart from risk management and internal audit, the Group has in place an organisational structure with defined lines of responsibility, delegation of authority and an effective management reporting system.

Other salient features of the Group's Internal Control systems include the following:

- A detail budgeting process where budgets are prepared by the operating business units for subsequent monitoring and tracking of variances and performance
- Documented production operation and quality control system accredited by various ISO certification bodies on 4 subsidiaries
- Formalised recruitment and staff performance appraisal policy and system and well-planned regular training sessions for various levels of employees.
- Board meetings with a set schedule of matters for discussion thus ensuring that it maintains effective supervision and control.
- Quarterly review of financial results and operational matters by the Board and Audit Committee.

Based on the above, the Board is of the opinion that there exists within the Group a reasonably effective and efficient system of internal controls.





## **26 Statement of Responsibility by Directors** In respect of the preparation of the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 (the "Act") to lay before the Company and shareholders at its Annual General Meeting, audited financial statements (which include the consolidated balance sheet and the consolidated income statement of the Group) for each financial year, make out in accordance with the applicable accounting standards in Malaysia, the provisions of the Act and the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("BMSB").

The audited financial statements of the Company and the Group for the financial year ended 31 December 2003 are set out from pages 27 to 69 of this Annual Report.

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003, and of the results of their operations and cashflows for the year ended on that date.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

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

This Statement is made in accordance with a resolution of the meeting of the Board of Directors on 6th May 2004.



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company consist of rental of properties, investment holding and indent trading.

The principal activities of the subsidiaries are stated in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the year	11,422,977	3,299,333

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

**DIVIDENDS**

Since the end of the previous financial year, the Company paid a final dividend of 3.5% less tax totalling RM1,041,715 and a special tax exempt dividend of 5% totalling RM2,066,895 in respect of the year ended 31 December 2002 on 22 July 2003.

The final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 5% less tax totalling RM3,115,145.

**DIRECTORS OF THE COMPANY**

Directors who served since the date of the last report are:

- Toh Yew Keat
- Toh Yew Peng
- Toh Yew Kar
- Toh Yew Seng
- Toh Poh Khuan
- Md. Nahar Bin Noordin
- Fadzlullah Shuhaimi Bin Salleh
- Yee Chee Seng @ Yee Yen
- Lim Cheang Nyok

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' shareholdings are as follows:

	<b>Number of ordinary shares of RM1.00 each</b>			<b>Balance at 31.12.2003</b>
	<b>Balance at 1.1.2003</b>	<b>Bought</b>	<b>Sold</b>	
Shareholdings in which Directors have direct interest				
<u>The Company</u>				
Toh Yew Keat	6,652,851	5,970,851	(1,444,000)	<b>11,179,702</b>
Toh Yew Peng	1,250,399	768,399	(1,700,000)	<b>318,798</b>
Md. Nahar Bin Noordin	3,261,000	2,500,000	(761,000)	<b>5,000,000</b>
Toh Yew Kar	-	186,000	-	<b>186,000</b>
Shareholding in which Directors have deemed interest				
<u>The Company</u>				
Toh Yew Keat	13,352,500	13,352,500	(1,400,000)	<b>25,305,000</b>
Toh Yew Peng	13,352,500	13,352,500	(1,400,000)	<b>25,305,000</b>
Toh Yew Kar	13,352,500	13,352,500	(1,400,000)	<b>25,305,000</b>
Toh Yew Seng	13,352,500	13,352,500	(1,400,000)	<b>25,305,000</b>
Toh Poh Khuan	13,352,500	13,352,500	(1,400,000)	<b>25,305,000</b>



**DIRECTORS OF THE COMPANY (CONTINUED)**

Subsidiaries	Number of ordinary shares of RM1.00 each			
	Balance at 1.1.2003	Bought	Sold	Balance at 31.12.2003
Prestar Tooling Sdn. Bhd.				
Toh Yew Seng	425,000	1,000,000	-	<b>1,425,000</b>
Toh Yew Kar	425,000	1,000,000	-	<b>1,425,000</b>
Prestar Storage System Sdn. Bhd.				
Toh Yew Keat	560,000	-	-	<b>560,000</b>
Toh Yew Seng	560,000	-	-	<b>560,000</b>
Toh Yew Kar	560,000	-	-	<b>560,000</b>
Prestar Engineering Sdn. Bhd.				
Toh Yew Kar	750,000	-	-	<b>750,000</b>
Toh Yew Seng	750,000	-	-	<b>750,000</b>
Posmmmit Steel Centre Sdn. Bhd.				
Toh Yew Peng	9,500,000	-	-	<b>9,500,000</b>
Toh Yew Seng	9,500,000	-	-	<b>9,500,000</b>
Prestar Steel Pipes Sdn. Bhd.				
Toh Yew Kar	6,300,000	-	-	<b>6,300,000</b>
Toh Yew Seng	6,300,000	-	-	<b>6,300,000</b>
Dai Dong Steel Sdn. Bhd.				
Toh Yew Seng	350,000	-	-	<b>350,000</b>
Tashin Steel Sdn. Bhd.				
Toh Yew Peng	10,200,000	-	-	<b>10,200,000</b>
Toh Yew Seng	10,200,000	-	-	<b>10,200,000</b>

By virtue of their interest in shares in the Company, the Directors are also deemed to have an interest in the shares of the subsidiaries to the extent that the Company had an interest.

The options granted to the Directors in respect of the acquisition of shares pursuant to the Employees' Share Option Scheme ("ESOS") are set out below:

Share options in the Company		Number of options over ordinary shares of RM1.00 each				
		Balance at 1.1.2003	Granted	Exercised	Lapsed	Balance at 31.12.2003
Toh Yew Keat	RM1.96	265,000	-	(159,000)	(106,000)	-
	RM1.50	-	300,000	-	-	<b>300,000</b>
Toh Yew Peng	RM1.96	265,000	-	(159,000)	(106,000)	-
	RM1.50	-	300,000	-	-	<b>300,000</b>
Toh Yew Kar	RM1.96	159,000	-	(93,000)	(66,000)	-
	RM1.50	-	300,000	-	-	<b>300,000</b>
Toh Yew Seng	RM1.96	159,000	-	(93,000)	(66,000)	-
	RM1.50	-	300,000	-	-	<b>300,000</b>
Toh Poh Khuan	RM1.96	159,000	-	(93,000)	(66,000)	-
	RM1.50	-	300,000	-	-	<b>300,000</b>

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit by virtue of those transactions conducted between the Company and companies in which the Directors have interests as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued the following shares:

Class of shares	Number of shares	Terms of issue	Purpose of issue
Ordinary shares of RM1 each	2,243,000	Cash	Subscription of Employees' Share Option Scheme ("ESOS")
Ordinary shares of RM1 each	43,265,900	43,265,900 new ordinary shares of RM1 each on the basis of one (1) new ordinary share for every one (1) existing fully paid-up ordinary share held.	Bonus issue

The ESOS were issued at a price of RM1.96 per share.

The above bonus issue was approved at an Extraordinary General Meeting held on 21 July 2003 and was allotted on 19 September 2003 and credited as fully paid-up ordinary shares through capitalisation from the Company's share premium account and retained profit account of RM27,828,860 and RM15,437,040 respectively.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued 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 year apart from the options pursuant to the Employees' Share Option Scheme ("ESOS").

The Company's ESOS of not more than 10% of the issued share capital of the Company at the point of time when an offer is made was approved by the shareholders of the Company at an Extraordinary General Meeting held on 20 October 2000 and was effected on 26 December 2000. However, it was terminated via an Extraordinary General Meeting on 21 July 2003.

The new ESOS of not more than 10% of the issued capital of the Company at any point of time when an offer is made was approved by the shareholders of the Company at an Extraordinary General Meeting held on 21 July 2003 and was effected on 1 October 2003.

Date of offer	Option price	Balance at 1.1.2003	Number of options over ordinary shares of RM1 each				Balance at 31.12.2003
			Granted	Lapsed due to resignation	Exercised	Terminated	
31.01.2001	RM1.96	2,807,000	-	154,000	2,243,000	410,000	-
3.12.2003	RM1.50	-	8,479,200	-	-	-	8,479,200

The salient features of the new ESOS scheme are as follows:

- Eligible employees comprise any employee who has attained the age of eighteen years and who is a Malaysian citizen employed by and on the payroll of any company comprised in the Group and who are monthly paid employees and is confirmed and has been in the employment of the Group for at least one year prior to the date of offer.



**OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)**

- b) The option is personal to the grantee and is non-assignable.
- c) The option price shall be determined based on a discount of not more than 10% of the five day weighted average market price of the shares at the date the option is granted, subject to the minimum price of RM1.00, being the par value of the shares, whichever is higher.
- d) The options granted may be exercised according to the following scale in respect of a maximum of the following:

Number of shares in respect of options granted	Percentage of options exercisable (%)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Less than 20,000	30	30	40	-	-
20,000 to 100,000	25	25	25	25	-
More than 100,000	20	20	20	20	20

Note: The percentage of the option exercisable but not exercised in a particular year can be carried forward to the subsequent years within the option period.

- e) The options granted may be exercised at any time within a period of five years from the date of the last approval subject to any extension as shall be approved by the shareholders and the relevant authorities.
- f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limited by the scheme.

The persons to whom the options have been granted have no right to participate by virtue of the option in any share issue of any other company.

**SIGNIFICANT EVENT DURING THE YEAR**

*Subscription of shares in Prestar Tooling Sdn. Bhd. by Prestar Manufacturing Sdn. Bhd.*

On 21 October 2003, Prestar Manufacturing Sdn. Bhd. subscribed for 1,000,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000,000 in the enlarged issued and paid-up share capital of Prestar Tooling Sdn. Bhd., hence increasing Prestar Manufacturing Sdn. Bhd.'s interest in Prestar Tooling Sdn. Bhd. from 85% to 95%.

**EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

- (i) *Acquisition of equity interest in Achievers Factor Sdn. Bhd. ("AF") by Tashin Steel Sdn. Bhd.*

On 2 March 2004, Tashin Steel Sdn. Bhd., a subsidiary of Prestar Resources Berhad, acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each in AF, a dormant company, at a total cash consideration of RM2.00. The said acquisition effectively makes AF a wholly owned subsidiary of the Company.

- (ii) *Acquisition of equity interest in Allied Reach Marketing Sdn. Bhd. ("ARM") by Prestar Steel Pipes Sdn. Bhd.*

On 27 February 2004, Prestar Steel Pipes Sdn. Bhd., a subsidiary of Prestar Resources Berhad acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each in ARM, a dormant company, at a total cash consideration of RM2.00. The said acquisition effectively makes ARM a wholly owned subsidiary of the Company.

- (iii) *Proposed acquisition of Scomi Sdn. Bhd. ("Scomi") and Scomi Transportation Solutions Sdn. Bhd. ("SCOTS") ("Proposed Acquisitions")*

On 22 March 2004, the Company has entered into a conditional share sale agreement with Scomi Group Berhad for the acquisition by the Company of 9,281,762 ordinary shares of RM1.00 each in Scomi and 500,000 ordinary shares of RM1.00 each in SCOTS representing the entire issued and paid-up share capital of Scomi and SCOTS respectively, for a total purchase consideration of RM42,500,000 to be satisfied by the issuance of 28,333,333 new ordinary shares of RM1.00 each in the company at an issue price of RM1.50 per share.

The Proposed Acquisitions are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an Extraordinary General Meeting ("EGM") to be convened on a later date.

- (iv) *Proposed special issue of Company shares ("Proposed Special Issue")*

On 22 March 2004, the Company proposed to implement a special issue of 11,000,000 new Company shares at an issue price of RM1.50 per share for cash to Bumiputera investors to be identified later.



#### EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)

(iv) *Proposed special issue of Company shares ("Proposed Special Issue") (continued)*

The Proposed Special Issue are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an EGM to be convened on a later date.

(v) *Proposed share split of Company shares ("Proposed Share Split")*

On 22 March 2004, the Company proposed a share split involving the subdivision into 2 new ordinary shares of RM0.50 each in Prestar for each 1 ordinary share of RM1.00 each held in Company on a date to be determined.

The Proposed Share Split are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an EGM to be convened on a later date.

#### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except as disclosed in Note 31 in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

**Toh Yew Peng**

**Toh Yew Kar**

Kuala Lumpur,

Date: 23 March 2004



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

In the opinion of the Directors, the financial statements set out on pages 34 to 69 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Toh Yew Peng**

**Toh Yew Kar**

Kuala Lumpur,

Date: 23 March 2004

## Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Koay Kah Ee**, 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 34 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 23 March 2004.

**Koay Kah Ee**

Before me:

No. W202  
Barathan A/L Sinniah @ Chinniah  
AMN, PJK

Pesuruhjaya Sumpah  
(Commissioner for Oaths)  
Kuala Lumpur



We have audited the financial statements set out on pages 34 to 69. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditor is identified in Note 3 to the financial statements and we have considered its financial statements and the auditor's report thereon.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Lim Hun Soon @ David Lim**

Partner

Approval Number: 1514/05/04(J)

Kuala Lumpur,

Date: 23 March 2004



**34 Group Balance Sheet** at 31 December, 2003

	Note	2003 RM	2002 RM
<b>Property, plant and equipment</b>	2	<b>111,819,823</b>	107,798,088
<b>Intangible assets</b>	4	<b>2,168,146</b>	2,320,221
<b>Deferred tax assets</b>	16	<b>2,271,000</b>	-
<b>Quoted investments</b>	5	<b>373,383</b>	379,985
<b>Current assets</b>			
Inventories	6	<b>106,409,120</b>	123,556,703
Trade receivables	7	<b>93,312,755</b>	85,365,110
Other receivables, deposits and prepayments		<b>6,080,469</b>	5,763,250
Tax recoverable		<b>1,481,969</b>	1,380,719
Cash and cash equivalents	9	<b>5,326,507</b>	3,476,362
		<b>212,610,820</b>	219,542,144
<b>Current liabilities</b>			
Trade payables	10	<b>22,100,881</b>	27,732,896
Other payables and accruals	11	<b>10,985,993</b>	14,342,761
Hire purchase liabilities	12	<b>2,429,176</b>	783,177
Bank borrowings	13	<b>122,314,789</b>	130,478,148
Taxation		<b>1,697,877</b>	950,184
		<b>159,528,716</b>	174,287,166
<b>Net current assets</b>		<b>53,082,104</b>	45,254,978
		<b>169,714,456</b>	155,753,272
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	14	<b>87,068,900</b>	41,560,000
Reserves		<b>36,488,824</b>	69,601,269
Treasury shares	14	<b>(1,305,025)</b>	(529,017)
		<b>122,252,699</b>	110,632,252
<b>Minority shareholders' interests</b>	17	<b>30,520,328</b>	26,102,392
<b>Long term and deferred liabilities</b>			
Bank borrowings	13	<b>6,871,295</b>	13,678,507
Hire purchase liabilities	12	<b>5,626,134</b>	1,358,583
Deferred tax liabilities	16	<b>4,444,000</b>	3,981,538
		<b>16,941,429</b>	19,018,628
		<b>169,714,456</b>	155,753,272

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2004.

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



**Group Income Statement** for the year ended 31 December, 2003 **35**

	Note	2003 RM	2002 RM
<b>Revenue</b>	18	<u><b>345,359,379</b></u>	<u>315,758,493</u>
<b>Operating profit</b>	18	<b>26,619,053</b>	26,069,163
Financing costs	20	<b>(6,761,987)</b>	(6,587,459)
Interest income		<u><b>20,582</b></u>	<u>17,572</u>
<b>Profit before taxation</b>		<b>19,877,648</b>	19,499,276
Tax expense	21	<u><b>(3,116,735)</b></u>	<u>(3,826,060)</u>
<b>Profit after taxation</b>		<b>16,760,913</b>	15,673,216
Less: Minority interests		<b>(5,337,936)</b>	(3,883,898)
<b>Net profit for the year</b>		<u><u><b>11,422,977</b></u></u>	<u><u>11,789,318</u></u>
Basic earnings per ordinary share (sen)	22	<u><b>13.34</b></u>	<u>13.99</u>
Diluted earnings per ordinary share (sen)	22	<u><b>13.33</b></u>	<u>13.92</u>
Gross dividend per ordinary share (sen)	23	<u><b>5.0</b></u>	<u>8.5</u>

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



## 36 Group Statement of Changes in Equity for the year ended 31 December, 2003

	Share capital RM	Non-distributable		Distributable	Treasury shares RM	Total RM
		Share premium RM	Revaluation reserve RM	Retained profits RM		
<b>At 1 January 2002</b>	40,710,000	25,173,772	2,142,628	31,590,868	-	99,617,268
Effect of adopting						
- MASB 25	-	-	(873,551)	252,938	-	(620,613)
- MASB 29	-	-	-	(262,670)	-	(262,670)
<b>Restated balance</b>	40,710,000	25,173,772	1,269,077	31,581,136	-	98,733,985
Net profit for the year	-	-	-	11,789,318	-	11,789,318
Crystallisation of revaluation reserve	-	-	(33,621)	33,621	-	-
Dividends						
- 2001 final (Note 23)	-	-	-	(1,028,034)	-	(1,028,034)
Increase in issued share capital through ESOS	850,000	816,000	-	-	-	1,666,000
Shares bought back	-	-	-	-	(529,017)	(529,017)
<b>At 31 December 2002</b>	41,560,000	25,989,772	1,235,456	42,376,041	(529,017)	110,632,252
<b>At 1 January 2003</b>	41,560,000	25,989,772	2,142,628	42,399,203	(529,017)	111,562,586
Effect of adopting						
- MASB 25	-	-	(907,172)	299,634	-	(607,538)
- MASB 29	-	-	-	(322,796)	-	(322,796)
<b>Restated balance</b>	41,560,000	25,989,772	1,235,456	42,376,041	(529,017)	110,632,252
Net profit for the year	-	-	-	11,422,977	-	11,422,977
Crystallisation of revaluation reserve	-	-	(33,621)	33,621	-	-
Dividends						
- 2002 final (Note 23)	-	-	-	(3,108,610)	-	(3,108,610)
Increase in issued share capital through						
- Bonus issue	43,265,900	(27,828,860)	-	(15,437,040)	-	-
- ESOS	2,243,000	2,153,280	-	-	-	4,396,280
Shares bought back	-	-	-	-	(776,008)	(776,008)
Bonus issue expenses	-	(314,192)	-	-	-	(314,192)
<b>At 31 December 2003</b>	87,068,900	-	1,201,835	35,286,989	(1,305,025)	122,252,699
	Note 14				Note 14	

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



**Group Cash Flow Statement** for the year ended 31 December, 2003

	2003 RM	2002 RM
<b>Cash flows from operating activities</b>		
Profit before taxation after minority interests	<b>14,539,712</b>	15,615,378
Adjustments for:		
Allowance for doubtful debts	<b>1,589,061</b>	2,747,359
Amortisation of goodwill	<b>152,075</b>	152,075
Bad debts written off	-	667,593
Depreciation	<b>9,250,536</b>	8,072,541
Dividend income	(750)	(550)
Gain on disposal of quoted investment	(7,121)	-
Gain on disposal of shares in a subsidiary	-	(130,754)
Interest expense	<b>6,761,987</b>	6,587,459
Interest income	(20,582)	(17,572)
Inventories written down	<b>421,000</b>	1,078,419
Minority interest in retained profit	<b>5,337,936</b>	3,883,898
Net gain on disposal of property, plant and equipment	(757,134)	(525,511)
Reversal of inventories write down	(341,950)	-
Property, plant and equipment written off	3	14,708
Reversal of allowance for doubtful debts	(169,764)	-
Operating profit before working capital changes	<b>36,755,009</b>	38,145,043
(Increase)/Decrease in working capital:		
Inventories	<b>17,068,533</b>	(59,723,683)
Trade and other receivables	(9,841,046)	(1,231,785)
Trade and other payables	(8,988,783)	12,417,079
Cash generated/(used in) from operations	<b>34,993,713</b>	(10,393,346)
Income taxes paid	(4,121,945)	(4,058,302)
<b>Net cash generated/(used in) from operating activities</b>	<b>30,871,768</b>	(14,451,648)



	2003 RM	2002 RM
<b>Cash flows from investing activities</b>		
Dividend received	750	550
Interest received	20,582	17,572
Minority interest in additional shares subscribed	-	3,030,000
Proceeds from disposal of property, plant and equipment	2,480,854	619,053
Proceeds from sale of shares in a subsidiary	-	4,882,559
Purchase of property, plant and equipment (ii)	(6,891,236)	(9,913,470)
Purchase of quoted investments	-	(5,400)
Proceeds from disposal of quoted investments	13,723	-
<b>Net cash used in investing activities</b>	<b>(4,375,327)</b>	<b>(1,369,136)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(6,761,987)	(6,587,459)
Dividend paid to shareholders of the Company	(3,108,610)	(1,028,034)
Dividend paid to minority shareholders	(920,000)	(150,000)
Payments of hire purchase liabilities	(2,191,208)	(644,252)
Proceeds from borrowings	-	22,619,935
Purchase of own shares	(776,008)	(529,017)
Repayment of term loan	(6,429,019)	(6,044,640)
Repayment of borrowings	(6,401,600)	-
Proceeds from ESOS	4,396,280	1,666,000
Payments of bonus issue expenses	(314,192)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(22,506,344)</b>	<b>9,302,533</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,990,097</b>	<b>(6,518,251)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(3,919,286)</b>	<b>2,598,965</b>
<b>Cash and cash equivalents at end of year</b> (i)	<b>70,811</b>	<b>(3,919,286)</b>

**(i) Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2003 RM	2002 RM
Cash and bank balances	4,926,507	3,476,362
Bank overdrafts	(5,255,696)	(7,395,648)
Fixed deposit with licensed banks	400,000	-
	<b>70,811</b>	<b>(3,919,286)</b>

**(ii) Purchase of property, plant and equipment**

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM14,995,994 (2002 – RM11,224,470) of which RM8,104,758 (2002 - RM1,311,000) was acquired by means of hire purchase.

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



	Note	2003 RM	2002 RM
<b>Property, plant and equipment</b>	2	<b>45,629,572</b>	45,753,758
<b>Investment in subsidiaries</b>	3	<b>43,829,743</b>	43,829,743
<b>Current assets</b>			
Other receivables, deposits and prepayments		<b>40,589</b>	50,891
Amount due from subsidiaries	8	<b>21,382,181</b>	22,941,091
Tax recoverable		<b>403,628</b>	353,111
Cash and cash equivalents	9	<b>975</b>	1,318
		<b>21,827,373</b>	23,346,411
<b>Current liabilities</b>			
Other payables and accruals	11	<b>421,322</b>	585,328
Amount due to subsidiaries	8	<b>625,406</b>	627,364
Hire purchase liabilities	12	<b>110,333</b>	-
Bank borrowings	13	<b>10,588,474</b>	10,733,000
		<b>11,745,535</b>	11,945,692
<b>Net current assets</b>		<b>10,081,838</b>	11,400,719
		<b>99,541,153</b>	100,984,220
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	14	<b>87,068,900</b>	41,560,000
Reserves	15	<b>7,265,293</b>	48,501,382
Treasury shares	14	<b>(1,305,025)</b>	(529,017)
<b>Shareholders' funds</b>		<b>93,029,168</b>	89,532,365
<b>Long term and deferred liabilities</b>			
Hire purchase liabilities	12	<b>298,920</b>	-
Bank borrowings	13	<b>5,358,065</b>	10,165,317
Deferred tax liabilities	16	<b>855,000</b>	1,286,538
		<b>6,511,985</b>	11,451,855
		<b>99,541,153</b>	100,984,220

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2004.

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



## 40 Company Income Statement for the year ended 31 December, 2003

	Note	2003 RM	2002 RM
Revenue	18	<u>6,254,170</u>	<u>4,107,115</u>
Operating profit	18	3,976,044	4,468,408
Financing costs	20	(920,799)	(1,337,021)
Interest income		<u>579,994</u>	<u>1,105,917</u>
Profit before taxation		3,635,239	4,237,304
Tax expense	21	(335,906)	(590,036)
Net profit for the year		<u>3,299,333</u>	<u>3,647,268</u>
Gross dividend per ordinary share (sen)	23	<u>5.0</u>	<u>8.5</u>

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



**Company Statement of Changes in Equity** for the year ended 31 December, 2003

	Share capital RM	Non-distributable		Distributable	Treasury shares RM	Total RM
		Share premium RM	Revaluation reserve RM	Retained profits RM		
<b>At 1 January 2002</b>	40,710,000	25,173,772	2,142,628	18,392,425	-	86,418,825
Effect of adopting						
- MASB 25	-	-	(873,551)	252,938	-	(620,613)
- MASB 29	-	-	-	(22,064)	-	(22,064)
<b>Restated balance</b>	40,710,000	25,173,772	1,269,077	18,623,299	-	85,776,148
Net profit for the year	-	-	-	3,647,268	-	3,647,268
Crystallisation of revaluation reserve	-	-	(33,621)	33,621	-	-
Dividends						
- 2002 final (Note 23)	-	-	-	(1,028,034)	-	(1,028,034)
Increase in issued share capital through ESOS	850,000	816,000	-	-	-	1,666,000
Shares bought back	-	-	-	-	(529,017)	(529,017)
<b>At 31 December 2002</b>	41,560,000	25,989,772	1,235,456	21,276,154	(529,017)	89,532,365
<b>At 1 January 2003</b>	41,560,000	25,989,772	2,142,628	20,998,584	(529,017)	90,161,967
Effect of adopting						
- MASB 25	-	-	(907,172)	299,634	-	(607,538)
- MASB 29	-	-	-	(22,064)	-	(22,064)
<b>Restated balance</b>	41,560,000	25,989,772	1,235,456	21,276,154	(529,017)	89,532,365
Net profit for the year	-	-	-	3,299,333	-	3,299,333
Crystallisation of revaluation reserve	-	-	(33,621)	33,621	-	-
Dividends						
- 2002 final (Note 23)	-	-	-	(3,108,610)	-	(3,108,610)
Increase in issued share capital through						
- Bonus issue	43,265,900	(27,828,860)	-	(15,437,040)	-	-
- ESOS	2,243,000	2,153,280	-	-	-	4,396,280
Shares bought back	-	-	-	-	(776,008)	(776,008)
Share issue expenses	-	(314,192)	-	-	-	(314,192)
<b>At 31 December 2003</b>	87,068,900	-	1,201,835	6,063,458	(1,305,025)	93,029,168
	Note 14				Note 14	

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



**42 Company Cash Flow Statement** for the year ended 31 December, 2003

	2003 RM	2002 RM
<b>Cash flows from operating activities</b>		
Profit before taxation	3,635,239	4,237,304
Adjustments for:		
Depreciation	730,216	677,451
Dividend income	(2,829,444)	(486,111)
Gain on sale of shares in a subsidiary	-	(2,932,559)
Gain on disposal of property, plant and equipment	(159,999)	(55,788)
Interest expense	920,799	1,337,021
Interest income	(579,994)	(1,105,917)
	<hr/>	<hr/>
Operating profit before working capital changes	1,716,817	1,671,401
(Increase)/Decrease in working capital:		
Other receivables	(1,760)	47,166
Other payables	(164,006)	200,709
Subsidiaries	2,206,396	5,985,998
	<hr/>	<hr/>
Cash generated from operations	3,757,447	7,905,274
Income taxes paid	(805,899)	(259,347)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>2,951,548</b>	<b>7,645,927</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Dividend received	2,180,000	350,000
Interest received	579,994	1,105,917
Proceeds from disposal of property, plant and equipment	160,000	62,500
Proceeds from sale of shares in a subsidiary	-	4,882,559
Proceeds from disposal of a subsidiary	-	2
Purchase of property, plant and equipment (ii)	(136,031)	(249,859)
Subscription of shares in subsidiaries	-	(10,735,649)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>	<b>2,783,963</b>	<b>(4,584,530)</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>



	2003 RM	2002 RM
<b>Cash flows from financing activities</b>		
Interest paid	(920,799)	(1,337,021)
Dividend paid	(3,108,610)	(1,028,034)
Payments of hire purchase liabilities	(60,747)	-
(Repayments of)/ proceeds from bank borrowings	(97,521)	2,832,000
Repayment of term loan	(4,429,419)	(5,140,740)
Proceeds from ESOS	4,396,280	1,666,000
Purchase of own shares	(776,008)	(529,017)
Payment of bonus issue expenses	(314,192)	-
	<u>(5,311,016)</u>	<u>(3,536,812)</u>
<b>Net cash used in financing activities</b>		
	(5,311,016)	(3,536,812)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>424,495</b>	<b>(475,415)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(1,359,575)</b>	<b>(884,160)</b>
<b>Cash and cash equivalents at end of year</b>	<b>(i) (935,080)</b>	<b>(1,359,575)</b>

**(i) Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2003 RM	2002 RM
Cash and bank balances	975	1,318
Bank overdrafts	(936,055)	(1,360,893)
	<u>(935,080)</u>	<u>(1,359,575)</u>

**(ii) Purchase of property, plant and equipment**

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM606,031 (2002 - RM249,859) of which RM470,000 (2002 - Nil) was acquired by means of hire purchase.

The notes set out on pages 44 to 69 form an integral part of, and should be read in conjunction with, these financial statements.



## 44 Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes;
- (ii) MASB 27, Borrowing Costs; and
- (iii) MASB 29, Employee Benefits.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 31 and 32 to these financial statements.

#### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

#### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly and indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries which are consolidated using the merger method of accounting.

The subsidiaries, Prestar Marketing Sdn. Bhd. and Prestar Ventures Sdn. Bhd. are consolidated under the merger method of accounting. The Group has chosen to adopt the MASB 21 prospectively as allowed by the transitional provision of the standard, therefore comparative figures have not been restated.

Under the merger method of accounting, the results of the subsidiaries are presented as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiaries is taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences).

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition costs and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

#### (c) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation.

Surplus arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1995 was carried out primarily for the purpose of listing to the Second Board of Kuala Lumpur Stock Exchange then and was not intended to effect a change in the accounting policy to one of revaluation of properties.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Property, plant and equipment (continued)**

Hence, in accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") the revaluation of these properties have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

The Directors are of the opinion that the current market values of the revalued properties are not less than their net book values as at 31 December 2003.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

**(d) Depreciation**

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases which range from 60 to 67 years while buildings are depreciated on a straight-line basis over 50 years.

Depreciation on other property, plant and equipment is calculated using the straight-line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives. The principal annual rates used are as follows:

Buildings	2%
Furniture, fittings and renovations	10% - 20%
Motor vehicles and forklifts	20%
Moulds, tools and equipment	10% - 15%
Office equipment	10% - 20%
Plant and machinery	8% - 12.5%

**(e) Intangible assets**

***Goodwill***

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than twenty years.

**(f) Investments**

***i) Investments in subsidiaries***

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

***ii) Quoted investments***

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

**(g) Inventories**

Tools and consumables are stated at cost based on weighted average method. Raw materials, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost.

For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

**(h) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(j) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

**(k) Impairment**

The carrying amount of the Group's assets, other than inventories (refer note 1(g)) and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

**(l) Repurchase of shares**

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

**(m) Income tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

1AUD	RM2.73	(2002: 1AUD	RM2.15)
1BND	RM2.23	(2002: 1BND	RM2.17)
1EURO	RM4.55	(2002: 1EURO	RM3.83)
1SGD	RM2.23	(2002: 1SGD	RM2.17)
1USD	RM3.80	(2002: 1USD	RM3.80)
100BAHT	RM9.68	(2002: 100BAHT	RM8.81)

**(o) Derivative financial instruments**

The Group uses derivative financial instruments being forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operational activities. Any profit or loss where material is recognised in the income statement.

**(p) Employee benefits**

***Equity and equity-related compensation benefits***

The share option programme allows Group employees to acquire share of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

**(q) Revenue**

*i) Goods sold*

Revenue from sale of goods is measured at the fair value of the consideration receivable and represents invoiced value of sales less returns, discounts and sales tax and rental income receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

*ii) Dividend income*

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

*iii) Rental income*

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

*iv) Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

**(r) Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

**(s) Hire purchase plan**

Plant and equipment acquired under hire purchase plan are capitalised in the balance sheet and depreciated over their useful lives as stated in Note 1(d). The interest element of the hire purchase instalment is charged to the income statement over the period of the plan and accounted for on the sum of digits method.



**2. PROPERTY, PLANT AND EQUIPMENT**

<i>Group</i>	Freehold land RM	Short term leasehold land RM	Building RM	Furniture, fittings and renovations RM	Motor vehicles and forklifts RM	Moulds, tools and equipment RM	Office equipment RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
<i>Cost/ Valuation</i>										
At 1 January 2003	19,222,743	3,748,833	38,974,051	3,372,932	7,816,964	7,080,159	3,880,790	58,428,244	3,243,982	145,768,698
Additions	-	-	456,715	316,585	1,368,387	1,021,672	428,865	5,896,464	5,507,306	14,995,994
Disposals	-	(1,080,770)	(647,632)	(160)	(1,293,213)	(920)	(52,525)	(221,793)	-	(3,297,013)
Reclassification	-	-	1,452,327	210,297	-	73,515	-	4,144,926	(5,881,065)	-
Transfers	-	-	(46,984)	46,984	-	-	-	-	-	-
Write off	-	-	-	-	-	-	(12,800)	-	-	(12,800)
<b>At 31 December 2003</b>	<b>19,222,743</b>	<b>2,668,063</b>	<b>40,188,477</b>	<b>3,946,638</b>	<b>7,892,138</b>	<b>8,174,426</b>	<b>4,244,330</b>	<b>68,247,841</b>	<b>2,870,223</b>	<b>157,454,879</b>
Representing items at:										
Cost	15,679,744	2,668,063	34,183,863	3,946,638	7,892,138	8,174,426	4,244,330	68,247,841	2,870,223	147,907,266
Directors' valuation										
- 1995	3,542,999	-	6,004,614	-	-	-	-	-	-	9,547,613
<b>At 31 December 2003</b>	<b>19,222,743</b>	<b>2,668,063</b>	<b>40,188,477</b>	<b>3,946,638</b>	<b>7,892,138</b>	<b>8,174,426</b>	<b>4,244,330</b>	<b>68,247,841</b>	<b>2,870,223</b>	<b>157,454,879</b>
<i>Accumulated depreciation</i>										
At 1 January 2003	-	332,014	2,691,471	2,011,614	3,819,265	4,850,059	2,209,550	22,056,637	-	37,970,610
Charge for the year	-	53,372	770,477	458,872	1,229,462	794,450	483,011	5,460,892	-	9,250,536
Disposals	-	(213,253)	(101,167)	(17)	(998,706)	(77)	(38,281)	(221,792)	-	(1,573,293)
Transfers	-	-	(2,819)	2,819	-	-	-	-	-	-
Write off	-	-	-	-	-	-	(12,797)	-	-	(12,797)
<b>At 31 December 2003</b>	<b>-</b>	<b>172,133</b>	<b>3,357,962</b>	<b>2,473,288</b>	<b>4,050,021</b>	<b>5,644,432</b>	<b>2,641,483</b>	<b>27,295,737</b>	<b>-</b>	<b>45,635,056</b>
<i>Net book value</i>										
<b>At 31 December 2003</b>	<b>19,222,743</b>	<b>2,495,930</b>	<b>36,830,515</b>	<b>1,473,350</b>	<b>3,842,117</b>	<b>2,529,994</b>	<b>1,602,847</b>	<b>40,952,104</b>	<b>2,870,223</b>	<b>111,819,823</b>
At 31 December 2002	19,222,743	3,416,819	36,282,580	1,361,318	3,997,699	2,230,100	1,671,240	36,371,607	3,243,982	107,798,088
Depreciation charge for the year ended 31 December 2002	-	72,424	756,825	347,173	925,745	754,264	430,365	4,785,745	-	8,072,541



**2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<i>Company</i>	<b>Freehold land</b>	<b>Buildings</b>	<b>Furniture, fittings and renovations</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Total</b>
<i>Cost/ Valuation</i>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At 1 January 2003</b>	17,459,744	29,934,115	360,030	695,255	135,427	48,584,571
Additions	-	-	1,068	593,467	11,496	606,031
Disposals	-	-	-	(507,471)	-	(507,471)
<b>At 31 December 2003</b>	<b>17,459,744</b>	<b>29,934,115</b>	<b>361,098</b>	<b>781,251</b>	<b>146,923</b>	<b>48,683,131</b>
Representing items at:						
Cost	15,329,744	25,018,824	361,098	781,251	146,923	41,637,840
Directors' valuation - 1995	2,130,000	4,915,291	-	-	-	7,045,291
<b>At 31 December 2003</b>	<b>17,459,744</b>	<b>29,934,115</b>	<b>361,098</b>	<b>781,251</b>	<b>146,923</b>	<b>48,683,131</b>
<i>Accumulated depreciation</i>						
<b>At 1 January 2003</b>	-	1,870,348	278,748	640,412	41,305	2,830,813
Charge for the year	-	598,682	18,896	96,903	15,735	730,216
Disposals	-	-	-	(507,470)	-	(507,470)
<b>At 31 December 2003</b>	<b>-</b>	<b>2,469,030</b>	<b>297,644</b>	<b>229,845</b>	<b>57,040</b>	<b>3,053,559</b>
<i>Net book value</i>						
<b>At 31 December 2003</b>	<b>17,459,744</b>	<b>27,465,085</b>	<b>63,454</b>	<b>551,406</b>	<b>89,883</b>	<b>45,629,572</b>
At 31 December 2002	17,459,744	28,063,767	81,282	54,843	94,122	45,753,758
Depreciation charge for the year ended 31 December 2002						
	-	595,442	23,653	45,852	12,504	677,451

The freehold and leasehold land and buildings of the Company and its subsidiaries were revalued in 1994 based on the valuation made by an independent firm of professional valuers, using the comparison method of valuation. The valuation was only adopted by the Directors in 1995 and the revaluation surplus arising from the valuation has been credited to the revaluation reserve.

The freehold and leasehold land and buildings of the Group and the Company with net book value amounting to RM57,584,462 (2002 - RM57,680,730) and RM44,924,828 (2002 - RM45,523,511) have been charged as securities for banking facilities granted to the Company and its subsidiaries (see Note 13).

Net book value of assets acquired under hire purchase are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Plant and machinery	8,343,763	1,462,535	-	-
Capital work-in-progress	1,107,638	-	-	-
Motor vehicles and forklifts	1,990,170	1,899,906	534,119	-
Moulds, tools and equipment	170,863	-	-	-
	<b>11,612,434</b>	<b>3,362,441</b>	<b>534,119</b>	<b>-</b>





**2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Had the revalued land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Leasehold land	-	628,201	-	-
Freehold land	2,551,407	2,551,407	1,376,176	1,376,176
Buildings	2,526,908	3,034,701	2,006,020	2,057,015
	<u>5,078,315</u>	<u>6,214,309</u>	<u>3,382,196</u>	<u>3,433,191</u>

**3. INVESTMENT IN SUBSIDIARIES**

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost	<u>43,829,743</u>	<u>43,829,743</u>

The principal activities of the subsidiaries in the Group, their places of incorporation and the interest of Prestar Resources Berhad are shown below:

Name of Subsidiaries	Effective Interest		Country of Incorporation	Principal Activities
	2003	2002		
Prestar Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Manufacture and export of material handling equipment such as wheelbarrows and hand trucks.
Subsidiaries of Prestar Manufacturing Sdn. Bhd.				
Prestar Tooling Sdn. Bhd.	95%	85%	Malaysia	Moulds and dies fabrication, maintenance and installation of machinery and manufacture of plastic products, industrial castors, pallet meshes and racking systems.
Prestar Storage System Sdn. Bhd.	79%	79%	Malaysia	Manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking system.
Δ Excelpath Sdn. Bhd.	100%	100%	Malaysia	Investment holding.
Prestar Marketing Sdn. Bhd.	100%	100%	Malaysia	Importer and distributor of general hardwares, tools and material handling equipment.
Prestar Ventures Sdn. Bhd.	100%	100%	Malaysia	Renting of building and office premises.
Prestar Engineering Sdn. Bhd.	75%	75%	Malaysia	Manufacture and supply of guardrails and related products.



## 3. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Subsidiaries	Effective Interest		Country of Incorporation	Principal Activities
	2003	2002		
Posmmit Steel Centre Sdn. Bhd.	68%	68%	Malaysia	Slitting, shearing and sales of steel sheets and coils.
Prestar Steel Pipes Sdn. Bhd.	97%	97%	Malaysia	Manufacture and supply of carbon steel pipes and related products.
Dai Dong Steel Sdn. Bhd.	70%	70%	Malaysia	Import and trading of steel materials and general hardware products.
Tashin Steel Sdn. Bhd.	51%	51%	Malaysia	Manufacture, reprocess and trading of steel related products.
Prestar Galvanising Sdn. Bhd.	100%	100%	Malaysia	General hot dip galvanizing and coating on metal products and and threaded items.

Δ Audited by another firm of auditors

## 4. INTANGIBLE ASSETS

Group Cost	Goodwill on consolidation RM
At 1 January 2003/31 December 2003	<u>3,041,514</u>
<b>Accumulated amortisation</b>	
At 1 January 2003	721,293
Amortisation charge for the year	152,075
At 31 December 2003	<u>873,368</u>
<b>Net book value</b>	
At 31 December 2003	<u>2,168,146</u>
At 31 December 2002	<u>2,320,221</u>
Amortisation charge for the year ended 31 December 2002	<u>152,075</u>

## 5. QUOTED INVESTMENTS

	Group	
	2003 RM	2002 RM
Quoted shares in Malaysia, at cost	570,383	576,985
Less: Allowance for diminution in value of quoted investments	(197,000)	(197,000)
	<u>373,383</u>	<u>379,985</u>
Market value	<u>383,022</u>	<u>312,859</u>

No further allowance for diminution in value has been made as the quoted investments are held for long term purposes.



**6. INVENTORIES**

	Group	
	2003 RM	2002 RM
Tools and consumables	27,216	51,655
Raw materials	71,837,189	90,906,974
Work-in-progress	3,783,581	3,387,048
Manufactured and trading inventories	30,761,134	29,211,026
	<u>106,409,120</u>	<u>123,556,703</u>

The inventories stated at net realisable value are:

Raw materials	821,616	2,415,913
Manufactured and trading inventories	2,692,063	2,341,973
	<u>3,513,679</u>	<u>4,757,886</u>

**7. TRADE RECEIVABLES**

	Group	
	2003 RM	2002 RM
Trade receivables	101,519,373	92,718,205
Less: Allowances for doubtful debts	(8,206,618)	(7,353,095)
	<u>93,312,755</u>	<u>85,365,110</u>

Included in trade receivables is:

Amount due from companies in which certain Directors have interests	<u>498,915</u>	<u>340,050</u>
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During the financial year, bad debts amounting to RM565,774 (2002 - RM418,641) were written off against allowance for doubtful debts.

**8. AMOUNT DUE FROM/(TO) SUBSIDIARIES**

	Company	
	2003 RM	2002 RM
Due from:		
Trade	6,038,090	7,350,828
Non-trade	-	121,169
Advances	15,344,091	15,469,094
	<u>21,382,181</u>	<u>22,941,091</u>

Amounts due from subsidiaries in respect of trade and non-trade are unsecured, interest free and have no fixed terms of repayment. Advances due from subsidiaries are unsecured, bear interest ranging from 3.2% to 7.65% (2002 - 4.98% to 6.85%) per annum and have no fixed terms of repayment.

	Company	
	2003 RM	2002 RM
Due to:		
Trade	<u>(625,406)</u>	<u>(627,364)</u>

Amounts due to subsidiaries are unsecured, interest free and has no fixed terms of repayment.

**9. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits placed with licensed bank	400,000	-	-	-
Cash and bank balances	4,926,507	3,476,362	975	1,318
	<u>5,326,507</u>	<u>3,476,362</u>	<u>975</u>	<u>1,318</u>

**10. TRADE PAYABLES**

	Group	
	2003 RM	2002 RM
Included in trade payables is:		
Amount due to companies in which certain Directors have interests	<u>413,203</u>	<u>563,838</u>

The amount due to companies in which certain Directors have interests is unsecured, interest free and has no fixed term of repayment.

**11. OTHER PAYABLES AND ACCRUALS**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Included in other payables and accruals is:				
Rental deposits received from companies in which certain Directors have interests	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>

The amount due to companies in which certain Directors have interests is unsecured, interest free and has no fixed term of repayment.

**12. HIRE PURCHASE LIABILITIES**

Hire purchase liabilities are payable as follows:

	Payments RM	Interest RM	Principal RM
<b>Group</b>			
<b>2003</b>			
Less than one year	3,053,728	(624,552)	2,429,176
Between one and five years	5,980,592	(354,458)	5,626,134
	<u>9,034,320</u>	<u>(979,010)</u>	<u>8,055,310</u>
<b>2002</b>			
Less than one year	928,677	(145,500)	783,177
Between one and five years	1,480,652	(122,069)	1,358,583
	<u>2,409,329</u>	<u>(267,569)</u>	<u>2,141,760</u>
<b>Company</b>			
<b>2003</b>			
Less than one year	133,488	(23,155)	110,333
Between one and five years	322,564	(23,644)	298,920
	<u>456,052</u>	<u>(46,799)</u>	<u>409,253</u>

The hire purchase of the Group and Company bears interest ranging from 3.4% to 8.15% (2002 - 3.4% to 7.9%) and 3.4% (2002-Nil) per annum respectively.



**13. BANK BORROWINGS**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Current:</b>				
Secured:				
Bankers' acceptances and trust receipts	22,152,000	22,552,000	2,524,000	4,215,000
Bank overdrafts	359,922	552,061	55,561	401,380
Revolving credits	1,650,000	1,000,000	1,650,000	1,000,000
Term loans	3,727,900	3,349,707	2,727,940	2,350,107
	<u>27,889,822</u>	<u>27,453,768</u>	<u>6,957,501</u>	<u>7,966,487</u>
Unsecured:				
Bankers' acceptances and trust receipts	89,529,193	96,180,793	2,750,479	1,807,000
Bank overdrafts	4,895,774	6,843,587	880,494	959,513
	<u>94,424,967</u>	<u>103,024,380</u>	<u>3,630,973</u>	<u>2,766,513</u>
	<u>122,314,789</u>	<u>130,478,148</u>	<u>10,588,474</u>	<u>10,733,000</u>
<b>Long term:</b>				
Term loans (secured)	6,871,295	13,678,507	5,358,065	10,165,317
	<u>6,871,295</u>	<u>13,678,507</u>	<u>5,358,065</u>	<u>10,165,317</u>
	<b>Total RM</b>	<b>Under 1 year RM</b>	<b>1- 2 years RM</b>	<b>2 - 5 years RM</b>
<b>Group</b>				
Term loans	10,599,195	3,727,900	3,933,985	2,937,310
	<u>10,599,195</u>	<u>3,727,900</u>	<u>3,933,985</u>	<u>2,937,310</u>
<b>Company</b>				
Term loans	8,086,005	2,727,940	2,934,025	2,424,040
	<u>8,086,005</u>	<u>2,727,940</u>	<u>2,934,025</u>	<u>2,424,040</u>

The bankers' acceptances and trust receipts of the Group and of the Company are subject to interest rates ranging from 3.05% to 8.15% and 3.20% to 7.75% (2002 - 3.15% to 5.05% and 3.25% to 5.00%) per annum.

The overdrafts of the Group and of the Company are subject to interest rates ranging from 7.25% to 8.4% and 7.25% to 8.4% (2002 - 7.65% to 8.40% and 7.65% to 8.15%) per annum.

The revolving credits of the Group and of the Company are subject to interest rates ranging from 7.25% to 7.65% (2002 - 7.65% to 7.90%) per annum.

The first term loan of RM8,086,005 bears interest at a rate of 1.25% (2002 - 1.25%) per annum above the base lending rate and is repayable in 77 equal monthly installments commencing April 2001.

The second term loan of RM2,513,190 bears interest at a rate of 1.50% (2002 - 1.50%) per annum above the base lending rate and is repayable in 72 equal monthly installments commencing July 2001.

The bank borrowings are secured by the following:

- i) first and third party registered legal charge over the Company and its subsidiaries' freehold and leasehold land and buildings;
- ii) legal assignment of rental proceeds from a subsidiary's freehold land and building;
- iii) by a corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiaries, and



**13. BANK BORROWINGS (CONTINUED)**

*Term loan covenant*

**Company**

The Company agrees herewith not to perform the following throughout the tenure of the above term loan without the prior written consent of the Bank:

- i) Change in its Control, Ownership, Shareholders, Director or Corporate Structure and/or undertake a scheme of reconstruction or merger, which would affect the Borrower’s business, assets and/or condition.
- ii) Execute any further charge, debenture and/or guarantee in relation to borrowing obtained from financial institutions for the borrower or by any third party.

**Group**

- i) The Borrower shall not declare dividends from the Company’s distributable profits without prior written approval from the Bank. The Bank will not unreasonably withhold consent to declare these dividends;
- ii) The Borrower shall not incur additional indebtedness or guarantee any indebtedness except in the ordinary course of business (e.g. hire purchase and leasing arrangements) without prior written consent of the Bank which will not be unreasonably withheld;
- iii) The Borrower’s leverage ratio is to be maintained at a certain amount as defined as the ratio of total liabilities to tangible net worth as per its audited financial statements.

**14. SHARE CAPITAL**

	<b>Group and Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Ordinary shares of RM1.00 each		
Authorised:		
Balance at 1 January	<b>100,000,000</b>	100,000,000
Created during the year	<b>100,000,000</b>	-
	<b><u>200,000,000</u></b>	<u>100,000,000</u>
Issued and fully paid:		
Balance at 1 January	<b>41,560,000</b>	40,710,000
Addition during the year - bonus issue	<b>43,265,900</b>	-
Shares issued under share option scheme	<b>2,243,000</b>	850,000
	<b><u>87,068,900</u></b>	<u>41,560,000</u>

The shareholders of the Company, via a ordinary resolution passed in the annual general meeting held on 28 June 2002, approved the Company’s plan to purchase its own shares.

During the year, the Company purchased 344,100 (2002 – 193,000) of its issued shares from the open market. The repurchase transactions were financed by internal funds. The repurchased shares are held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held is 86,531,800 (2002 - 41,367,000) ordinary shares of RM1.00 each. Treasury shares have no rights to voting, dividends and participation in other distribution.



**14. SHARE CAPITAL (CONTINUED)**

The details of the shares bought back during the financial year were as follows:

Month	Number of shares bought back	Highest price paid RM	Lowest price paid RM	Average price paid RM	Total consideration RM
January	100,000	2.39	2.33	2.40	240,340
February	53,000	2.34	2.28	2.34	123,915
March	58,000	2.22	2.11	2.17	125,689
April	29,000	2.08	2.08	2.08	60,827
May	56,900	2.14	1.95	2.09	118,731
June	26,200	2.11	2.11	2.11	55,692
July	21,000	2.42	2.39	2.41	50,814
	<u>344,100</u>				<u>776,008</u>

**Share option plan**

The Group offers vested share options over ordinary shares to Directors and employees with more than one year's service. Movements in the number of share options held by employees are as follows:

	Group and Company	
	2003	2002
Outstanding at 1 January	2,807,000	3,826,000
Exercised	(2,243,000)	(850,000)
Lapsed	(154,000)	(169,000)
Terminated	(410,000)	-
Outstanding at 31 December	<u>-</u>	<u>2,807,000</u>
Details of share options granted during the year:		
Expiry date	30.9.2008	-
Exercise price per ordinary share (RM)	1.50	-
Aggregate proceeds if shares are issued (RM)	12,718,800	-
Details of share options exercised during the year:		
Expiry date	25.12.2005	25.12.2005
Exercise price per ordinary share (RM)	1.96	1.96
Aggregate proceeds if shares are issued (RM)	4,396,280	1,666,000
Fair value at date of issue (RM)	6,214,730	2,505,900

**15. RESERVES**

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt income and Section 108 tax credit to distribute all of its retained profits at 31 December 2003, if paid out as dividends.

**16. DEFERRED TAX**

The recognised deferred tax assets and liabilities are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Deferred tax assets</b>				
Property, plant and equipment				
- Capital allowances in excess of depreciation	1,505,165	-	-	-
Provisions	(274,165)	-	-	-
Unutilised tax losses	(1,713,000)	-	-	-
Unabsorbed capital allowances	(1,789,000)	-	-	-
	<u>(2,271,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment				
- Capital allowances in excess of depreciation	5,003,704	5,021,400	260,600	776,160
- Revaluation surplus	594,400	607,538	594,400	607,538
Provisions	(430,104)	(751,240)	-	-
Unutilised tax losses	(724,000)	(799,000)	-	-
Unabsorbed capital allowances	-	(97,160)	-	(97,160)
	<u>4,444,000</u>	<u>3,981,538</u>	<u>855,000</u>	<u>1,286,538</u>

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

No deferred tax has been recognised for the following items:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(Deductible)/Taxable temporary differences	(815,000)	3,764,000	-	-
Unabsorbed capital allowances	(1,522,000)	(4,808,000)	-	-
Unutilised tax losses	(763,000)	(5,277,000)	-	-
	<u>(3,100,000)</u>	<u>(6,321,000)</u>	<u>-</u>	<u>-</u>

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

**17. MINORITY SHAREHOLDERS' INTERESTS**

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.





**18. OPERATING PROFIT**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Revenue - Dividend	-	-	<b>2,829,444</b>	486,111
- Rental	<b>12,000</b>	14,000	<b>3,366,588</b>	3,575,276
- Sales	<b>345,347,379</b>	315,744,493	<b>58,138</b>	45,728
	<b>345,359,379</b>	315,758,493	<b>6,254,170</b>	4,107,115
Cost of sales	<b>(295,645,409)</b>	(265,104,686)	<b>(827,841)</b>	(818,524)
Gross profit	<b>49,713,970</b>	50,653,807	<b>5,426,329</b>	3,288,591
Distribution costs	<b>(7,309,772)</b>	(5,989,908)	-	-
Administrative expenses	<b>(20,240,465)</b>	(20,076,788)	<b>(1,622,231)</b>	(1,654,299)
Other operating expenses	<b>(593,582)</b>	(907,519)	<b>(88,683)</b>	(246,457)
Other operating income	<b>5,048,902</b>	2,389,571	<b>260,629</b>	3,080,573
Operating profit	<b>26,619,053</b>	26,069,163	<b>3,976,044</b>	4,468,408
<b>Operating profit is arrived at after charging:</b>				
Allowance for doubtful debts	<b>1,589,061</b>	3,166,382	-	-
Amortisation of goodwill	<b>152,075</b>	152,075	-	-
Auditors' remuneration				
- Holding company auditors	<b>133,000</b>	122,000	<b>18,500</b>	18,000
- Others auditors	<b>500</b>	300	-	-
Bad debts written off	-	306,384	-	-
Depreciation	<b>9,250,536</b>	8,072,541	<b>730,216</b>	677,451
Company's Directors:				
- fees	<b>390,000</b>	368,000	<b>120,000</b>	118,000
- other emoluments	<b>2,764,550</b>	2,150,654	<b>497,253</b>	640,414
Inventories written down	<b>421,000</b>	1,078,419	-	-
Loss on disposal of property, plant and equipment	<b>34,070</b>	1,138	-	-
Property, plant and equipment written off	<b>3</b>	14,708	-	-
Realised loss on foreign exchange	<b>48,297</b>	26,216	-	-
Rental of premises	<b>56,400</b>	212,970	-	-
<b>and crediting:</b>				
Gross dividend income				
- subsidiaries				
- tax exempt	-	-	<b>510,000</b>	-
- gross	-	-	<b>2,319,444</b>	486,111
- shares quoted in Malaysia	<b>750</b>	550	-	-
Realised gain on foreign exchange	<b>78,297</b>	163,746	-	-
Gain on disposal of property, plant and equipment	<b>791,204</b>	526,649	<b>159,999</b>	55,788
Exceptional item:				
Gain on sale of shares in a subsidiary	-	130,754	-	2,932,559
Rental income	<b>35,460</b>	48,240	<b>3,366,588</b>	3,575,276
Reversal of allowance for doubtful debts	<b>169,764</b>	57,814	-	-
Reversal of inventories written down	<b>341,950</b>	-	-	-
Gain on disposal of quoted investment	<b>7,121</b>	-	-	-

The estimated monetary value of Directors' benefit-in-kind for Group and Company are RM176,895 (2002 - RM99,763) and RM21,885 (2002 - RM13,325) respectively.



**19. EMPLOYEE INFORMATION**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs	<b>24,264,563</b>	22,215,815	<b>1,072,521</b>	1,203,866

The number of employees of the Group and of the Company (including Directors) at the end of the year was 853 and 9 (2002 - 820 and 8) respectively.

**20. FINANCING COSTS**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest payable:				
Bankers' acceptance and trust receipts	<b>4,774,394</b>	4,317,203	-	-
Bank overdrafts	<b>320,573</b>	458,462	<b>35,414</b>	66,789
Hire purchase	<b>551,585</b>	142,538	<b>17,121</b>	-
Revolving credits	<b>46,201</b>	84,844	<b>46,201</b>	84,844
Term loans	<b>1,069,234</b>	1,584,412	<b>796,708</b>	1,185,388
Subsidiaries	-	-	<b>25,355</b>	-
	<b>6,761,987</b>	6,587,459	<b>920,799</b>	1,337,021

**21. TAX EXPENSE**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current tax expense				
- Current year	<b>4,606,811</b>	3,371,244	<b>767,444</b>	444,111
- Under provision in prior years	<b>318,462</b>	37,891	-	-
	<b>4,925,273</b>	3,409,135	<b>767,444</b>	444,111
Deferred tax expense				
- Current year	<b>(1,457,206)</b>	535,000	<b>165,803</b>	159,000
- Over provision in prior years	<b>(338,257)</b>	(105,000)	<b>(584,266)</b>	-
- Crystallisation of deferred tax liability on revaluation surplus of property	<b>(13,075)</b>	(13,075)	<b>(13,075)</b>	(13,075)
	<b>3,116,735</b>	3,826,060	<b>335,906</b>	590,036

**Reconciliation of effective tax rate**

Profit before taxation	<b>19,877,648</b>	19,499,276	<b>3,635,239</b>	4,237,304
Income tax using Malaysian tax rates	<b>5,565,740</b>	5,459,799	<b>1,017,867</b>	1,186,445
Non-deductible expense	<b>596,681</b>	943,975	<b>49,102</b>	161,280
Effect of changes in tax rate	<b>(25,151)</b>	-	-	-
Recognition of deferred tax asset for prior years				
- deductible temporary differences	<b>(1,853,696)</b>	(612,217)	-	-
Tax exempt income	-	-	<b>(142,800)</b>	-
Gain on disposal of shares in subsidiary not taxable	-	(36,735)	-	(821,240)
Effect of deferred tax not recognised in current year				
- taxable temporary differences	<b>(29,482)</b>	(18,585)	-	-
- deductible temporary differences	<b>129,126</b>	272,057	-	-
Tax incentives	<b>(1,234,588)</b>	(2,150,477)	-	-
Other items	<b>975</b>	48,397	<b>9,078</b>	76,626
	<b>3,149,605</b>	3,906,244	<b>933,247</b>	603,111



**21. TAX EXPENSE (CONTINUED)**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Reconciliation of effective tax rate (continued)</b>				
Under provision in prior years				
- income tax	318,462	37,891	-	-
Over provision in prior years				
- deferred tax	(338,257)	(105,000)	(584,266)	-
Crystallisation of deferred tax liability on revaluation surplus of property	(13,075)	(13,075)	(13,075)	(13,075)
Tax expense	<u>3,116,735</u>	<u>3,826,060</u>	<u>335,906</u>	<u>590,036</u>

**22. BASIC EARNINGS PER SHARE - GROUP**

***Basic earnings per share***

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM11,422,977 (2002 - RM11,789,318) and the weighted average number of ordinary shares outstanding during the year of 85,605,083 (2002 - 84,255,010).

*Net profit attributable to ordinary shareholders is calculated as follows:*

	2003 RM	2002 RM
Net profit attributable to ordinary shareholders	<u>11,422,977</u>	<u>11,789,318</u>
<b><i>Weighted average number of ordinary shares</i></b>		
	2003	2002
Issued ordinary shares at beginning of the year	41,560,000	40,710,000
Effect of options exercised	1,048,616	319,921
Effect of purchase of own shares	(269,433)	(40,811)
Bonus issue	43,265,900	43,265,900
Weighted average number of ordinary shares	<u>85,605,083</u>	<u>84,255,010</u>

The previous year earnings per ordinary share has been restated based on the net profit attributable to ordinary shareholders of RM11,789,318 and the weighted average number of ordinary shares outstanding during the year of 84,255,010 ordinary shares after taking into consideration the bonus issue of 43,265,900 ordinary shares on the assumption that it was issued prior to 31 December 2002.

**22. BASIC EARNINGS PER SHARE – GROUP (CONTINUED)*****Diluted earnings per share***

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM11,422,977 (2002 - RM11,789,318) and the weighted average number of ordinary shares outstanding during the year of 85,673,809 (2002 - 84,678,010) calculated as follows:

***Net profit attributable to ordinary shareholders (diluted)***

	2003 RM	2002 RM
Net profit attributable to ordinary shareholders	<u>11,422,977</u>	<u>11,789,318</u>

***Weighted average number of ordinary shares (diluted)***

	2003	2002
Weighted average number of ordinary shares as above	85,605,083	84,255,010
Effect of share options	68,726	423,000
Weighted average number of ordinary shares (diluted)	<u>85,673,809</u>	<u>84,678,010</u>

**23. DIVIDENDS*****i) Proposed dividends for the financial year ended 31 December***

Dividends per ordinary share as disclosed in the income statement is computed as follows:

	Group and Company	
	2003	2002
Proposed:		
5.0% per share less tax	5.0 sen	3.5 sen
(2002 - 3.5% per share less tax)	-	5.0 sen
(2002 - 5.0% special tax exempt per share)		
	<u>5.0 sen</u>	<u>8.5 sen</u>

***ii) Dividends accounted for in the financial statements***

	Group and Company	
	2003 RM	2002 RM
Ordinary		
Final paid:		
2002 - 3.5% per share less tax (2001 - 3.5% per share less tax)	1,041,715	1,028,034
2002 – special tax exempt dividend of 5% (2001 - Nil)	2,066,895	-
	<u>3,108,610</u>	<u>1,028,034</u>

The proposed final dividend of 5.0% less tax totalling RM3,115,145 (2002 - 3.5% less tax totalling RM1,041,715 and special tax exempt dividend of 5.0% totalling RM2,066,895) has not been accounted for in the financial statements in accordance with MASB 19.



**24. CONTINGENT LIABILITIES - UNSECURED**

	Company	
	2003 RM	2002 RM
Guarantees to financial institutions for credit facilities granted to subsidiaries	<u>210,424,000</u>	<u>210,526,000</u>

**25. CAPITAL COMMITMENTS**

	Group	
	2003 RM	2002 RM
Property, plant and equipment: Authorised and contracted for	<u>2,176,981</u>	<u>7,163,143</u>

**26. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

***Related parties***

Controlling related party relationships are as follows:

- i) Its subsidiaries as disclosed in Note 3.
- ii) The substantial shareholders of the company, which consist of Toh Yew Keat, Toh Yew Peng, Toh Yew Kar, Toh Poh Khuan, Toh Yew Keong, Toh Yew Chin, Toh Yew Seng and Toh Yew Hoe, through their beneficial shareholdings in Fabulous Essence Sdn. Bhd.

	Company	
Transactions	2003 RM	2002 RM
With subsidiaries		
Gross dividend received	(2,829,444)	(486,111)
Interest received	(570,999)	(1,095,686)
Management fee received	(100,330)	(92,226)
Rental received	(3,366,588)	(3,575,276)
Disposal of a subsidiary	-	(2)

	Group	
Transactions	2003 RM	2002 RM
With companies in which Toh Yew Keat, Toh Yew Peng, Toh Yew Kar, Toh Poh Khuan, Toh Yew Keong, Toh Yew Chin, Toh Yew Seng, Toh Yew Hoe, have interests:		
(i) Chiho Hardware Sdn. Bhd.		
Sales	(90,978)	(88,478)
Purchases	293,139	258,616
Rental received	-	(2,000)
(ii) Logam Indah Sdn. Bhd.		
Sales	(1,775)	(3,576)
(iii) Wei Giap Hardware Sdn. Bhd.		
Sales	(244,804)	(225,676)
Purchases	231,028	282,655



## 26. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions (continued)	Group	
	2003 RM	2002 RM
(iv) Wei Sheng Hardware Sdn. Bhd.		
Sales	(131,924)	(118,951)
Purchases	60	471
(v) Y K Toh (M) Sdn. Bhd.		
Commission expenses	113,827	137,351
Rental received	(18,000)	(18,000)
With company in which Toh Yew Keat and, Toh Yew Peng have interests:		
Syarikat Kwong Nam Hing Sdn. Bhd.		
Sales	(134,048)	(142,565)
Purchases	384	1,124
With company in which Toh Yew Keong and Toh Yew Chin, have interest:		
Y K Toh Marketing (S) Pte. Ltd.		
Sales	(1,496,015)	(856,059)
Purchases	1,354,291	1,909,475
With firm in which Lim Cheang Nyok, has interest:		
Lim & Yeoh		
Legal fees	2,000	51,906
<b>Balances in respect of non-trade transactions with companies in which certain Directors have interests:</b>		
With companies in which Toh Yew Keat, Toh Yew Peng, Toh Yew Kar, Toh Poh Khuan, Toh Yew Keong, Toh Yew Chin, Toh Yew Seng, Toh Yew Hoe, have interests:		
Y K Toh (M) Sdn. Bhd.		
Rental deposit	(2,000)	(2,000)

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 27. FINANCIAL INSTRUMENTS

**Financial risk management objectives and policies**

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control system, an insurance programme and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves such policies that cover the management of these risks.

**Foreign currency exchange risk**

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group engages in foreign currency hedging on its foreign currency exposures and the management is monitoring these exposures on an ongoing basis.



## 27. FINANCIAL INSTRUMENTS (CONTINUED)

**Interest rate risk**

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

**Credit risk**

Credit risks or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting our associations to business customers with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group's management reporting procedures.

**Liquidity and cash flow risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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.

**Effective interest rates and repricing analysis**

In respect of interest-bearing financial asset and liabilities, the following table indicates their effective interest rates at the balance sheet date and the years in which they reprice or mature, whichever is earlier.

2003 Group	Note	Effective interest rate %	Total RM	Within 1 year RM	1-5 years RM
<b>Financial asset</b>					
Deposits placed with licensed bank	9	2.5	400,000	400,000	-
<b>Financial liabilities</b>					
Secured term loan	13	7.30	(10,599,195)	(3,727,900)	(6,871,295)
Bank overdrafts	13	7.57	(5,255,696)	(5,255,696)	-
Bankers' acceptances and trust receipts	13	4.19	(111,681,193)	(111,681,193)	-
Revolving credits	13	7.25	(1,650,000)	(1,650,000)	-
<b>Company</b>					
<b>Financial liabilities</b>					
Secured term loan	13	7.25	(8,086,005)	(2,727,940)	(5,358,065)
Bank overdrafts	13	7.69	(936,055)	(936,055)	-
Revolving credits	13	7.25	(1,650,000)	(1,650,000)	-
Bankers' acceptances and trust receipts	13	4.73	(5,274,479)	(5,274,479)	-
<b>2002 Group</b>					
<b>Financial liabilities</b>					
Secured term loan	13	7.72	(17,028,214)	(3,349,707)	(13,678,507)
Bank overdrafts	13	8.03	(7,395,648)	(7,395,648)	-
Bankers' acceptances and trust receipts	13	4.30	(118,732,793)	(118,732,793)	-
Revolving credits	13	7.65	(1,000,000)	(1,000,000)	-



27. FINANCIAL INSTRUMENTS (CONTINUED)

2002	Note	Effective interest rate %	Total RM	Within 1 year RM	1-5 years RM
<b>Company</b>					
<b>Financial liabilities</b>					
Secured term loan	13	7.65	(12,515,424)	(2,350,107)	(10,165,317)
Bank overdrafts	13	7.90	(1,360,893)	(1,360,893)	-
Revolving credits	13	7.65	(1,000,000)	(1,000,000)	-
Bankers' acceptances and trust receipts	13	4.13	(6,022,000)	(6,022,000)	-

**Fair values**

**Recognised financial instruments**

The fair values of financial assets and liabilities of the Group and the Company carried on the balance sheet as at 31 December approximated their fair values except as set out below:

Group	Note	2003 Carrying amount RM	2003 Fair value RM	2002 Carrying amount RM	2002 Fair value RM
<b>Financial assets</b>					
Quoted investments	5	<u>373,383</u>	<u>383,022</u>	<u>379,985</u>	<u>312,859</u>

The fair value of quoted investment is based on quoted market prices at the balance sheet date.

The carrying amount for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

**Unrecognised financial instruments**

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

Group	2003 Contracted amount RM	2003 Fair value RM	2002 Contracted amount RM	2002 Fair value RM
Forward foreign exchange contracts	<u>1,428,246</u>	<u>1,427,449</u>	<u>1,160,200</u>	<u>1,159,000</u>
Group	2003 Contracted amount RM	2003 Within 1 year RM	2002 Contracted amount RM	2002 Within 1 year RM
Forward foreign exchange contracts	<u>1,428,246</u>	<u>1,428,246</u>	<u>1,160,200</u>	<u>1,160,200</u>





**28. SEGMENTAL INFORMATION**

Segment information is presented in respect of the Group's business segments.

No analysis by geographical segments is presented as the Group operates principally within Malaysia.

Inter-segment pricing is determined based on arms length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenues, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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 period.

**Business segments**

The Group comprises the following main business segments:

Investment	The long term investment in quoted shares and property investment.
Trading	The sales of hardware and steel-related products.
Manufacturing	The manufacturing of steel-related products.

2003	Trading RM	Manufacturing RM	Investment RM	Eliminations RM	Consolidated RM
<b>Business Segments</b>					
Revenue from external customers	75,487,402	269,859,977	12,000	-	345,359,379
Inter- segment revenue	2,507,183	53,173,573	6,340,570	(62,021,316)	-
<b>Total revenue</b>	<b>77,994,585</b>	<b>323,033,550</b>	<b>6,352,570</b>	<b>(62,021,316)</b>	<b>345,359,379</b>
<b>Segment result</b>	<b>4,719,005</b>	<b>21,076,772</b>	<b>4,018,271</b>	<b>(3,194,995)</b>	<b>26,619,053</b>
Financing costs					(6,761,987)
Interest income					20,582
Profit before taxation					19,877,648
Tax expense					(3,116,735)
Minority interests					(5,337,936)
<b>Net profit for the year</b>					<b>11,422,977</b>
<b>Segment assets</b>	<b>39,382,005</b>	<b>258,334,894</b>	<b>113,712,000</b>	<b>(85,938,696)</b>	<b>325,490,203</b>
<b>Tax assets</b>	<b>-</b>	<b>3,349,341</b>	<b>403,628</b>	<b>-</b>	<b>3,752,969</b>
<b>Total assets</b>					<b>329,243,172</b>
<b>Segment liabilities</b>	<b>9,282,764</b>	<b>63,582,426</b>	<b>1,820,307</b>	<b>(41,598,623)</b>	<b>33,086,874</b>
Bank borrowings					129,186,084
Hire purchase liabilities					8,055,310
Taxation					1,697,877
Deferred tax liabilities					4,444,000
<b>Total liabilities</b>					<b>176,470,145</b>
Capital expenditure	354,952	14,220,047	606,033	(185,038)	14,995,994
Depreciation	(499,526)	(7,994,880)	(756,130)	-	(9,250,536)



**28. SEGMENTAL INFORMATION (CONTINUED)**

2002	Trading RM	Manufacturing RM	Investment RM	Eliminations RM	Consolidated RM
Revenue from external customers	74,095,523	241,648,970	14,000	-	315,758,493
Inter- segment revenue	1,660,669	44,969,445	4,193,515	(50,823,629)	-
<b>Total revenue</b>	<b>75,756,192</b>	<b>286,618,415</b>	<b>4,207,515</b>	<b>(50,823,629)</b>	<b>315,758,493</b>
<b>Segment result</b>	<b>6,078,548</b>	<b>19,162,687</b>	<b>1,583,544</b>	<b>(886,370)</b>	<b>25,938,409</b>
Financing costs					(6,587,459)
Interest income					17,572
Gain on sale of shares in a subsidiary					130,754
Profit before taxation					19,499,276
Tax expense					(3,826,060)
Minority interests					(3,883,898)
<b>Net profit for the year</b>					<b>11,789,318</b>
<b>Segment assets</b>	<b>41,108,723</b>	<b>266,783,418</b>	<b>115,779,209</b>	<b>(93,630,912)</b>	<b>330,040,438</b>
<b>Total assets</b>					<b>330,040,438</b>
<b>Segment liabilities</b>	<b>(11,187,515)</b>	<b>(79,706,201)</b>	<b>(1,838,334)</b>	<b>50,656,393</b>	<b>(42,075,657)</b>
Bank borrowings					(144,156,655)
Hire purchase liabilities					(2,141,760)
Taxation					(950,184)
Deferred tax liabilities					(3,981,538)
<b>Total liabilities</b>					<b>(193,305,794)</b>
Capital expenditure	1,364,093	9,634,089	286,946	(60,658)	11,224,470
Depreciation	(461,340)	(6,910,463)	(700,738)	-	(8,072,541)

**29. SIGNIFICANT EVENT DURING THE YEAR**

Subscription of shares in Prestar Tooling Sdn. Bhd. by Prestar Manufacturing Sdn. Bhd.

On 21 October 2003, Prestar Manufacturing Sdn. Bhd. subscribed for 1,000,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000,000 in the enlarged issued and paid-up share capital of Prestar Tooling Sdn. Bhd., hence increasing Prestar Manufacturing Sdn. Bhd.'s interest in Prestar Tooling Sdn. Bhd. from 85% to 95%.

**30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

(i) *Acquisition of equity interest in Achievers Factor Sdn. Bhd. ("AF") by Tashin Steel Sdn. Bhd.*

On 2 March 2004, Tashin Steel Sdn. Bhd., a subsidiary of Prestar Resources Berhad, acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each in AF, a dormant company, at a total cash consideration of RM2.00. The said acquisition effectively makes AF a wholly owned subsidiary of the Company.



### 30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)

- (ii) *Acquisition of equity interest in Allied Reach Marketing Sdn. Bhd. ("ARM") by Prestar Steel Pipes Sdn. Bhd.*

On 27 February 2004, Prestar Steel Pipes Sdn. Bhd., a subsidiary of Prestar Resources Berhad acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each in ARM, a dormant company, at a total cash consideration of RM2.00. The said acquisition effectively makes ARM a wholly owned subsidiary of the Company.

- (iii) *Proposed acquisition of Scomi Sdn. Bhd. ("Scomi") and Scomi Transportation Solutions Sdn. Bhd. ("SCOTS") ("Proposed Acquisitions")*

On 22 March 2004, the Company has entered into a conditional share sale agreement with Scomi Group Berhad for the acquisition by the Company of 9,281,762 ordinary shares of RM1.00 each in Scomi and 500,000 ordinary shares of RM1.00 each in SCOTS representing the entire issued and paid-up share capital of Scomi and SCOTS respectively, for a total purchase consideration of RM42,500,000 to be satisfied by the issuance of 28,333,333 new ordinary shares of RM1.00 each in the company at an issue price of RM1.50 per share.

The Proposed Acquisitions are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an Extraordinary General Meeting ("EGM") to be convened on a later date.

- (iv) *Proposed special issue of Company shares ("Proposed Special Issue")*

On 22 March 2004, the Company proposed to implement a special issue of 11,000,000 new Company shares at an issue price of RM1.50 per share for cash to Bumiputera investors to be identified later.

The Proposed Special Issue are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an EGM to be convened on a later date.

- (v) *Proposed share split of Company shares*

On 22 March 2004, the Company proposed a share split involving the subdivision into 2 new ordinary shares of RM0.50 each in Prestar for each 1 ordinary share of RM1.00 each held in Company on a date to be determined.

The Proposed Share Split are conditional on, inter-alia, approvals being obtained from relevant authorities and Company's shareholders at an EGM to be convened on a later date.

### 31. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

In the current financial year, the Group and the Company adopted three new MASB standards. The adoption of these new standards resulted in changes in accounting policies as follows:

- (i) MASB 25, Income Taxes and MASB 29, Employee Benefits which have been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy; and
- (ii) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard.

#### ***Change in accounting policy***

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. The Company has commenced recognition of deferred tax assets when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Previously, deferred tax assets were not recognised unless there was a reasonable expectation of realisation in the near future.



**31. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (CONTINUED)**

*Prior year adjustment*

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of revaluation reserve at 1 January 2002 as disclosed in Note 32 and the statement of changes in equity respectively.

**32. COMPARATIVE FIGURES**

The following comparatives have been restated to reflect the changes in accounting policy as explained in Note 1 and Note 31.

	Group		Company	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
<b>Balance sheet</b>				
Other payables and accruals	14,342,761	14,019,965	585,328	563,264
Reserves	69,601,269	70,531,603	48,501,382	49,130,984
<b>Income statement</b>				
Operating profit	26,069,163	26,129,289	-	-
Profit before taxation	19,499,276	19,559,402	-	-
Net profit for the year	11,789,318	11,836,369	-	-
<b>Statement of changes in equity</b>				
Retained profits at 1 January 2002	31,581,136	31,590,868	18,623,299	18,392,425
Retained profits at 31 December 2002	42,376,041	42,399,203	21,276,154	20,998,584
Revaluation reserve at 1 January 2002	1,269,077	2,142,628	1,269,077	2,142,628
Revaluation reserve at 31 December 2002	1,235,456	2,142,628	1,235,456	2,142,628
<b>Cash flows statement</b>				
Profit before taxation after minority interests	15,615,378	15,675,504	-	-
Trade and other payables	12,417,079	12,356,953	-	-
<b>Notes to the financial statements</b>				
Note 18 Operating profit Administrative expenses	(20,076,788)	(20,016,662)	-	-

**70 List of Properties** for the year ended 31st December, 2003

No.	Location	Tenure	Built-up Area (sq ft)	Year of Expiry	Description/ Existing Use	Net Book Value (000's)	Age of Building (years)	Date of Acquisition/ Revaluation
1	GM 4895, Lot 1298 Mukim of Rawang District of Gombak, Selangor Darul Ehsan	Freehold	303,340 sq ft	nil	Corporate office cum manufacturing site for subsidiaries	37,264	8	5 April 2001
2	H.S. (D) 28255 PT No. 10327 Mukim of Rawang, District of Gombak Selangor Darul Ehsan	Freehold	80,384 sq ft	nil	Manufacturing site for Prestar Manufacturing Sdn. Bhd.	7,698	10	26 May 1994
3	Lot 17494, 8 1/2 Miles, Jalan Ipoh, Selayang Industrial Estate, 68100 Batu Caves, Selangor Darul Ehsan	Freehold	35,263 sq ft	nil	Corporate office cum warehouse	2,195	16	20 May 1994
4	Lot 1113, 65A, Jalan Perak, 10150 Penang	Freehold	2,904 sq ft	nil	Office cum warehouse	1,091	41	29 Dec 1993
5	# Lot 43 (PT1164), HS(D) 63884, District of Petaling State of Selangor, Jalan Teras Jemang 27/8, 40000 Shah Alam	Freehold	3,088 sq ft	nil	Tenanted	640	11	23 Nov 2000
6	# PD Perdana Condominium Parcel 808, Held under Master Title H.S. (D) 14950, PD No. 99, Pekan Telok Kemang, Daerah Port Dickson, Negeri Sembilan	Freehold	746 sq ft	nil	Vacant	100	5	5 June 2000
7	# PT 4028, Batu 8, Jalan IPP Kepong, Mukim Batu	99 yrs Leasehold * (87 years)	1,650 sq ft	2090	Tenanted	187	16	1 Dec 1998
8	Plot 40, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold * (48 years)	124,474 sq ft	2052	Manufacturing site for Tashin Steel Sdn. Bhd.	9,374	5	8 Aug 2000

\* Balance of Leasehold Tenure

# Acquired through Debt settlement arrangement from various delinquent trade debtors



Authorised Share Capital	:	RM200,000,000.00
Issued and Paid-Up Share Capital	:	RM87,511,700.00 comprising 87,511,700 shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM1.00 each
Number of Shareholders	:	3,891
Voting Rights	:	One vote per ordinary share

**LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 26 APRIL, 2004**

Substantial Shareholders	Number of Shares held			
	Direct	%	Indirect	%
Fabulous Essence Sdn. Bhd.	<sup>(2)</sup> 25,305,000	29.09	-	-
Toh Yew Keat	11,179,702	12.85	<sup>(1)</sup> 30,251,500	34.78
Toh Yew Peng	318,798	0.37	<sup>(1)</sup> 30,251,500	34.78
Md. Nahar Bin Noordin	5,000,000	5.75	-	-
Toh Yew Kar	186,000	0.21	<sup>(1)</sup> 30,251,500	34.78
Toh Yew Chin	-	-	<sup>(1)</sup> 30,251,500	34.78
Toh Yew Keong	-	-	<sup>(1)</sup> 30,251,500	34.78
Toh Yew Seng	-	-	<sup>(1)</sup> 30,251,500	34.78
Toh Poh Khuan	-	-	<sup>(1)</sup> 30,251,500	34.78
Toh Yew Hoe	-	-	<sup>(1)</sup> 30,251,500	34.78
Y. K. Toh Property Sdn. Bhd.	4,946,500	5.69	-	-

**Notes:-**

- (1) Deemed interested by virtue of their respective substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd.  
 (2) Of the 25,305,000 shares 11,990,000 shares are held by UOBM Nominees (Tempatan) Sdn. Bhd.

**ANALYSIS OF SHAREHOLDERS AS AT 26 APRIL, 2004**

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1 - 99	6	0.15	105	0.00
100 - 1,000	914	23.49	875,400	1.01
1,001 - 10,000	2,470	63.48	10,033,759	11.54
10,001 - 100,000	445	11.44	12,505,468	14.38
100,001 to 4,348,729 (*)	51	1.31	18,328,666	21.07
4,348,730 and above (**)	5	0.13	45,231,202	52.00
<b>Total</b>	<b>3,891</b>	<b>100.00</b>	<b>86,974,600</b>	<b>100.00</b>

**Remarks:-**

- \* Less than 5% of Issued Shares  
 \*\* 5% and above of Issued Shares

**LIST OF DIRECTORS' SHAREHOLDINGS AS AT 26 APRIL, 2004**

Directors	Nationality	-----Direct Interest-----		-----Indirect Interest-----	
		No. of Shares Held	%	No. of Shares Held	%
Toh Yew Keat	Malaysian	11,179,702	12.85	*30,251,500	34.78
Toh Yew Peng	Malaysian	318,798	0.37	*30,251,500	34.78
Toh Yew Kar	Malaysian	186,000	0.21	*30,251,500	34.78
Toh Yew Seng	Malaysian	0	0	*30,251,500	34.78
Toh Poh Khuan	Malaysian	0	0	*30,251,500	34.78
Md. Nahar Bin Noordin	Malaysian	5,000,000	5.75	0	0
Fadzlullah Shuhaimi Bin Salleh	Malaysian	0	0	0	0
Yee Chee Seng @ Yee Yen	Malaysian	0	0	0	0
Lim Cheang Nyok	Malaysian	0	0	0	0

**Notes:-**

- \* Deemed interested by virtue of their respective substantial shareholdings in Fabulous Essence Sdn. Bhd. and Y. K. Toh Property Sdn. Bhd.



## THIRTY (30) LARGEST SHAREHOLDERS AS AT 26 APRIL, 2004

No. Shareholders	No. of Shares Held	Percentage (%)
1. Fabulous Essence Sdn. Bhd.	12,115,000	13.93
2. UOBM Nominees (Tempatan) Sdn. Bhd. <i>(Pledged Securities Account for Fabulous Essence Sdn. Bhd.)</i>	11,990,000	13.79
3. Toh Yew Keat	11,179,702	12.85
4. Md. Nahar Bin Noordin	5,000,000	5.75
5. Y. K. Toh Property Sdn. Bhd.	4,946,500	5.69
6. Soh Tik Siew	1,780,000	2.05
7. Fabulous Essence Sdn. Bhd.	1,200,000	1.38
8. Soh Teck Ghee	1,082,000	1.24
9. Perbadanan Nasional Berhad	921,700	1.06
10. Perbadanan Nasional Berhad	850,000	0.98
11. Citicorp Nominees (Tempatan) Sdn. Bhd. <i>(Pledged Securities Account for Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin)</i>	800,000	0.92
12. Melissa Shireen Munshir	789,328	0.91
13. Soo Kat Leng	661,040	0.76
14. Malaysian Assurance Alliance Berhad	650,000	0.75
15. Bumiputra-Commerce Trustee Berhad <i>(RHB Mudharabah Fund)</i>	600,000	0.69
16. TCL Nominees (Asing) Sdn. Bhd. <i>(OCBC Securities Private Limited for Goh Kok Chen)</i>	597,400	0.69
17. Ke-Zan Nominees (Tempatan) Sdn. Bhd. <i>(Pledged Securities Account for Ooi Saw Leong)</i>	555,000	0.64
18. Soh Tik Siew	390,100	0.45
19. HSBC Nominees (Asing) Sdn. Bhd. <i>(Mscoil for Rize Consultants Limited)</i>	383,200	0.44
20. Munshir Bin Abdullah	364,300	0.42
21. Mayban Nominees (Tempatan) Sdn. Bhd. <i>(Mayban Investment Management Sdn. Bhd. for Mayban Life Assurance Bhd)</i>	332,000	0.38
22. Mayban Nominees (Tempatan) Sdn. Bhd. <i>(Mayban Investment Management Sdn. Bhd. for Mayban Life Assurance Bhd)</i>	332,000	0.38
23. RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>(Pledged Securities Account for Sin Huan Kwang)</i>	325,500	0.37
24. Toh Yew Peng	318,798	0.37
25. Tee Bon Peng	303,900	0.35
26. Teh Choong Weng	300,000	0.34
27. RHB Nominees (Tempatan) Sdn. Bhd. <i>(RHB Asset Management Sdn. Bhd. for Telekom Malaysia Berhad)</i>	295,000	0.34
28. Zarita Binti Noordin	250,000	0.29
29. Phillip Capital Management Sdn. Bhd. <i>(Employees Provident Fund)</i>	248,000	0.29
30. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>(Pledged Securities Account for Lim Hui Seng)</i>	235,000	0.27
	<b>59,795,468</b>	<b>68.77</b>

**Notes:-** The analysis of shareholdings is based on the issued and paid-up capital of the Company after deducting 537,100 ordinary shares bought back by the Company and held as Treasury Shares as at 26 April, 2004.



## Form of Proxy

No. of Shares Held	CDS Account No.

\*I/We, .....  
(FULL NAME IN BLOCK CAPITALS)

of ..... being  
(FULL ADDRESS)

a \*member/members of PRESTAR RESOURCES BHD, hereby appoint .....  
..... of .....  
(FULL NAME) (FULL ADDRESS)

.....or failing

\*him/her, .....of .....  
(FULL NAME) (FULL ADDRESS)

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Level 4, Starhill 6, JW Marriot Hotel, 183, Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 14 June, 2004 at 10.00 a.m. or at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he/she thinks fit or abstain from voting):

	RESOLUTIONS	FOR	AGAINST
Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December, 2003 together with the Reports of the Directors and the Auditors thereon.		
Resolution 2	To approve the declaration of the final dividend of 5.0% less 28% Malaysian Income Tax.		
Resolution 3	To sanction the payment of Directors' Fees.		
Resolution 4 Resolution 5 Resolution 6	To re-elect the following Directors in accordance with Article 105 of the Company's Articles of Association: (a) Mr Toh Yew Peng (b) Mr Lim Cheang Nyok (c) Encik Fadzlullah Shuhaimi Bin Salleh		
Resolution 7	To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	<b>As special Business:-</b>		
Resolution 8	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 9	Authority to renew the purchase of the Company's own shares.		
Resolution 10	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Wei Giap Hardware Sdn. Bhd., Chiho Hardware Sdn. Bhd., Y.K. Toh Marketing (S) Pte. Ltd., Wei Sheng Hardware Sdn. Bhd., Syarikat Kwong Nam Hing Sdn. Bhd., Logam Indah Sdn. Bhd. and Y.K. Toh (M) Sdn. Bhd.		
Resolution 11	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Lim & Yeoh.		
Resolution 12	Authority to obtain additional Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Posco, Posco Steel Service & Sales Co. Ltd. and Diager Sg Pte. Ltd.		

\* Strike out whichever not applicable.

Signed this ..... day of ..... 2004

.....  
Signature of Member/Common Seal

**Notes:**

- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) to (d) of the Companies Act, 1965 shall not apply to the Company.  
Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) which came into force on 1 June, 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.



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STAMP

The Company Secretary

**PRESTAR RESOURCES BERHAD** (123066-A)

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

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