



ANNUAL REPORT 2004

CONTENTS

Notice of Annual General Meeting	2		
Statement Accompanying Notice of Annual General Meeting	9		
Corporate Information	10		
Group Financial Highlights	11		
Chairman's Statement	12		
Board of Directors' Profile	14		
Corporate Structure	17		
Corporate Governance Statement	18		
Additional Compliance Information	22		
Report of the Audit Committee	23	Directors' Report	30
Internal Control Statement	27	Statement by Directors	36
Statement of Directors' Responsibility in respect of Financial Reporting	29	Statutory Declaration	36
		Report of the Auditors	37
		Group Balance Sheets	38
		Group Income Statements	39
		Group Statements of Changes in Equity	40
		Group Cashflow Statements	41
		Company Balance Sheet	43
		Company Income Statement	44
		Company Statements of Changes in Equity	45
		Company Cashflow Statements	46
		Notes to the Financial Statements	48
		List of Landed Properties	76
		Statistic of Shareholdings	77
		Proxy Form	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Prestar Resources Bhd will be held at Dewan Berjaya, Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 2 June 2005 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of the Directors and the Auditors thereon.
2. To approve the declaration of the First and Final Dividend of 5.0% less 28% Malaysian Income Tax for the financial year ended 31 December 2004. **(Resolution 1)**
3. To approve the declaration of the Special Tax Exempt Dividend of 3.0% for the financial year ended 31 December 2004. **(Resolution 2)**
4. To sanction the payment of Directors' Fees for the financial year ended 31 December 2004. **(Resolution 3)**
5. To re-elect the following Directors who retire pursuant to Article 105 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
 - (a) Mr. Toh Yew Keat **(Resolution 4)**
 - (b) Mr. Toh Yew Kar **(Resolution 5)**
 - (c) Mr. Yee Chee Seng @ Yee Yen **(Resolution 6)**
6. To appoint Auditors and to authorize the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed on page 79 of this Annual Report and marked "Annexure A" has been received by the Company for the nomination of Messrs. BDO Binder who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

"That Messrs. BDO Binder be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors." **(Resolution 7)**

7. As Special Business:

To consider and, if thought fit, with or without any modification, to pass the following resolutions which will be proposed as ordinary and special 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; **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)**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital through Bursa Securities subject further to the following:-

- 1 the maximum number of ordinary shares of RM0.50 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 2004 of RM7,456,014.00 and RM293,195.00 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 Bursa Securities 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 Bursa Securities, 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 Bursa Securities 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." **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

ORDINARY RESOLUTION NO. 3

- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH WEI GIAP HARDWARE SDN. BHD., CHIHO HARDWARE SDN. BHD., Y. K. TOH MARKETING (S) PTE. LTD., WEI SHENG HARDWARE SDN. BHD., SYARIKAT KWONG NAM HING SDN. BHD., LOGAM INDAH SDN. BHD., Y. K. TOH (M) SDN. BHD. AND 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, approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with Wei Giap Hardware Sdn. Bhd., Chiho Hardware Sdn. Bhd., Y. K. Toh Marketing (S) Pte. Ltd., Wei Sheng Hardware Sdn. Bhd., Syarikat Kwong Nam Hing Sdn. Bhd., Logam Indah Sdn. Bhd., Y. K. Toh (M) Sdn. Bhd. and Diager SG Pte. Ltd., as described in Section 3.2 of the Circular to Shareholders dated 10 May 2005 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, 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 10 May 2005 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;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(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 RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH POSCO AND POSCO STEEL SERVICE & SALES CO. 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, approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with POSCO and Posco Steel Service & Sales Co. Ltd. as described in Section 3.2 of the Circular to Shareholders dated 10 May 2005 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)**

ORDINARY RESOLUTION NO. 6

- PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH PRESTAR STEEL (S) PTE. LTD. AND WEI GIAP HARDWARE 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, approval be and is hereby given to the Company's subsidiaries to enter into the Recurrent Related Party Transactions with Prestar Steel (S) Pte. Ltd. and Wei Giap Hardware Sdn. Bhd. as described in Section 3.2 of the Circular to Shareholders dated 10 May 2005 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:-

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (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 13)**

SPECIAL RESOLUTION NO. 1 - PROPOSED AMENDMENT TO THE MEMORANDUM OF ASSOCIATION OF THE COMPANY

"That approval be and is hereby given for the Company to amend its Memorandum of Association in the manner set out as follows:-

That Clause 3 (57) of the Memorandum of Association which reads:-

To purchase its own shares, subject to, and in accordance with the Companies Act, 1965, the rules, regulations and orders made pursuant thereto and the requirements of the Kuala Lumpur Stock Exchange and any other relevant authority.

be deleted in its entirety and substituted with the following:-

To purchase its own shares, subject to, and in accordance with the Companies Act, 1965, the rules, regulations and orders made pursuant thereto and the requirements of Bursa Malaysia Securities Berhad and any other relevant authority." **(Resolution 14)**

SPECIAL RESOLUTION NO. 2 - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That approval be and is hereby given for the Company to amend its Articles of Association in the manner set out as follows:-

- (i) That the meaning of the words "Central Depository" as set out in Article 2 on interpretation of words which reads:-

"Central Depository" means Malaysian Central Depository Sdn. Bhd.

be deleted in its entirety and substituted with the following:-

"Depository" means Bursa Malaysia Depository Sdn. Bhd.

- (ii) That all references to "Central Depository" shall be replaced with "Depository" accordingly throughout the Articles of Association.

- (iii) That the meaning of the words "Stock Exchange or Exchange" as set out in Article 2 on interpretation of words which reads:-

"Stock Exchange or Exchange" means Kuala Lumpur Stock Exchange

be deleted in its entirety and substituted with the following:-

"Stock Exchange or Exchange" means Bursa Malaysia Securities Berhad.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (iv) That the meaning of the words "Listing Requirements" as set out in Article 2 on interpretation of words which reads:-

"Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange or Rules of the Exchange including any amendment to the Listing Requirements that may be made and such practice notes or circulars as may be issued by the Exchange from time to time.

be deleted in its entirety and substituted with the following:-

"Listing Requirements" means the Listing Requirements of Bursa Malaysia Securities Berhad or Rules of the Exchange including any amendment to the Listing Requirements that may be made and such practice notes or circulars as may be issued by the Exchange from time to time.

- (v) That all references to "Listing Requirements of Kuala Lumpur Stock Exchange" shall be replaced with "Listing Requirements" accordingly throughout the Articles of Association.

- (vi) That Article 191 (7) of the Articles of Association which reads:-

For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendment to the Listing Requirements that may be made from time to time.

be deleted in its entirety and substituted with the following:-

For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Malaysia Securities Berhad including any amendment to the Listing Requirements that may be made from time to time.

(Resolution 15)

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

NOTICE OF DIVIDENDS ENTITLEMENTS

NOTICE IS HEREBY GIVEN that the First and Final Dividend of 5.0% less 28% Malaysian Income Tax and the Special Tax Exempt Dividend of 3.0% will be payable on 20 June 2005 to depositors who are registered in the Record of Depositors at the close of business on 6 June 2005, if approved by members at the forthcoming Twentieth 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 6 June 2005 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)

CHIN MUN YEE (MAICSA 7019243)

Secretaries

Kuala Lumpur

Dated: 10 May 2005

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 Nineteenth Annual General Meeting held on 14 June 2004. 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 Bursa Malaysia Securities 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, 4 and 5 are to renew the Shareholders' Mandate granted by the shareholders of the Company at the Nineteenth Annual General Meeting held on 14 June 2004. 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

The proposed adoption of the Ordinary Resolution No. 6 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.

5. Proposed Amendments to the Memorandum and Articles of Association

The proposed adoption of the Special Resolutions Nos. 1 and 2 are to amend the Memorandum and Articles of Association of the Company to be in line with the demutualization of Kuala Lumpur Stock Exchange.

Further information on the Proposed Renewal of Share 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 2004 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 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 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.
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

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors Standing For Re-Election

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

Mr. Toh Yew Keat	Article 105	Resolution 4
Mr. Toh Yew Kar	Article 105	Resolution 5
Mr. Yee Chee Seng @ Yee Yen	Article 105	Resolution 6

2. Details of Attendance of Directors at Board Meetings

The Board of Directors met six (6) times during the financial year ended 31 December 2004. Details of each Director's attendance are as follows:-

Name of Director	No. of meetings attended
Dato' Toh Yew Peng	5/6
Mr. Toh Yew Seng	6/6
Mr. Toh Yew Keat	6/6
Mr. Toh Yew Kar	6/6
Ms. Toh Poh Khuan	4/6
Encik Md Nahar Bin Noordin	6/6
Encik Fadzlullah Shuhaimi Bin Salleh	5/6
Mr. Yee Chee Seng @ Yee Yen	6/6
Mr. Lim Cheang Nyok	6/6

3. Details of Annual General Meeting

The Twentieth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 2 June 2005 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 18 April 2005 are as follows:-

Directors	Nationality	----Direct Interest----		-----Indirect Interest---	
		No. of shares held	%	No. of shares held	%
Toh Yew Keat	Malaysian	22,599,404	12.91	*60,503,000	34.56
Toh Yew Kar	Malaysian	504,000	0.29	*60,503,000	34.56
Yee Chee Seng @ Yee Yen	Malaysian	-	-	-	-

Note:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Toh Yew Keat (Group Executive Chairman)
Dato' Toh Yew Peng (Group Managing Director)
Toh Yew Kar (Group Executive Director)
Toh Yew Seng (Group Executive Director)
Toh 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
E-mail: info@prestar.com.my

REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur
Tel. No: 03 2084 9000
Fax No: 03 2094 9940

AUDITORS

KPMG
Chartered Accountants
Kuala Lumpur

PRINCIPAL BANKERS

Bumiputra Commerce Bank Bhd
United Overseas Bank Bhd
RHB Bank Berhad

SOLICITORS

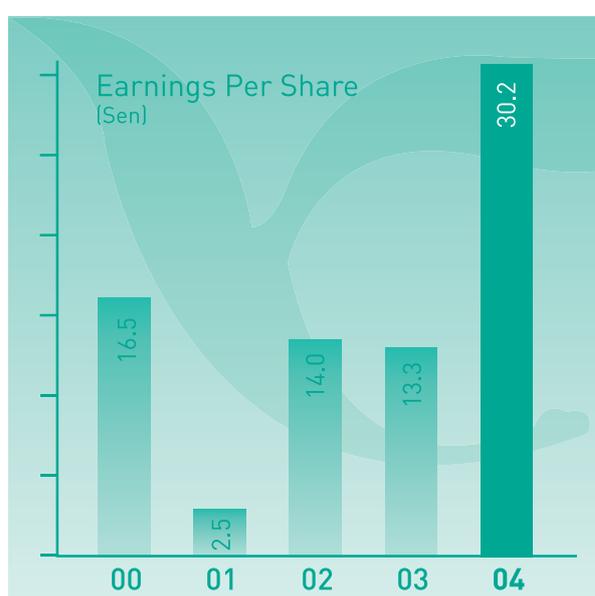
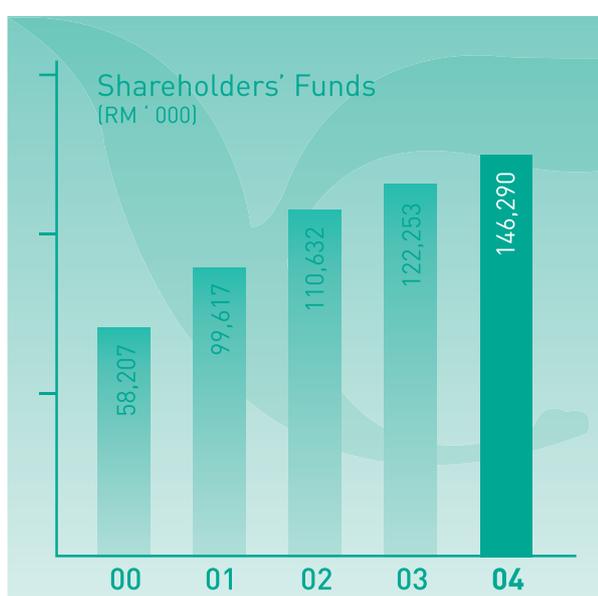
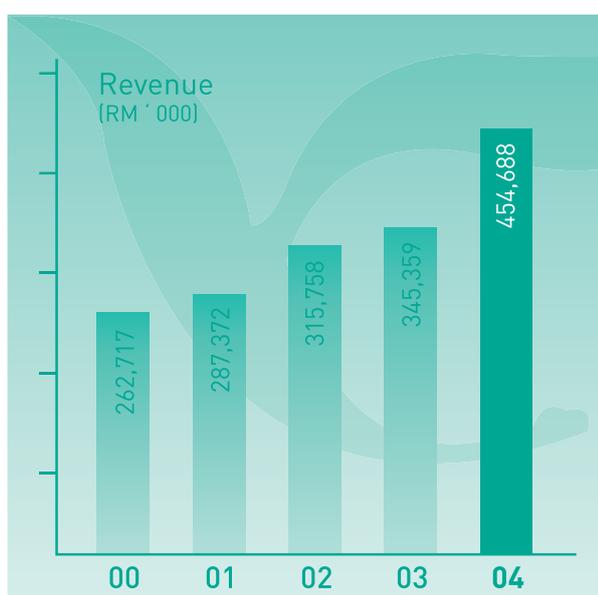
SKRINE
Amin Tan & Co

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Code: 9873

GROUP FINANCIAL HIGHLIGHTS

(RM ' 000)	2000	2001	2002	2003	2004
Revenue	262,717	287,372	315,758	345,359	454,688
Profit/(Loss) before taxation	17,666	5,833	19,499	19,878	52,698
Net Profit	12,091	2,040	11,789	11,423	26,285
Total assets employed	236,949	273,693	330,040	329,243	429,456
Shareholders' funds	58,207	99,617	110,632	122,253	146,290
Net tangible assets	55,583	97,145	108,312	120,085	144,373
Net tangible assets per share (RM)	2.73	2.36	2.61	1.38	1.65
Earnings per share (Sen)	16.5	2.5	14.0	13.3	30.2



CHAIRMAN'S STATEMENT

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 2004.



OVERVIEW

In year 2004, we witnessed a robust demand for steel in the world market, in particular the China steel market. This has caused much escalation in the Malaysian steel industry and its pattern of supply and demand were greatly distorted and prices ballooning. Shortage in the steel material supply was not uncommon and upward price changes had caused much anxieties to the various market players. Against this backdrop, the Malaysian Government's policy on controlling steel material imports remain unchanged and this further added to the burden of business in the steel industry.

Notwithstanding that year 2004 was a record breaking year for the Prestar Group, revenue and net profit had reached an unprecedented height of RM454.7 million and RM26.3 million respectively. Indeed the Group has been growing steadily since its flotation on Bursa Malaysia Securities Berhad ("Bursa Securities") in 1995. This is the result of our quest to scale greater heights from the day Prestar Group set its foot on the corporate arena through Bursa Securities. It is the vision and aim of the Board to continuously making efforts to further improve the Group's performance both through diversification of its business activities within the steel manufacturing sector as well as taking improvement actions in its business operations. Among the improvement actions taken were a number of strategic developments drawn for Prestar to run prudently as planned and Management team's effort to brainstorm a list of protective controls and measures to allow smooth advancement for example, our major out-sourcing and onward strategic purchases of raw materials led us to take the road of effective cost cutting. Modern machineries, robotic operations and improved manufacturing processes were some of the other new developments to be single out. Clearly, Prestar had never stopped thinking of ways to move on as we are determined to be the market leader among our competitors.

FINANCIAL PERFORMANCE

For the year under review, Group revenue increased further to RM454.7 million, an increase of 32% over the corresponding period of the preceding year. Group revenue had been consistently increasing each year since Prestar was listed on Bursa Securities in 1995. Net profit also improved significantly to a record high of RM26.3 million for the financial year 2004, carving a 131% increase over the financial year 2003. In line with this improvement, earnings per share (EPS) jumped to RM0.30 per share (before share split) while net tangible assets per share was strengthened to RM1.66 per share (before share split).

On the other hand, although Group borrowings had also increased substantially due to the requirement of higher level of working capital in terms of higher holding costs of inventories, the interest cover remained strong to cope with such increase. The impressive performance for the year 2004 was mainly due to the overall increase in demand for steel products on the background of firm steel prices as well as improved efficiencies of the Group operations in terms of manufacturing processes, marketing manoeuvres, prudent financial management and better cost control efforts.

CHAIRMAN'S STATEMENT (CONT'D)



MAJOR EVENTS AND DEVELOPMENTS

- Proposed acquisition: On 22 March 2004, Prestar has entered into a Share Sale Agreement with Scomi Group Bhd in respect of the acquisition of the entire issued and paid-up share capital of the Transportation Engineering Unit of Scomi Group Bhd for a purchase price of RM42,500,000.00 to be satisfied by the issuance of 28,333,333 new ordinary shares of RM1.00 each at an indicative issue price of RM1.50 per share. Both parties subsequently mutually terminated the Share Sale Agreement on 8 September 2004 due to the inability to satisfy one of the conditions precedent to the Share Sale Agreement.
- Proposed share split into 2 new ordinary shares of RM0.50 each in Prestar for every 1 ordinary share of RM1.00 each held in Prestar. This was completed on 14 March 2005.
- Proposed renounceable rights issue of up to 95,721,500 Warrants in Prestar at an issue price of RM0.05 per Warrant on the basis of 1 Warrant for every 2 existing ordinary shares of RM0.50 each held in Prestar. The issuance of Warrants is still in progress and is expected to be completed by end of July 2005.
- Strengthening of the Pipe manufacturing division through acquisition of the remaining 3% equity interests in Prestar Steel Pipes Sdn Bhd not owned by Prestar and setting up of a new subsidiary, Prestar Precision Tube Sdn Bhd (formerly known as Allied Reach Marketing Sdn Bhd) to further enhance Prestar's focus on high-end value-added tube manufacturing.

PROSPECTS OF 2005 FINANCIAL YEAR

The steel industry outlook remains positive for the financial year ending 31 December 2005 as prices are expected to stay firm albeit some signs of ballooning inventories. This is due to sustainable demand from China as well as other global markets. In addition to that, rising commodity prices such as crude oil also drive the cost of steel material and transportation to stage uptrend thus reducing any possibility of significant price fall for the period under review. Other factors that may affect the outlook of the industry will be, inter-alia, the possible re-peg/un-peg of the Ringgit Malaysia currency against the US Dollar currency. However, measures had been taken through engaging overseas procurement in foreign currency (US Dollar) thus providing a hedge for our inventories' value against possible losses as a result of the above.

All in all, at Prestar, we will continue to seek manufacturing and marketing excellences and breakthroughs via relentless efforts of continuous improvement in various aspects such as attaining higher efficiencies in manufacturing processes, fast customer response-abilities and implementing effective cost control techniques to further enhance our capabilities to deliver promising financial results for the coming year.

DIVIDENDS

The Board of Directors of Prestar is recommending a first and final dividend of 5% less 28% Malaysian tax and a Special Tax Exempt Dividend of 3.0% in respect of the financial year ended 31 December 2004 subject to the Shareholders' approval at the forthcoming Annual General Meeting of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to extend our thanks and gratitude to the Management and employees of the Prestar Group for their dedication and commitment, without which the success of year 2004 would not be possible. My sincere appreciation also go to our valued shareholders, customers, business associates, investors, financial institutions and all the relevant authorities for their continued support, trust, and confidence in the Prestar Group.

TOH YEW KEAT
Group Executive Chairman



BOARD OF DIRECTORS' PROFILE

TOH YEW KEAT

Age: 58, Malaysian
Group Executive Chairman
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 Directors 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 Dato' 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.

DATO' TOH YEW PENG

Age: 53, Malaysian
Group Managing Director | Member of Audit Committee
Appointed to the Board on 12 July 1984

Dato' 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 Group 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

Age: 47, Malaysian
Group Executive Director
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 & 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 Group Executive Chairman; Dato' 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.

BOARD OF DIRECTORS' PROFILE (CONT'D)

TOH YEW SENG

Age: 44, Malaysian
Group Executive Director
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 direct and indirect interest.

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

TOH POH KHUAN

Age: 57, Malaysian
Group Executive Director
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 direct and indirect interest.

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

MD NAHAR BIN NOORDIN

Age: 48, Malaysian
Non-Independent Non-Executive Director | Member of Remuneration Committee
Appointed to the Board on 18 June 1994

Encik Md. Nahar bin Noordin obtained his Master 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 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. He also sits on the Board of Habib Corporation Berhad, a company listed on KLSE 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.

BOARD OF DIRECTORS' PROFILE (CONT'D)

FADZLULLAH SHUHAIMI BIN SALLEH

Age: 48, 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: 65, 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: 37, 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

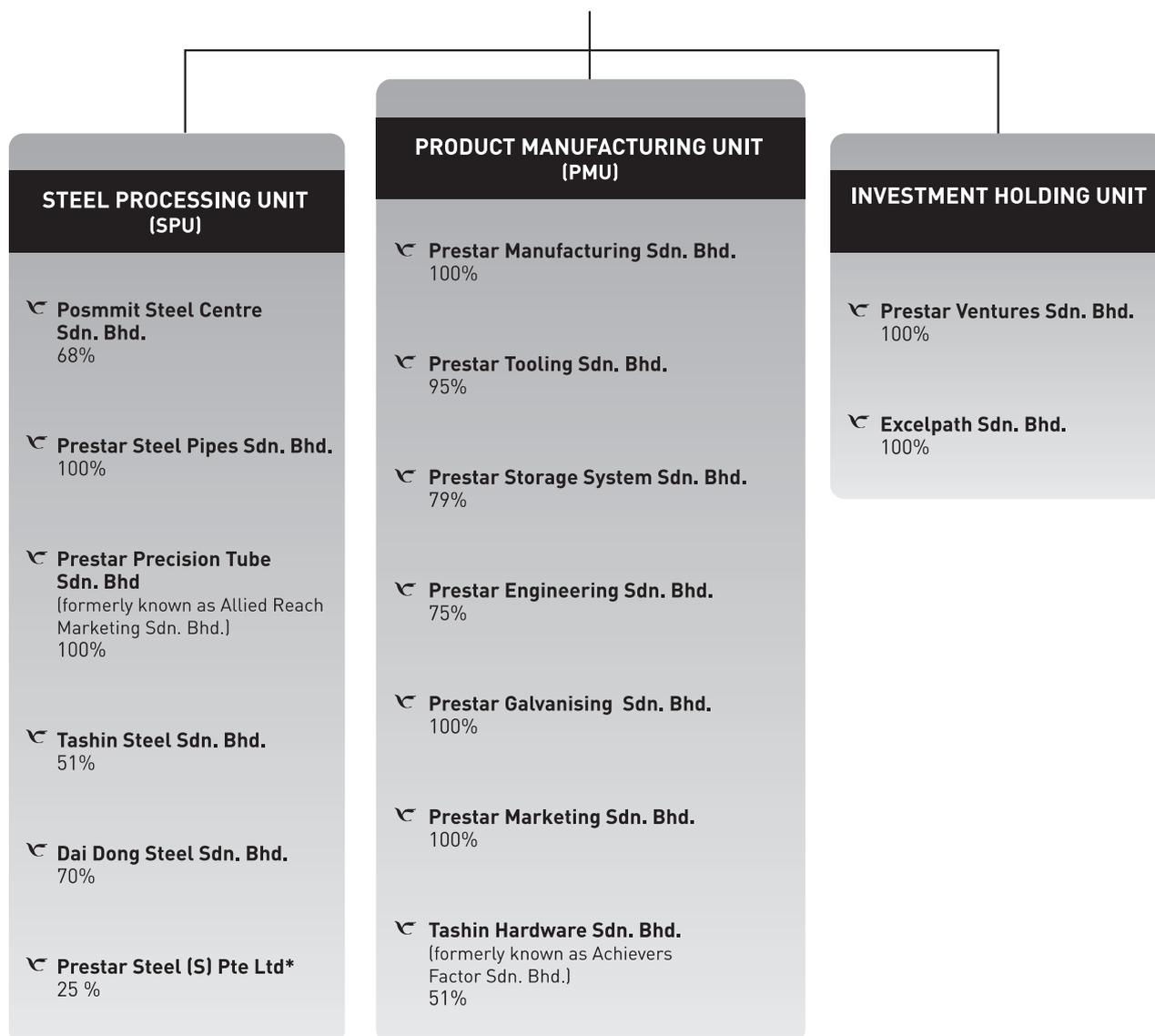
NONE of the Directors of the Company has been convicted for offences within the past ten (10) years other than traffic offences.

CORPORATE STRUCTURE



PRESTAR RESOURCES BERHAD

(123066-A)



* Associated company

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 being 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 skills as well as legal, finance, commercial and technical experiences to the Company.

The presence of independent Non-Executive Directors fulfils the pivotal role in corporate accountability. The role of independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement to take account of the interest, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

A brief profile of each Director is presented on pages 14 to 16 of this 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 ("Bursa Securities") and all the Directors have attended the Mandatory Accreditation Training Program ("MAP") prescribed by Bursa Securities. 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 Bursa Securities.

(iii) Board Meetings and Supply of Information

There were six (6) 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. The Board papers include, amongst others, the following:-

- i. Quarterly financial report and a report on the Group's cash and borrowing position;
- ii. Significant financial and corporate issues; Internal Audit Report and Risk Management Committee Progress Report ;
- iii. Updates of group performances; and
- iv. Any other matters requiring Board's approval.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

In addition, there is a schedule of matters reserved specifically for the Board's decision. This includes strategic and key policy issues, major investments and financial decisions, and approval of corporate plans.

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

(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 once 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 is 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 set out in the Audit Committee Report. Three (3) other Committees, namely the Nomination Committee, Remuneration Committee, Group Risk Management Committee have also been established to further enhance the overall effectiveness of the Board in discharging its duties and responsibilities.

a) Audit Committee

The Audit Committee consists of three (3) members with majority of Independent Non-Executive Directors. For detailed information on 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 23 to 26 of this Annual Report.

b) Nomination Committee

The Nomination Committee has a minimum of three (3) members, all are Independent Non-Executive Directors. The primary objective of the Committee is to assist the Board of Directors in their responsibilities of nomination of new nominees to the Board of Directors.

Members of the Committee are as follows: -

Mr Lim Cheang Nyok (Chairman, Independent Non-Executive Director)
Encik Fadzlullah Shuhaimi Bin Salleh (Member, 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 seven (7) times since its establishment.

(c) Remuneration Committee

In line with the recommendation of the Code, the Remuneration Committee was established on 27th November 2001. The Remuneration Committee comprises 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)

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

(d) Group Risk Management Committee

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

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

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 2004 are as follows: -

(i) Aggregate remuneration categorised into appropriate components:

RM ('000)	Executive Directors	Non-Executive Directors
Fees	278	86
Salaries	1,456	-
Bonus	585	-
Benefits-in-kind	93	-
EPF and Socso	210	-

(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 350, 001 to RM 400, 000	1	-
RM 450, 001 to RM 500, 000	1	-
RM 550, 001 to RM 600, 000	2	-
RM 600, 001 to RM 650, 000	1	-

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 Director is not individually material, hence no separate disclosure.

C. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board has ensured that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates so that the financial statements represent a true and fair assessment of the Company and Group's financial position. 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 with the requirements of the rules and regulations of the authority and approved accounting standards.

The Statement of Directors' Responsibility pursuant to paragraph 15.27(a) of the Listing Requirements of Bursa Securities on its responsibilities in preparing the financial statements is set out on page 29 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

(ii) Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control and risk management that aims to safeguard shareholders' investment and the Group's assets during its course of business. While the internal control system is devised to cater for particular needs of the Group as well as risk management, such controls by their nature can only provide reasonable assurance but not absolute assurance against material mis-statement or loss.

The Group has an internal audit department to assist the Audit Committee to discharge their duties and responsibilities. Both the internal and external auditors report their findings and recommendations to the Audit Committee.

The Statement of Internal Control furnished on pages 27 to 28 of this 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. The Audit Committee meets with the external auditors without the presence of Executive Board Members, at least once a year 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 23 to 26 of this Annual Report.

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

(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 Bursa Securities on material information, corporate proposals and quarterly financial results.

The Company has a website at www.prestar.com.my where shareholders and investors could conveniently access for information.

(ii) Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Company's business and corporate development. 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 and 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.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Paragraph 9.25 of the Bursa Malaysia Securities Berhad's (Bursa Securities) Listing Requirements.

1. UTILISATION OF PROCEEDS

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

2. SHARE BUY-BACKS

The information on share buy-backs for the financial year is presented in the Financial Statements of this Annual Report.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

A total of 593,100 options were exercised during the financial year pursuant to the Company's Employees' Share Option Scheme. The Company has not issued any warrants or convertible securities for the financial year.

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 FEES

The amount of non-audit fees paid to the external auditors by the Group for the financial year were RM200,600.

7. PROFIT ESTIMATE / FORECAST PROJECTION / UNAUDITED RESULTS

The Company did not issue any profit estimate, 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 guarantee 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' interests during the financial year.

10. REVALUATION POLICY

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

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

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

REPORT OF THE AUDIT COMMITTEE

1 MEMBERS

Audit committee consists of the following members:-

Mr. Yee Chee Seng	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)

2 TERMS OF REFERENCE

The Committee was established to act as a Committee of the Board of Directors with the terms of reference as set out on pages 24 to 26.

3 MEETINGS

During the financial year, a total of 4 Audit Committee Meetings were held and the details of attendance are as follows:

Name of Committee Member	Attendance
Mr. Yee Chee Seng	4
Encik Fadzlullah Shuhaimi B. Salleh	4
Mr. Toh Yew Peng	3

The Executive Directors, the Company Secretary, the Group Financial Controller, and the Head of Internal Audit were present, by invitation in all the meetings

4 SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee were as follows:-

- a) Reviewed the quarterly unaudited financial results announcement for the Group and the Companies before recommending them for the Board's approval.
- b) 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.
- c) Reviewed with the external auditors the result of the audit, the audit report and the management letter including management's response.
- d) Met with the external auditor once during a year without the presence of any executive board member to discuss the audit issue and recommendations raised by them and review the audit strategy and plan prior to commencement of annual audit.
- e) Reviewed the principal risks identified by the Group Risk Management Committee and the Subsidiary Risk Management Committees and assess how the principal risks have been managed, monitored, controlled and mitigated to acceptable level. Principal risk issues were summarised and communicated to the Board for consideration and resolution.
- f) 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 Listing Requirements.
- g) Reviewed the recurrent related party transactions entered into by the Group.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

- h) Reviewed the implementation of Prestar new ESOS under the current ESOS by-laws.
- i) Reviewed the internal audit reports presented by the Internal Audit Department on findings and recommendations and management's response thereto and ensure that major issues are adequately addressed by management.
- j) Reviewed the internal audit department's resources requirement and the competency of the internal auditor.

5 INTERNAL AUDIT FUNCTION

The internal audit department is independent of the activities or operations of other operating units. The principal role of the department is to undertake independent, regular and systematic reviews of the risk management, internal control and governance systems so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit department to provide the Audit Committee with independent and objective reports of the results of such reviews.

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 they are consistent with overall Group's objectives.
- b) Analysed, examined and recommended appropriate controls to address control deficiencies and to deter fraud.
- c) Reviewed the Group's system of internal controls so as to ensure that it provides a reasonable assurance that assets are properly safeguarded.
- d) Performed follow-up reviews of previous audit reports to ensure all agreed audit recommendations are implemented.
- e) Carried out investigation and special review requested by management or Audit Committee.
- f) Identified opportunities to improve the operations and processes in the Group and the Company which include the effectiveness, efficiency and economical use of company resources and streamline the operations.

24

TERMS OF REFERENCE

1 Objectives

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.

2 Composition of Members

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 ("Bursa Malaysia") Listing Requirements.

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.

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

REPORT OF THE AUDIT COMMITTEE (CONT'D)

Retirement and resignation

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.

Chairman

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.

Secretary

The Secretary of the Audit Committee shall be the Company Secretary.

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.

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.

3 Meetings

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.

In the absence of the Chairman, the other independent director shall be the Chairman for that meeting.

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.

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.

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.

4 Quorum

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

5 Reporting

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.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

6 Authority

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 co-operate as requested by members of the Audit Committee.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

- 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.

7 Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be: -

Risk Management and Internal Control

To review the adequacy and effectiveness of risk management, internal control and governance systems.

Financial Reporting

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 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.

Audit Process

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.

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.

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.

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.

Other Responsibilities and Duties

To monitor recurrent related party transactions 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.

To undertake such other responsibilities as may be agreed to by the Committee and the Board.

To report to the Board its activities, significant results and findings.

INTERNAL CONTROL STATEMENT

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements require the Board to publish a statement in its Annual Report regarding the state of internal control of the Group.

In relation to this objective, 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 acknowledges its overall responsibility for the Group's systems of internal controls, and for reviewing its adequacy, integrity and effectiveness of the systems. The system of internal control covers not only financial controls but operational and compliance controls and risk management. 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 but not absolute assurance against material misstatement or loss.

The Board recognises that in order to achieve a sound system of internal control, it is necessary to provide a strong control environment and framework that is conducive to this objective. 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 reviews this process.

RISK MANAGEMENT FRAMEWORK

The Board has always regarded risk management as part of business processes. The Group Risk Management Committee is responsible for the overall Group's Risk Management process, monitoring and reporting. The Group Risk Management Committee further incorporates Risk Management Units at various subsidiaries to delegate the process of risks identification, evaluating, monitoring and managing risks at the various business levels. Discussions have been conducted involving key personnel from various departments to identify and address risks faced by each subsidiary.

The Audit Committee reviews the risk management reports and its mitigating action plans before recommendation to the Board for consideration and approval.

INTERNAL AUDIT FUNCTION

The duties of the Internal Audit Department is to assist the Audit Committee in discharging its duties and provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls.

The Audit Committee meets quarterly to review internal audit findings, discuss corrective action plans and ascertains that weaknesses in controls highlighted are appropriately addressed by the management.

The Internal Audit Department adopts risk-based approach in its audit. Major activities carried out during the year were:

- Performed reviews of operational compliance with the internal standard operating procedures
- Conducted follow-up audits to determine the implementation of corrective action plans as agreed by the management within the stipulated period.
- Conducted ad-hoc investigative tasks as requested by Audit Committee and/or the Senior Management.

There were no material control weaknesses identified during the year, which had material impact on the Company's financial performance or operations.

INTERNAL CONTROL STATEMENT (CONT'D)

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:

- A 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 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.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 2004 are set out from pages 30 to 75 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 2004, 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 21 March 2005.

DIRECTORS' REPORT

for the year ended 31 December 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 2004.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries mainly involve the manufacturing of steel related products and details are stated in Note 3 to the financial statement.

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

RESULTS

	Group RM	Company RM
Net profit for the year	26,284,571	4,492,335

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 5% less tax totalling RM3,133,400 in respect of the year ended 31 December 2003 on 28 June 2004.

The Directors recommended a final dividend of 5% less tax totalling RM3,136,496 and a 3% special tax exempt dividend totalling RM2,613,747 in respect of the year ended 31 December 2004.

DIRECTORS OF THE COMPANY

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

Toh Yew Keat
Dato' 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

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2004

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:

	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
	Balance at 1.1.2004	Bought	Sold	
<i>Shareholdings in which Directors have direct interests</i>				
COMPANY				
Toh Yew Keat	11,179,702	-	-	11,179,702
Dato' Toh Yew Peng	318,798	-	-	318,798
Md. Nahar Bin Noordin	5,000,000	-	-	5,000,000
Toh Yew Kar	186,000	-	-	186,000
<i>Shareholdings in which Directors have deemed interests</i>				
COMPANY				
Toh Yew Keat	25,305,000	-	-	25,305,000
Dato' Toh Yew Peng	25,305,000	-	-	25,305,000
Toh Yew Kar	25,305,000	-	-	25,305,000
Toh Yew Seng	25,305,000	-	-	25,305,000
Toh Poh Khuan	25,305,000	-	-	25,305,000
SUBSIDIARIES				
Prestar Tooling Sdn. Bhd.				
Toh Yew Seng	1,425,000	-	-	1,425,000
Toh Yew Kar	1,425,000	-	-	1,425,000
Prestar Storage System Sdn. Bhd.				
Toh Yew Keat	560,000	-	-	560,000
Toh Yew Seng	560,000	-	-	560,000
Toh Yew Kar	560,000	-	-	560,000
Prestar Engineering Sdn. Bhd.				
Toh Yew Kar	750,000	-	-	750,000
Toh Yew Seng	750,000	-	-	750,000
Posmmit Steel Centre Sdn. Bhd.				
Dato' Toh Yew Peng	9,500,000	-	-	9,500,000
Toh Yew Seng	9,500,000	-	-	9,500,000
Dai Dong Steel Sdn. Bhd.				
Toh Yew Seng	350,000	-	-	350,000
Tashin Steel Sdn. Bhd.				
Dato' Toh Yew Peng	10,200,000	-	-	10,200,000
Toh Yew Seng	10,200,000	-	-	10,200,000
Tashin Hardware Sdn. Bhd.				
Dato' Toh Yew Peng	-	255,000	-	255,000
Toh Yew Seng	-	255,000	-	255,000

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.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2004

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:

		Number of options over ordinary shares of RM1.00 each			
		Balance at	Granted	Exercised	Balance at
		1.1.2004			31.12.2004
<i>Share options in the Company</i>					
Toh Yew Keat	RM1.50	300,000	-	-	300,000
Dato' Toh Yew Peng	RM1.50	300,000	-	-	300,000
Toh Yew Kar	RM1.50	300,000	-	-	300,000
Toh Yew Seng	RM1.50	300,000	-	-	300,000
Toh Poh Khuan	RM1.50	300,000	-	-	300,000

None of the other Directors holding office at 31 December 2004 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 28 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 (ESOS).

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 593,100 new ordinary shares of RM1.00 each pursuant to the exercise of ESOS by the employees at the following option prices:

Number of ordinary shares of RM1.00 each issued	Option price per share
30,500	RM1.39
562,600	RM1.50

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 ESOS.

The 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.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2004

The options offered to take up unissued ordinary shares of RM1.00 each and the option prices are as follows:

Date of offer	Option price	Balance at 1.1.2004	Number of options over ordinary shares of RM1.00 each			Balance at 31.12.2004
			Granted	Lapsed due to resignation	Exercised	
3.12.2003	RM1.50	8,479,200	-	(612,900)	(562,600)	7,303,700
23.3.2004	RM1.39	-	299,000	-	(30,500)	268,500

The salient features of the 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.
- The option is personal to the grantee and is non-assignable.
- The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the ESOS committee, which is at 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.
- 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.

- 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.
- 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.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

SIGNIFICANT EVENTS DURING THE YEAR

- Acquisition of Prestar Precision Tube Sdn. Bhd.(PPT) (formerly known as Allied Reach Marketing Sdn. Bhd.)*

On 27 February 2004, Prestar Steel Pipes Sdn. Bhd. (PSP), a subsidiary of the Company, acquired all the ordinary shares in PPT of RM2 for a cash consideration of RM2. The said acquisition effectively makes PPT a wholly-owned subsidiary of PSP. Subsequent to the acquisition, PSP subscribed for 1,499,998 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of PPT, at a consideration of RM1,499,998 which has been set off against the amount owing to PSP.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2004

(b) *Acquisition of Tashin Hardware Sdn. Bhd.(THSB) (formerly known as Achievers Factor Sdn. Bhd.)*

On 2 March 2004, Tashin Steel Sdn. Bhd. (TSSB), a subsidiary of the Company, acquired all the ordinary shares in THSB of RM2 for a cash consideration of RM2. The said acquisition effectively makes THSB a wholly owned subsidiary of TSSB. Subsequent to the acquisition, TSSB subscribed for 499,998 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of THSB, for a cash consideration of RM499,998.

(c) *Acquisition of the remaining equity interest and subscription of shares in a subsidiary Prestar Steel Pipes Sdn. Bhd.(PSP)*

During the year, the Company acquired 200,000 fully paid ordinary shares of RM1.00 each in PSP, constituting the remaining 3% equity interest of the company for a total cash consideration of RM400,000 from Tianwen Holdings Sdn. Bhd. (formerly known as Tianwen Enterprise Sdn. Bhd.). The said acquisition effectively makes PSP a wholly-owned subsidiary of the Company. Subsequent to the acquisition, the Company subscribed for 3,500,000 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of PSP, in which RM1,200,000 are satisfied by cash and the remaining RM2,300,000 has been set off against the amount owing to the Company.

(d) *Proposed acquisition of Scomi Sdn. Bhd. (Scomi) and Scomi Transportation Solutions Sdn. Bhd. (SCOTS) (Proposed Acquisitions)*

On 22 March 2004, the Company had 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. However, on 8 September 2004, the Company and Scomi Group Berhad have mutually agreed to terminate the conditional share sale agreement in relation to the Proposed Acquisitions.

34

(e) *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 Bumiputra investors. However, on 8 September 2004, the Proposed Special Issue have been aborted.

(f) *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 the Company for each 1 ordinary share of RM1.00 each held in the Company on a date to be determined.

The Proposed Share Split have been approved by the Company's shareholders at an Extraordinary General Meeting (EGM), which was convened on 4 February 2005. The date of the subdivision of shares in relation to the share split have been fixed on 2 March 2005.

(g) *Proposed Rights Issue of up to 95,721,500 warrants in the Company at an issue price of RM0.05 per warrant on the basis of 1 warrant for every 2 existing ordinary shares of RM0.50 each held in the Company after the Proposed Share Split (Proposed Rights Issue of Warrants)*

On 13 September 2004, the Company proposed to undertake a renounceable rights issue of up to 95,721,500 warrants in the Company at an issue price of RM0.05 per warrant on the basis of 1 warrant for every 2 existing ordinary shares of RM0.50 each held in the Company after the Proposed Share Split.

The Proposed Rights Issue of Warrants was approved by the Company's shareholders at an EGM, which was convened on 4 February 2005 and currently, pending approval from Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (Bursa Securities) for the admission of the warrants into the Official List of Bursa Securities, and the listing of and quotation for the warrants.

(h) *Acquisition of land by the Group*

On 31 May 2004, Tashin Steel Sdn. Bhd. (TSSB), a subsidiary of the Company entered into a sale and purchase agreement with a third party for the acquisition of a piece of land at a cash consideration of RM2,569,139. The completion of the transaction is still pending transfer of land title by the relevant authorities.

DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2004

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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2004 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:

DATO' TOH YEWE PENG

TOH YEWE KAR

Kuala Lumpur,
Date: 21 March 2005

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 38 to 75 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 2004 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:

DATO' TOH YEW PENG

TOH YEW KAR

Kuala Lumpur,
Date: 21 March 2005

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 38 to 75 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 21 March 2005.

KOAY KAH EE

Before me:

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

Pesuruhjaya Sumpah
(Commissioner for Oaths)
Kuala Lumpur

REPORT OF THE AUDITORS

to the members of Prestar Resources Berhad

We have audited the financial statements set out on pages 38 to 75. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

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 2004 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

Kuala Lumpur,
Date: 21 March 2005

TANG SENG CHOON
Partner
Approval Number: 2011/12/05(J)

GROUP BALANCE SHEET

at 31 December 2004

	Note	2004 RM	2003 RM
Property, plant and equipment	2	108,201,416	111,819,823
Investment in associate	4	43,035	-
Goodwill on consolidation	5	1,916,939	2,168,146
Quoted investments	6	552,783	373,383
Deferred tax assets	19	1,951,000	2,271,000
Current assets			
Inventories	7	184,423,681	106,409,120
Trade receivables	8	109,753,607	93,312,755
Other receivables, deposits and prepayments	9	10,721,496	6,080,469
Tax recoverable		597,144	1,481,969
Cash and cash equivalents	11	11,295,144	5,326,507
		316,791,072	212,610,820
Current liabilities			
Trade payables	12	23,085,160	22,100,881
Other payables and accrued expenses	13	14,319,636	10,985,993
Hire purchase liabilities	14	3,015,764	2,429,176
Bank borrowings	15	185,054,188	122,314,789
Taxation		4,832,628	1,697,877
		230,307,376	159,528,716
Net current assets		86,483,696	53,082,104
		199,148,869	169,714,456
Financed by:			
Capital and reserves			
Share capital	16	87,662,000	87,068,900
Reserves	17	59,933,190	36,488,824
Treasury shares	16	(1,305,025)	(1,305,025)
		146,290,165	122,252,699
Minority shareholders' interests	18	41,222,691	30,520,328
Long term and deferred liabilities			
Hire purchase liabilities	14	4,265,888	5,626,134
Bank borrowings	15	2,936,174	6,871,295
Deferred tax liabilities	19	4,433,951	4,444,000
		11,636,013	16,941,429
		199,148,869	169,714,456

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2005.

The notes set out on pages 48 to 75 form an integral part of, and should be read in conjunction with, these financial statements.

GROUP INCOME STATEMENT

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
Revenue	20	454,687,929	345,359,379
Operating profit	20	60,418,882	26,619,053
Financing costs	22	(7,723,824)	(6,761,987)
Interest income		17,791	20,582
Share of loss of an associate		(15,130)	-
Profit before taxation		52,697,719	19,877,648
Tax			
- Company and subsidiaries		(13,555,683)	(3,116,735)
- Associate		2,577	-
Tax expense	23	(13,553,106)	(3,116,735)
Profit after taxation		39,144,613	16,760,913
Less: Minority interests		(12,860,042)	(5,337,936)
Net profit for the year		26,284,571	11,422,977
Basic earnings per ordinary share (sen)	24	30.23	13.37
Diluted earnings per ordinary share (sen)	24	30.04	13.33
Gross dividend per ordinary share (sen)	25	8.0	5.0

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

	Note	Share capital RM	Non-distributable Share premium RM	Revaluation reserve RM	Distributable Retained profits RM	Treasury shares RM	Total RM
At 1 January 2003		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	25	-	-	-	(3,108,610)	-	(3,108,610)
Increase in issued share capital through							
- Bonus issue	16	43,265,900	(27,828,860)	-	(15,437,040)	-	-
- ESOS	16	2,243,000	2,153,280	-	-	-	4,396,280
Shares bought back	16	-	-	-	-	(776,008)	(776,008)
Bonus issue expenses		-	(314,192)	-	-	-	(314,192)
At 31 December 2003/1 January 2004		87,068,900	-	1,201,835	35,286,989	(1,305,025)	122,252,699
Net profit for the year		-	-	-	26,284,571	-	26,284,571
Crystallisation of revaluation reserve		-	-	(33,621)	33,621	-	-
Dividends - 2003 final	25	-	-	-	(3,133,400)	-	(3,133,400)
Increase in issued share capital through ESOS	16	593,100	293,195	-	-	-	886,295
At 31 December 2004		87,662,000	293,195	1,168,214	58,471,781	(1,305,025)	146,290,165
		Note 16				Note 16	

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2004

	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	52,697,719	19,877,648
Adjustments for:		
Allowance for doubtful debts	1,996,438	1,589,061
Amortisation of goodwill	150,820	152,075
Depreciation	10,090,383	9,250,536
Dividend income	(9,805)	(750)
Gain on disposal of property, plant and equipment	(149,901)	(791,204)
Gain on disposal of quoted investments	(2,743)	(7,121)
Impairment losses on property, plant and equipment	964,810	-
Interest expense	7,723,824	6,761,987
Interest income	(17,791)	(20,582)
Inventories written down	669,649	421,000
Inventories written off	555,971	-
Loss on disposal of property, plant and equipment	191,570	34,070
Property, plant and equipment written off	-	3
Transfer of property, plant and equipment to inventories	356,347	-
Reversal of allowance for doubtful debts	(314,403)	(169,764)
Reversal of inventories written down	-	(341,950)
Share of loss of an associate	15,130	-
Operating profit before working capital changes	74,918,018	36,755,009
Changes in working capital:		
Inventories	(79,240,181)	17,068,533
Trade and other receivables	(22,729,206)	(9,841,046)
Trade and other payables	4,317,922	(8,988,783)
Cash (used in)/generated from operations	(22,733,447)	34,993,713
Income taxes paid	(10,104,916)	(4,121,945)
Income taxes refunded	878,760	-
Net cash (used in)/generated from operating activities	(31,959,603)	30,871,768

The notes set out on pages 48 to 75 form an integral part of, and should be read in conjunction with, these financial statements.

GROUP CASH FLOW STATEMENT (CONT'D)

for the year ended 31 December 2004

	2004 RM	2003 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	9,805	750
Interest received	17,791	20,582
Investment in associate	(55,588)	-
Proceeds from disposal of property, plant and equipment	681,078	2,480,854
Purchase of property, plant and equipment (i)	(6,845,680)	(6,891,236)
Purchase of quoted investments	(181,000)	-
Proceeds from disposal of quoted investments	4,343	13,723
Acquisition of additional shares in a subsidiary	(400,000)	-
Net cash used in investing activities	(6,769,251)	(4,375,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,723,824)	(6,761,987)
Dividend paid to shareholders of the Company	(3,133,400)	(3,108,610)
Dividend paid to minority shareholders	(1,692,000)	(920,000)
Drawdown of hire purchase liabilities (ii)	564,700	-
Payments of hire purchase liabilities	(3,008,558)	(2,191,208)
Proceeds from/ (Repayments of) other bank borrowings	64,624,828	(6,401,600)
Purchase of own shares	-	(776,008)
Repayments of term loans	(3,728,932)	(6,429,019)
Proceeds from ESOS	886,295	4,396,280
Payments of bonus issue expenses	-	(314,192)
Net cash generated from/(used in) financing activities	46,789,109	(22,506,344)
Net increase in cash and cash equivalents	8,060,255	3,990,097
Cash and cash equivalents at beginning of year	70,811	(3,919,286)
CASH AND CASH EQUIVALENTS AT END OF YEAR (iii)	8,131,066	70,811

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

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM8,515,880 (2003 - RM14,995,994) of which RM1,670,200 (2003 - RM8,104,758) was acquired by means of hire purchase.

(ii) *Drawdown of hire purchase liabilities*

During the year, the Group has drawdown hire purchase liabilities of RM564,700 for property, plant and equipment acquired in previous year.

(iii) *Cash and cash equivalents*

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

	2004 RM	2003 RM
Deposits placed with licensed banks	1,500,000	400,000
Cash and bank balances	9,795,144	4,926,507
Bank overdrafts	(3,164,078)	(5,255,696)
	8,131,066	70,811

The notes set out on pages 48 to 75 form an integral part of, and should be read in conjunction with, these financial statements.

COMPANY BALANCE SHEET

at 31 December 2004

	Note	2004 RM	2003 RM
Property, plant and equipment	2	44,973,093	45,629,572
Investment in subsidiaries	3	47,729,743	43,829,743
Investment in associate	4	55,588	-
Current assets			
Other receivables, deposits and prepayments		241,750	40,589
Amount due from subsidiaries	10	25,862,608	21,382,181
Tax recoverable		198,001	403,628
Cash and cash equivalents	11	1,296	975
		26,303,655	21,827,373
Current liabilities			
Other payables and accrued expenses		1,274,035	421,322
Amount due to subsidiaries	10	1,529,992	625,406
Hire purchase liabilities	14	118,160	110,333
Bank borrowings	15	17,403,240	10,588,474
		20,325,427	11,745,535
Net current assets		5,978,228	10,081,838
		98,736,652	99,541,153
Financed by:			
Capital and reserves			
Share capital	16	87,662,000	87,068,900
Reserves	17	8,917,423	7,265,293
Treasury shares	16	(1,305,025)	(1,305,025)
Shareholders' funds		95,274,398	93,029,168
Long term and deferred liabilities			
Hire purchase liabilities	14	180,759	298,920
Bank borrowings	15	2,422,544	5,358,065
Deferred tax liabilities	19	858,951	855,000
		3,462,254	6,511,985
		98,736,652	99,541,153

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2005.

COMPANY INCOME STATEMENT

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
Revenue	20	9,133,512	6,254,170
Operating profit	20	5,676,512	3,976,044
Financing costs	22	(802,016)	(920,799)
Interest income		751,098	579,994
Profit before taxation		5,625,594	3,635,239
Tax expense	23	(1,133,259)	(335,906)
Net profit for the year		4,492,335	3,299,333
Gross dividend per ordinary share (sen)	25	8.0	5.0

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

	Note	Share capital RM	Non-distributable Share premium RM	Revaluation reserve RM	Distributable Retained profits RM	Treasury shares RM	Total RM
At 1 January 2003		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	25	-	-	-	(3,108,610)	-	(3,108,610)
Increase in issued share capital through							
- Bonus issue	16	43,265,900	(27,828,860)	-	(15,437,040)	-	-
- ESOS	16	2,243,000	2,153,280	-	-	-	4,396,280
Shares bought back		-	-	-	-	(776,008)	(776,008)
Bonus issue expenses		-	(314,192)	-	-	-	(314,192)
At 31 December 2003/1 January 2004		87,068,900	-	1,201,835	6,063,458	(1,305,025)	93,029,168
Net profit for the year		-	-	-	4,492,335	-	4,492,335
Crystallisation of revaluation reserve		-	-	(33,621)	33,621	-	-
Dividends - 2003 final	25	-	-	-	(3,133,400)	-	(3,133,400)
Increase in issued share capital through ESOS	16	593,100	293,195	-	-	-	886,295
At 31 December 2004		87,662,000	293,195	1,168,214	7,456,014	(1,305,025)	95,274,398
		Note 16			Note 17	Note 16	

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2004

	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,625,594	3,635,239
Adjustments for:		
Depreciation	765,502	730,216
Dividend income	(5,903,333)	(2,829,444)
Gain on disposal of property, plant and equipment	-	(159,999)
Interest expense	802,016	920,799
Interest income	(751,098)	(579,994)
Operating profit before working capital changes	538,681	1,716,817
Changes in working capital:		
Other receivables	(201,161)	(1,760)
Other payables	852,713	(164,006)
Subsidiaries	(5,033,841)	1,556,952
Cash (used in)/generated from operations	(3,843,608)	3,108,003
Income taxes paid	(32,348)	(156,455)
Net cash (used in)/generated from operating activities	(3,875,956)	2,951,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	4,170,000	2,180,000
Interest received	751,098	579,994
Proceeds from disposal of property, plant and equipment	-	160,000
Purchase of property, plant and equipment	(i) (109,023)	(136,031)
Acquisition of additional shares in a subsidiary	(400,000)	-
Subscription of shares in a subsidiary	(ii) (1,200,000)	-
Investment in associate	(55,588)	-
Net cash generated from investing activities	3,156,487	2,783,963

COMPANY CASH FLOW STATEMENT (CONT'D)

for the year ended 31 December 2004

	2004 RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(802,016)	(920,799)
Dividend paid	(3,133,400)	(3,108,610)
Repayments of hire purchase liabilities	(110,334)	(60,747)
Proceeds from/(Repayments of) other bank borrowings	6,883,521	(97,521)
Repayment of term loan	(2,729,332)	(4,429,419)
Proceeds from ESOS	886,295	4,396,280
Purchase of own shares	-	(776,008)
Payment of bonus issue expenses	-	(314,192)
Net cash generated from/(used in) financing activities	994,734	(5,311,016)
Net increase in cash and cash equivalents	275,265	424,495
Cash and cash equivalents at beginning of year	(935,080)	(1,359,575)
CASH AND CASH EQUIVALENTS AT END OF YEAR	(iii) (659,815)	(935,080)

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

In the previous financial year, the Company acquired property, plant and equipment with an aggregate cost of RM606,031 of which RM470,000 was acquired by means of hire purchase.

(ii) *Subscription of shares in a subsidiary*

During the year, the Company subscribed for 3,500,000 ordinary shares of RM1.00 each in a subsidiary, in which RM1,200,000 are satisfied by cash and the remaining RM2,300,000 has been set off against the amount due to the Company.

(iii) *Cash and cash equivalents*

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

	2004 RM	2003 RM
Cash and bank balances	1,296	975
Bank overdrafts	(661,111)	(936,055)
	(659,815)	(935,080)

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

(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.

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

(c) Associate

Associate is an enterprise in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associate on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) 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 and accumulated impairment losses.

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.

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 and accumulated impairment losses.

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 2004.

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.

Depreciation

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised in equal instalments over the lease period of 52 years.

The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

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) 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

Long term investments other than in subsidiaries and associate 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.

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

Quoted 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 main 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.

(i) Liabilities

Trade and other payables and borrowings are stated at cost.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. 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 assets, other than inventories (refer note 1(g)), deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries and associate), 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

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

1AUD	RM2.99	{2003: RM2.73}
1BND	RM2.35	{2003: RM2.23}
1EURO	RM5.22	{2003: RM4.55}
1SGD	RM2.35	{2003: RM2.23}
1USD	RM3.80	{2003: RM3.80}
100BAHT	RM9.93	{2003: RM9.68}

(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

i) 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.

ii) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

iii) Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(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 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. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(s) Accounting for hire purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements is shown under hire purchase liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Short term leasehold land RM	Buildings 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
Cost/Valuation										
At 1 January 2004	19,222,743	2,668,063	40,188,477	3,946,638	7,892,138	8,174,426	4,244,330	68,247,841	2,870,223	157,454,879
Additions	-	-	9,170	278,165	1,306,684	714,858	506,184	4,651,910	1,048,909	8,515,880
Disposals	-	-	-	(43,082)	(1,108,380)	(40,500)	(119,894)	(231,016)	-	(1,542,872)
Reclassifications	-	-	-	-	-	45,378	29,100	2,960,844	(3,035,322)	-
Transfers	-	-	-	(1,460)	-	(140,950)	-	142,410	-	-
Transfers to inventories	-	-	-	-	-	-	-	(356,347)	-	(356,347)
At 31 December 2004	19,222,743	2,668,063	40,197,647	4,180,261	8,090,442	8,753,212	4,659,720	75,415,642	883,810	164,071,540
Representing items at:										
Cost	15,679,744	2,668,063	34,193,033	4,180,261	8,090,442	8,753,212	4,659,720	75,415,642	883,810	154,523,927
Directors' valuation - 1995	3,542,999	-	6,004,614	-	-	-	-	-	-	9,547,613
At 31 December 2004	19,222,743	2,668,063	40,197,647	4,180,261	8,090,442	8,753,212	4,659,720	75,415,642	883,810	164,071,540
Accumulated depreciation and impairment losses										
Accumulated depreciation	-	172,133	3,357,962	2,473,288	4,050,021	5,644,432	2,641,483	27,295,737	-	45,635,056
Accumulated impairment loss	-	-	-	-	-	-	-	-	-	-
At 1 January 2004	-	172,133	3,357,962	2,473,288	4,050,021	5,644,432	2,641,483	27,295,737	-	45,635,056
Charge for the year	-	51,640	789,023	369,247	1,308,395	876,716	506,839	6,188,523	-	10,090,383
Impairment losses for the year	-	-	64,810	-	-	-	-	900,000	-	964,810
Disposals	-	-	-	(36,825)	(663,809)	(40,500)	(53,025)	(25,966)	-	(820,125)
Transfers	-	-	-	(37)	-	(14,550)	-	14,587	-	-
Accumulated depreciation	-	223,773	4,146,985	2,805,673	4,694,607	6,466,098	3,095,297	33,472,881	-	54,905,314
Accumulated impairment losses	-	-	64,810	-	-	-	-	900,000	-	964,810
At 31 December 2004	-	223,773	4,211,795	2,805,673	4,694,607	6,466,098	3,095,297	34,372,881	-	55,870,124
Net book value										
At 31 December 2004	19,222,743	2,444,290	35,985,852	1,374,588	3,395,835	2,287,114	1,564,423	41,042,761	883,810	108,201,416
At 31 December 2003	19,222,743	2,495,930	36,830,515	1,473,350	3,842,117	2,529,994	1,602,847	40,952,104	2,870,223	111,819,823
Depreciation charge for the year ended										
31 December 2003	-	53,372	770,477	458,872	1,229,462	794,450	483,011	5,460,892	-	9,250,536

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Company	Freehold land RM	Buildings RM	Furniture, fittings and renovations RM	Motor vehicles RM	Office equipment RM	Capital work-in-progress RM	Total RM
Cost/Valuation							
At 1 January 2004	17,459,744	29,934,115	361,098	781,251	146,923	-	48,683,131
Additions	-	-	-	-	3,879	105,144	109,023
At 31 December 2004	17,459,744	29,934,115	361,098	781,251	150,802	105,144	48,792,154
Representing items at:							
Cost	15,329,744	25,018,824	361,098	781,251	150,802	105,144	41,746,863
Directors' valuation - 1995	2,130,000	4,915,291	-	-	-	-	7,045,291
At 31 December 2004	17,459,744	29,934,115	361,098	781,251	150,802	105,144	48,792,154
Accumulated depreciation							
At 1 January 2004	-	2,469,030	297,644	229,845	57,040	-	3,053,559
Charge for the year	-	598,683	16,113	133,434	17,272	-	765,502
At 31 December 2004	-	3,067,713	313,757	363,279	74,312	-	3,819,061
Net book value							
At 31 December 2004	17,459,744	26,866,402	47,341	417,972	76,490	105,144	44,973,093
At 31 December 2003	17,459,744	27,465,085	63,454	551,406	89,883	-	45,629,572
Depreciation charge for the year ended 31 December 2003	-	598,682	18,896	96,903	15,735	-	730,216

54

Revaluation

The freehold 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.

Had the 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 were as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land	2,551,407	2,551,407	1,376,176	1,376,176
Buildings	2,460,333	2,526,908	1,955,025	2,006,020
	5,011,740	5,078,315	3,331,201	3,382,196

Security

The freehold and leasehold land and certain buildings of the Group and the Company with net book values amounting to RM56,757,861 (2003 - RM57,584,462) and RM44,326,146 (2003 - RM44,924,828) have been charged as securities for banking facilities granted to the Company and its subsidiaries (see Note 15).

Impairment loss

In the current financial year, the Group recognised the following impairment losses on two of its subsidiaries:-

- i) impairment loss of RM900,000 (2003 - Nil) on plant and machinery as the machines have been left idle since 2001; and
- ii) impairment loss of RM64,810 (2003 - Nil) on certain buildings to reflect the Director's estimation of valuation of the buildings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Assets under hire purchase arrangements

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Plant and machinery	11,066,670	8,343,763	-	-
Capital work-in-progress	-	1,107,638	-	-
Motor vehicles and forklifts	1,237,392	1,990,170	415,426	534,119
Moulds, tools and equipment	220,885	170,863	-	-
	12,524,947	11,612,434	415,426	534,119

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	47,729,743	43,829,743

The principal activities of the companies in the Group, their places of incorporation and the interests of Prestar Resources Berhad are as follows:

Name of Company	Effective Group Interest		Country of Incorporation	Principal Activities
	2004	2003		
Prestar Manufacturing Sdn. Bhd. and its subsidiaries:	100%	100%	Malaysia	Manufacture and export of material handling equipment such as wheelbarrows and hand trucks.
Prestar Tooling Sdn. Bhd.	95%	95%	Malaysia	Moulds and dies fabrication, maintenance and installation of machinery and manufacture of plastic products, industrial castors and pallet meshes.
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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Company	Effective Group Interest		Country of Incorporation	Principal Activities
	2004	2003		
† 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.
Posmmit Steel Centre Sdn. Bhd.	68%	68%	Malaysia	Slitting, shearing and sales of steel sheets and coils.
Prestar Steel Pipes Sdn. Bhd and its subsidiary:	100%	97%	Malaysia	Manufacture and supply of carbon steel pipes and related products.
Prestar Precision Tube Sdn. Bhd. (formerly known as Allied Reach Marketing Sdn. Bhd.)	100%	-	Malaysia	Manufacture precision steel pipes and tubes.
Dai Dong Steel Sdn. Bhd.	70%	70%	Malaysia	Import and trading of steel materials and general hardware products.
Tashin Steel Sdn. Bhd. and its subsidiary:	51%	51%	Malaysia	Manufacture, reprocess and trading of steel related products.
Tashin Hardware Sdn. Bhd. (formerly known as Achievers Factor Sdn. Bhd.)	51%	-	Malaysia	Trading of steel material and general hardware products.
Prestar Galvanising Sdn. Bhd.	100%	100%	Malaysia	General hot dip galvanizing and coating on metal products and threaded items.

†Audited by another firm of auditors

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT IN ASSOCIATE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares, at cost	55,588	-	55,588	-
Share of loss of associate	(12,553)	-	-	-
	43,035	-	55,588	-
			Group	
			2004 RM	2003 RM
Represented by:				
Group's share of net assets			43,035	-

The details of the associate are as follows:

Name of Company	Effective Group Interest		Country of Incorporation	Principal Activities
	2004	2003		
Prestar Steel (S) Pte. Ltd.	25%	-	Singapore	Marketing and distributing steel related products.

5. GOODWILL ON CONSOLIDATION

	Group	
	2004 RM	2003 RM
Cost		
At 1 January	3,041,514	3,041,514
Increase in interest of subsidiary	(100,387)	-
At 31 December	2,941,127	3,041,514
Accumulated amortisation		
At 1 January	873,368	721,293
Amortisation charge for the year	150,820	152,075
At 31 December	1,024,188	873,368
Net book value		
At 31 December	1,916,939	2,168,146

6. QUOTED INVESTMENTS

	Group	
	2004 RM	2003 RM
Quoted shares in Malaysia, at cost	749,783	570,383
Less: Allowance for diminution in value	(197,000)	(197,000)
	552,783	373,383
Market value	637,862	383,022

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVENTORIES

	Group	
	2004 RM	2003 RM
Tools and consumables	13,636	27,216
Raw materials	135,045,260	71,837,189
Work-in-progress	3,934,985	3,783,581
Manufactured and trading inventories	45,429,800	30,761,134
	184,423,681	106,409,120
The inventories stated at net realisable value are:		
Raw materials	1,306,113	821,616
Work-in-progress	465,404	-
Manufactured and trading inventories	1,535,693	2,692,063
	3,307,210	3,513,679

8. TRADE RECEIVABLES

	Group	
	2004 RM	2003 RM
Trade receivables	119,341,393	101,519,373
Less: Allowances for doubtful debts	(9,587,786)	(8,206,618)
	109,753,607	93,312,755
Included in trade receivables is:		
Amount due from companies in which certain Directors have interests	663,410	498,915

During the financial year, bad debts amounting to RM300,867 (2003 - RM565,774) were written off against allowance for doubtful debts.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments are advances paid to suppliers of RM6,445,142 (2003 - RM3,504,918) for the purchase of raw materials.

10. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Due from:		
Trade	8,781,608	6,038,090
Dividend receivable	842,000	-
Advances	16,239,000	15,344,091
	25,862,608	21,382,181

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. AMOUNTS DUE FROM/(TO) SUBSIDIARIES (cont'd)

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. Advances due from subsidiaries are unsecured, bear interest ranging from 3.2% to 7.84% (2003 - 3.2% to 7.65%) per annum and have no fixed terms of repayment.

	Company	
	2004 RM	2003 RM
Due to:		
Trade	(625,406)	(625,406)
Non-trade	(4,586)	-
Advance	(900,000)	-
	(1,529,992)	(625,406)

Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment. Advance due to a subsidiary is unsecured, bear interest at 6% (2003 - Nil) per annum and has no fixed term of repayment.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits placed with licensed banks	1,500,000	400,000	-	-
Cash and bank balances	9,795,144	4,926,507	1,296	975
	11,295,144	5,326,507	1,296	975

12. TRADE PAYABLES

	Group	
	2004 RM	2003 RM
Included in trade payables is:		
Amount due to companies in which certain Directors have interests	201,610	413,203

13. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Included in other payables and accrued expenses is:				
Rental deposits received from companies in which certain Directors have interests	2,000	2,000	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. HIRE PURCHASE LIABILITIES

Hire purchase liabilities are payable as follows:

	Payments RM	Interest RM	Principal RM
Group			
2004			
Less than one year	3,450,286	(434,522)	3,015,764
Between one and five years	4,531,695	(265,807)	4,265,888
	7,981,981	(700,329)	7,281,652
2003			
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
	9,034,320	(979,010)	8,055,310
Company			
2004			
Less than one year	133,488	(15,328)	118,160
Between one and five years	189,075	(8,316)	180,759
	322,563	(23,644)	298,919
2003			
Less than one year	133,488	(23,155)	110,333
Between one and five years	322,564	(23,644)	298,920
	456,052	(46,799)	409,253

The hire purchase of the Group and Company bears interest at rates ranging from 3.15% to 5.50% (2003 - 3.4% to 8.15%) and 3.4% (2003 - 3.4%) per annum respectively.

15. BANK BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current:				
Secured:				
Bankers' acceptances and trust receipts	24,736,000	22,152,000	2,161,000	2,524,000
Bank overdrafts	573,088	359,922	222,705	55,561
Revolving credits	7,000,000	1,650,000	7,000,000	1,650,000
Term loans	3,934,089	3,727,900	2,934,129	2,727,940
	36,243,177	27,889,822	12,317,834	6,957,501
Unsecured:				
Bankers' acceptances and trust receipts	146,220,021	89,529,193	4,647,000	2,750,479
Bank overdrafts	2,590,990	4,895,774	438,406	880,494
	148,811,011	94,424,967	5,085,406	3,630,973
	185,054,188	122,314,789	17,403,240	10,588,474
Non current:				
Term loans (secured)	2,936,174	6,871,295	2,422,544	5,358,065

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. BANK BORROWINGS (cont'd)

Terms and debt repayment schedule

The Group's bank borrowings are secured by the following:

- i) first and third party registered legal charge over the Group's freehold and leasehold land and certain buildings; and
- ii) corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiaries.

The Company's bank borrowings are secured by the first legal charge over the Company's freehold land and buildings.

The bankers' acceptances and trust receipts of the Group and of the Company are subject to interest rates ranging from 3.10% to 8.00% and 3.40% to 5.00% (2003 - 3.05% to 8.15% and 3.20% to 7.75%) per annum.

The overdrafts of the Group and of the Company are subject to interest rates ranging from 7.25% to 8.14% and 7.25% to 8.00% (2003 - 7.25% to 8.40% and 7.25% to 8.40%) per annum.

The revolving credits of the Group and of the Company are subject to interest rates ranging from 4.75% to 7.25% (2003 - 7.25% to 7.65%) per annum.

The first term loan of RM5,356,673, obtained by the Company, bears interest at a rate of 1.25% (2003 - 1.25%) per annum above the base lending rate and is repayable in 77 equal monthly installments commencing April 2001. Under the term loan covenants, 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 Company's business, assets and/or condition; and
- ii) Execute any further charge, debenture and/or guarantee in relation to borrowing obtained from financial institutions for the Company or by any third party.

The second term loan of RM1,513,590, obtained by a subsidiary, bears interest at a rate of 1.50% (2003 - 1.50%) per annum above the base lending rate and is repayable in 72 equal monthly installments commencing July 2001. Under the term loan covenants, the subsidiary agreed to comply with the following terms:

- i) The subsidiary shall not declare dividends from the subsidiary distributable profits without prior written approval from the Bank. The Bank will not unreasonably withhold consent to declare these dividends;
- ii) The subsidiary 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; and
- iii) The subsidiary 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.

	Total RM	Under 1 year RM	1- 2 years RM
Group			
Term loans	6,870,263	3,934,089	2,936,174
Company			
Term loan	5,356,673	2,934,129	2,422,544

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. SHARE CAPITAL

	Group and Company	
	2004	2003
	RM	RM
Ordinary shares of RM1.00 each:		
Authorised:		
Balance at 1 January	200,000,000	100,000,000
Created during the year	-	100,000,000
Balance at 31 December	200,000,000	200,000,000
Issued and fully paid:		
Balance at 1 January	87,068,900	41,560,000
Bonus issue	-	43,265,900
Shares issued under ESOS	593,100	2,243,000
Balance at 31 December	87,662,000	87,068,900

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

In the previous financial year, the Company purchased 344,100 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. There were no shares bought back during the financial year. The number of outstanding shares in issue after deducting treasury shares held is 87,124,900 (2003 - 86,531,800) ordinary shares of RM1.00 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

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	
	2004	2003
Outstanding at 1 January	8,479,200	2,807,000
Granted	299,000	8,479,200
Exercised	(593,100)	(2,243,000)
Lapsed	(612,900)	(154,000)
Terminated	-	(410,000)
Outstanding at 31 December	7,572,200	8,479,200

Details of share options granted during the financial year:

Expiry date	30 September 2008
Exercise price per ordinary share (RM)	1.39
Aggregate proceeds if shares are issued (RM)	415,610

Details of share options exercised during the financial year:

Expiry date	30 September 2008
Exercise price per ordinary share (RM)	1.39 - 1.50
Aggregate issue proceeds (RM)	886,295
Fair value at date of issue (RM)	1,081,617

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The details of options granted to subscribe for shares which were outstanding as at 31 December 2004 are as follows:

Option expiry date	Option price	Number of ordinary shares
30 September 2008	RM1.50	7,303,700
30 September 2008	RM1.39	268,500
		7,572,200

The Group/Company received proceeds of RM886,295 in respect of 593,100 options exercised during the financial year. RM593,100 was credited to share capital and RM293,195 was credited to share premium.

17. RESERVES

Retained profits

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 2004, if paid out as dividends.

18. 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.

19. DEFERRED TAX

The recognised deferred tax assets and liabilities are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deferred tax assets				
Property, plant and equipment				
- Capital allowances in excess of depreciation	1,417,000	1,505,165	-	-
Provisions	(316,000)	(274,165)	-	-
Unabsorbed capital allowances	(1,339,000)	(1,789,000)	-	-
Unutilised tax losses	(1,713,000)	(1,713,000)	-	-
	(1,951,000)	(2,271,000)	-	-
Deferred tax liabilities				
Property, plant and equipment				
- Capital allowances in excess of depreciation	5,160,274	5,003,704	277,626	260,600
- Revaluation surplus	581,325	594,400	581,325	594,400
Provisions	(1,307,648)	(430,104)	-	-
Unutilised tax losses	-	(724,000)	-	-
	4,433,951	4,444,000	858,951	855,000

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. DEFERRED TAX (cont'd)

No deferred tax has been recognised for the following items:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Taxable temporary differences	875,000	698,000	-	-
Unabsorbed capital allowances	(2,517,000)	(1,743,000)	-	-
Unutilised tax losses	(1,598,000)	(762,000)	-	-
	(3,240,000)	(1,807,000)	-	-

The unutilised tax losses, unabsorbed capital allowances and taxable 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.

20. OPERATING PROFIT

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Revenue				
- Sale of goods	454,675,929	345,347,379	29,059	58,138
- Dividend income	-	-	5,903,333	2,829,444
- Rental	12,000	12,000	3,201,120	3,366,588
Cost of sales	454,687,929	345,359,379	9,133,512	6,254,170
	(366,407,784)	(295,645,409)	(827,547)	(827,841)
Gross profit	88,280,145	49,713,970	8,305,965	5,426,329
Distribution costs	(7,158,721)	(7,309,772)	-	-
Administrative expenses	(23,921,797)	(20,240,465)	(2,460,015)	(1,622,231)
Other operating expenses	(1,209,456)	(593,582)	(366,579)	(88,683)
Other operating income	4,428,711	5,048,902	197,141	260,629
Operating profit	60,418,882	26,619,053	5,676,512	3,976,044

Operating profit is arrived at after charging:

Allowance for doubtful debts	1,996,438	1,589,061	-	-
Amortisation of goodwill	150,820	152,075	-	-
Auditors' remuneration				
- Holding company auditors	141,000	133,000	18,500	18,500
- Others auditors	500	500	-	-
Depreciation	10,090,383	9,250,536	765,502	730,216
Company's Directors:				
- fees	473,000	390,000	138,000	120,000
- other emoluments	3,479,739	2,764,550	529,013	497,253
Inventories written down	669,649	421,000	-	-
Loss on disposal of property, plant and equipment	191,570	34,070	-	-
Property, plant and equipment written off	-	3	-	-
Realised loss on foreign exchange	7,807	48,297	-	-
Rental of premises	357,618	56,400	-	-
Impairment losses on property, plant and equipment	964,810	-	-	-
Inventories written off	555,971	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. OPERATING PROFIT (cont'd)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
and crediting:				
Gross dividend income				
- subsidiaries				
- tax exempt	-	-	2,720,000	510,000
- gross	-	-	3,183,333	2,319,444
- shares quoted in Malaysia	9,805	750	-	-
Realised gain on foreign exchange	86,237	78,297	-	-
Gain on disposal of property, plant and equipment	149,901	791,204	-	159,999
Rental income	49,200	35,460	3,201,120	3,366,588
Reversal of allowance for doubtful debts	314,403	169,764	-	-
Reversal of inventories written down	-	341,950	-	-
Gain on disposal of quoted investment	2,743	7,121	-	-

The estimated monetary value of Directors' benefit-in-kind for Group and Company are RM209,627 (2003 - RM176,895) and RM28,000 (2003 - RM21,885) respectively.

21. EMPLOYEE INFORMATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Defined contribution plan				
- Employees Provident Fund	2,148,505	2,015,304	88,309	92,269
Other staff costs	24,135,086	22,583,950	1,073,021	980,252
	26,283,591	24,599,254	1,161,330	1,072,521

The number of employees of the Group and of the Company (including Directors) at the end of the year was 808 and 7 (2003 - 853 and 9) respectively.

22. FINANCING COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest payable:				
Bankers' acceptances and trust receipts	5,953,682	4,774,394	-	-
Bank overdrafts	299,278	320,573	71,774	35,414
Revolving credits	175,573	46,201	175,573	46,201
Term loans	652,274	1,069,234	496,796	796,708
Hire purchase	643,017	551,585	23,155	17,121
Subsidiaries	-	-	34,718	25,355
	7,723,824	6,761,987	802,016	920,799

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. TAX EXPENSE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
- Current year	13,299,946	4,606,811	1,129,308	767,444
- (Over)/Under provision in prior years	(54,214)	318,462	-	-
	13,245,732	4,925,273	1,129,308	767,444
Deferred tax expense				
- Origination and reversal of temporary differences	380,978	(1,457,206)	17,026	165,803
- Under/(Over) provision in prior years	(57,952)	(338,257)	-	(584,266)
- Crystallisation of deferred tax liability on revaluation surplus of property	(13,075)	(13,075)	(13,075)	(13,075)
Tax expense on share of result of an associate	(2,577)	-	-	-
	13,553,106	3,116,735	1,133,259	335,906
Reconciliation of effective tax expense				
Profit before taxation	52,697,719	19,877,648	5,625,594	3,635,239
Income tax using Malaysian tax rate of 28%	14,755,361	5,565,740	1,575,166	1,017,867
Income subject to tax at 20%	(125,588)	(25,151)	-	-
Non-deductible expenses	949,411	596,681	404,202	49,102
Recognition of deferred tax asset previously not recognised	-	(1,853,696)	-	-
Tax exempt income	(2,632)	-	(761,600)	(142,800)
Effect of deferred tax not recognised in current year	401,000	99,644	-	-
Tax incentives	(2,233,726)	(1,234,588)	-	-
Other items	(62,901)	975	(71,434)	9,078
	13,680,925	3,149,605	1,146,334	933,247
(Over)/Under provision in prior years				
- income tax	(54,215)	318,462	-	-
- deferred tax	(57,952)	(338,257)	-	(584,266)
Crystallisation of deferred tax liability on revaluation surplus of property	(13,075)	(13,075)	(13,075)	(13,075)
Tax expense on share of result of an associate	(2,577)	-	-	-
Tax expense	13,553,106	3,116,735	1,133,259	335,906

24. 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 RM26,284,571 (2003 - RM11,422,977) and the weighted average number of ordinary shares outstanding during the year of 86,945,029 (2003 - 85,412,083).

Net profit attributable to ordinary shareholders is calculated as follows:

	2004 RM	2003 RM
Net profit attributable to ordinary shareholders	26,284,571	11,422,977

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. EARNINGS PER SHARE - GROUP (cont'd)

Weighted average number of ordinary shares

	2004 RM	2003 RM
Issued ordinary shares at beginning of the year, after deducting treasury shares	86,531,800	41,367,000
Effect of options exercised	413,229	1,048,616
Effect of purchase of own shares	-	(269,433)
Bonus issue	-	43,265,900
Weighted average number of ordinary shares	86,945,029	85,412,083

Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM26,284,571 (2003 - RM11,422,977) and the weighted average number of ordinary shares outstanding during the year of 87,773,916 (2003 - 85,685,606) calculated as follows:

Net profit attributable to ordinary shareholders (diluted)

	2004 RM	2003 RM
Net profit attributable to ordinary shareholders	26,284,571	11,422,977

Weighted average number of ordinary shares (diluted)

	2004 RM	2003 RM
Weighted average number of ordinary shares as above	86,945,029	85,412,083
Effect of share options	559,337	273,523
Weighted average number of ordinary shares (diluted)	87,504,366	85,685,606

25. DIVIDENDS

	Group and Company	
	2004 RM	2003 RM
Ordinary		
Final paid:		
2003 - 5.0% per share less tax	3,133,400	-
(2002 - 3.5% per share less tax)	-	1,041,715
(2002 - 5% per share tax exempt)	-	2,066,895
	3,133,400	3,108,610

The proposed final dividend of 5% less tax totalling RM3,136,496 and a 3% special tax exempt dividend totalling RM2,613,747 in respect of the year ended 31 December 2004 have not been accounted for in the financial statements.

The gross dividend per ordinary share as disclosed in the income statement takes into account the proposed dividend for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2004 RM	2003 RM
Guarantees to financial institutions for credit facilities granted to subsidiaries	239,089,000	210,424,000

27. CAPITAL COMMITMENTS

	Group	
	2004 RM	2003 RM
Property, plant and equipment: Authorised and contracted for	3,546,000	2,177,000

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

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2004 RM	2003 RM
(i) Transactions with subsidiaries		
Gross dividend received	(5,903,333)	(2,829,444)
Interest received	(748,911)	(570,999)
Management fee received	(197,141)	(100,330)
Rental received	(3,201,120)	(3,366,588)
	Group	
	2004 RM	2003 RM
(ii) Transactions with associate, in which Toh Yew Keong and Toh Yew Chin, have interest		
Sale of goods	(81,079)	-
(iii) Transactions with companies in which Toh Yew Keat, Dato' Toh Yew Peng, Toh Yew Kar, Toh Poh Khuan, Toh Yew Keong, Toh Yew Chin, Toh Yew Seng and Toh Yew Hoe, have interests:		
Chiho Hardware Sdn. Bhd.		
Sale of goods	(180,145)	(90,978)
Purchases	294,939	293,139
Logam Indah Sdn. Bhd.		
Sale of goods	(3,729)	(1,775)
Wei Giap Hardware Sdn. Bhd.		
Sale of goods	(156,076)	(244,804)
Purchases	250,756	231,028
Wei Sheng Hardware Sdn. Bhd.		
Sale of goods	(118,378)	(131,924)
Purchases	-	60
Y K Toh (M) Sdn. Bhd.		
Commission expenses	103,065	113,827
Rental received	(18,000)	(18,000)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTIES (cont'd)

	Group	
	2004 RM	2003 RM
(iv) Transactions with company in which Toh Yew Keat and Dato' Toh Yew Peng, have interests: Syarikat Kwong Nam Hing Sdn. Bhd.		
Sale of goods	(121,744)	(134,048)
Purchases	-	384
(v) Transactions with companies in which Toh Yew Keong and Toh Yew Chin, have interest: Y K Toh Marketing (S) Pte. Ltd.		
Sale of goods	(1,714,028)	(1,496,015)
Purchases	1,417,587	1,354,291
Diager SG Pte. Ltd.		
Purchases	328,070	-
(vi) Transactions with firm in which Lim Cheang Nyok, has interest: Lim & Yeoh		
Legal fees	-	2,000

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

29. 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, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ascertain 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.

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.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (cont'd)

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.

	Effective interest rate per annum %	2004		Effective interest rate per annum %	2003	
		Total RM	Within 1 year RM		Total RM	Within 1 year RM
Group						
Financial assets						
Deposits placed with licensed bank	2.00	1,500,000	1,500,000	2.5	400,000	400,000
Financial liabilities						
Bankers' acceptances and trust receipts	4.17	170,956,021	170,956,021	4.19	111,681,193	111,681,193
Bank overdrafts	7.53	3,164,078	3,164,078	7.57	5,255,696	5,255,696
Revolving credits	4.75	7,000,000	7,000,000	7.25	1,650,000	1,650,000
Secured term loans	7.30	6,870,263	6,870,263	7.30	10,599,195	10,599,195
Company						
Financial assets						
Advances to subsidiaries	4.26	16,239,000	16,239,000	5.50	15,344,091	15,344,091
Financial liabilities						
Advance from subsidiary	6.00	900,000	900,000	-	-	-
Bankers' acceptances and trust receipts	4.73	6,808,000	6,808,000	4.73	5,274,479	5,274,479
Bank overdrafts	7.64	661,111	661,111	7.69	936,055	936,055
Revolving credits	4.75	7,000,000	7,000,000	7.25	1,650,000	1,650,000
Secured term loans	7.25	5,356,673	5,356,673	7.25	8,086,005	8,086,005

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

In respect of term loans with variable interest rates, the carrying amounts approximate fair values as they are on floating rates and reprice to market interest rates for liabilities with similar risk portfolios.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (cont'd)

The aggregate fair values of other financial assets carried on the balance sheet as at 31 December are shown below:

Group	2004 Carrying amount RM	2004 Fair value RM	2003 Carrying amount RM	2003 Fair value RM
Financial assets				
Quoted investments	552,783	637,862	373,383	383,022

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

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	2004 Contracted amount RM	2004 Fair value RM	2003 Contracted amount RM	2003 Fair value RM
Forward foreign exchange contracts	14,852,865	14,868,274	1,428,246	1,427,449

Group	2004 Contracted amount RM	2004 Within 1 year RM	2003 Contracted amount RM	2003 Within 1 year RM
Forward foreign exchange contracts	14,852,865	14,852,865	1,428,246	1,428,246

30. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments. The Group's business activities are predominantly located in 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. SEGMENTAL INFORMATION (cont'd)

2004	Trading RM	Manufacturing RM	Investment RM	Eliminations RM	Consolidated RM
<i>Business Segments</i>					
Revenue from external customers	86,522,587	368,153,342	12,000	-	454,687,929
Inter-segment revenue	1,585,369	52,942,395	9,219,912	(63,747,676)	-
Total revenue	88,107,956	421,095,737	9,231,912	(63,747,676)	454,687,929
Segment result	8,980,904	51,931,853	5,727,551	(6,221,426)	60,418,882
Financing costs					(7,723,824)
Interest income					17,791
Share of loss of an associate					(15,130)
Profit before taxation					52,697,719
Tax expense					(13,553,106)
Minority interests					(12,860,042)
Net profit for the year					26,284,571
Segment assets	46,464,272	380,820,586	121,615,135	(122,034,927)	426,865,066
Investment in associate					43,035
Tax assets	-	2,350,143	198,001	-	2,548,144
Total assets					429,456,245
Segment liabilities	9,728,787	95,540,378	3,546,713	(71,411,082)	37,404,796
Bank borrowings					187,990,362
Hire purchase liabilities					7,281,652
Taxation					4,832,628
Deferred tax liabilities					4,433,951
Total liabilities					241,943,389
Capital expenditure	550,581	7,934,454	109,023	(78,178)	8,515,880
Depreciation	552,371	8,746,596	791,416	-	10,090,383
Impairment loss	-	964,810	-	-	964,810

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. SEGMENTAL INFORMATION (cont'd)

2003	Trading RM	Manufacturing RM	Investment RM	Eliminations RM	Consolidated RM
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	(62,021,326)	-
Total revenue	77,994,585	323,033,550	6,352,570	(62,021,326)	345,359,379
Segment result	4,719,005	21,076,772	4,018,271	(3,194,995)	26,619,053
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)
Net profit for the year					11,422,977
Segment assets	39,382,005	258,334,894	113,712,000	(85,938,696)	325,490,203
Tax assets	-	3,349,341	403,628	-	3,752,969
Total assets					329,243,172
Segment liabilities	9,282,764	63,582,426	1,820,307	(41,598,623)	33,086,874
Bank borrowings					129,186,084
Hire purchase liabilities					8,055,310
Taxation					1,697,877
Deferred tax liabilities					4,444,000
Total liabilities					176,470,145
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

31. SIGNIFICANT EVENTS DURING THE YEAR

- (a) *Acquisition of Prestar Precision Tube Sdn. Bhd. ("PPT") (formerly known as Allied Reach Marketing Sdn. Bhd.)*

On 27 February 2004, Prestar Steel Pipes Sdn. Bhd. ("PSP"), a subsidiary of the Company, acquired all the ordinary shares in PPT of RM2 for a cash consideration of RM2. The said acquisition effectively makes PPT a wholly-owned subsidiary of PSP. Subsequent to the acquisition, PSP subscribed for 1,499,998 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of PPT, at a consideration of RM1,499,998 which has been set off against the amount owing to PSP.

- (b) *Acquisition of Tashin Hardware Sdn. Bhd. ("THSB") (formerly known as Achievers Factor Sdn. Bhd.)*

On 2 March 2004, Tashin Steel Sdn. Bhd. ("TSSB"), a subsidiary of the Company, acquired all the ordinary shares in THSB of RM2 for a cash consideration of RM2. The said acquisition effectively makes THSB a wholly owned subsidiary of TSSB. Subsequent to the acquisition, TSSB subscribed for 499,998 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of THSB, for a cash consideration of RM499,998.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- (c) *Acquisition of the remaining equity interest and subscription of shares in a subsidiary Prestar Steel Pipes Sdn. Bhd. ("PSP")*

During the year, the Company acquired 200,000 fully paid ordinary shares of RM1.00 each in the share capital of PSP, constituting the remaining 3% equity interest of the company for a total cash consideration of RM400,000 from Tianwen Holdings Sdn. Bhd. (formerly known as Tianwen Enterprise Sdn. Bhd.). The said acquisition effectively makes PSP a wholly-owned subsidiary of the Company. Subsequent to the acquisition, the Company subscribed for 3,500,000 ordinary shares of RM1.00 each, being the enlarged issued and paid-up share capital of PSP, in which RM1,200,000 are satisfied by cash and the remaining RM2,300,000 has been set off against the amount owing to the Company.

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

On 22 March 2004, the Company had 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. However, on 8 September 2004, the Company and Scomi Group Berhad have mutually agreed to terminate the conditional share sale agreement in relation to the Proposed Acquisitions.

- (e) *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 share and at an issue price of RM1.50 per share for cash to Bumiputra investors. However, on 8 September 2004, the Proposed Special Issue have been aborted.

74

- (f) *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 the Company for each 1 ordinary share of RM1.00 each held in the Company on a date to be determined.

The Proposed Share Split have been approved by the Company's shareholders at an Extraordinary General Meeting ("EGM"), which was convened on 4 February 2005. The date of the subdivision of shares in relation to the share split have been fixed on 2 March 2005.

- (g) *Proposed Rights Issue of up to 95,721,500 warrants in the Company at an issue price of RM0.05 per warrant on the basis of 1 warrant for every 2 existing ordinary shares of RM0.50 each held in the Company after the Proposed Share Split ("Proposed Rights Issue of Warrants")*

On 13 September 2004, the Company proposed to undertake a renounceable rights issue of up to 95,721,500 warrants in the Company at an issue price of RM0.05 per warrant on the basis of 1 warrant for every 2 existing ordinary shares of RM0.50 each held in the Company after the Proposed Share Split.

The Proposed Rights Issue of Warrants was approved by the Company's shareholders at an EGM, which was convened on 4 February 2005 and currently, pending approval from Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities") for the admission of the warrants into the Official List of Bursa Securities, and the listing of and quotation for the warrants.

- (h) *Acquisition of land by the Group*

On 31 May 2004, Tashin Steel Sdn. Bhd. ("TSSB"), a subsidiary of the Company entered into a sales purchase agreement with a third party for the acquisition of a piece of land at a cash consideration of RM2,569,139. The completion of the transaction is still pending transfer of land title by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

32. EVENT SUBSEQUENT TO BALANCE SHEET DATE

Subdivision of shares in relation to the share split ("Subdivision of Shares")

On 2 March 2005, the Company undertook the subdivision of the 88,138,300 ordinary shares of RM1.00 each, being outstanding ordinary shares on that date into 176,276,600 ordinary shares of RM0.50 each, following the Company's shareholders approval passed at an EGM held on 4 February 2005 ("Subdivision of Shares").

The Subdivision of Shares took effect from 2 March 2005 and on 14 March 2005, the Subdivision of Shares was completed with the listing of the subdivided shares on Bursa Malaysia Securities Berhad.

The proforma effect of the subdivision on weighted average issued and paid-up capital, basic earnings per share and diluted earnings per share are as follows:

	2004 Ordinary shares of RM1.00 each	Proforma After subdivision of shares Ordinary shares of RM0.50 each
Weighted average number of ordinary shares	86,945,029	173,890,058
Weighted average number of ordinary shares (diluted)	87,504,366	175,008,732
Basic earnings per ordinary share (sen)	30.23	15.12
Diluted earnings per ordinary share (sen)	30.04	15.02

	2003 Ordinary shares of RM1.00 each	Proforma After subdivision of shares Ordinary shares of RM0.50 each
Weighted average number of ordinary shares	85,412,083	170,824,166
Weighted average number of ordinary shares (diluted)	85,685,606	171,371,212
Basic earnings per ordinary share (sen)	13.37	6.69
Diluted earnings per ordinary share (sen)	13.33	6.67

LIST OF PROPERTIES

for Year Ended 31st December 2004

No.	Location	Tenure	Built-up Area	Year of Expiry (sq ft)	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	nil	Corporate office cum manufacturing site for subsidiaries	36,799	9	5 April 2001
2	H.S. (D) 28255 PT No. 10327 Mukim of Rawang, District of Gombak Selangor Darul Ehsan	Freehold	80,384	nil	Manufacturing site for Prestar Manufacturing Sdn Bhd	7,564	11	26 May 1994
3	Lot 17494, 8 1/2 Miles, Jalan Ipoh, Selayang Industrial Estate, 68100 Batu Caves, Selangor Darul Ehsan	Freehold	35,263	nil	Corporate office cum warehouse	2,173	17	20 May 1994
4	Lot 1113, 65A, Jalan Perak, 10150 Penang	Freehold	2,904	nil	Office cum warehouse	1,073	42	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	nil	Tenanted	600	12	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	nil	Vacant	75	6	5 June 2000
7	#PT 4028, Batu 8, Jalan IPP Kepong, Mukim Batu	99 yrs Leasehold *(86 years)	1,650	2090	Tenanted	183	17	1 Dec 1998
8	Plot 40, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold *(47 years)	124,474	2052	Manufacturing site for Tashin Steel Sdn Bhd	9,186	6	8 Aug 2000

* Balance of Leasehold Tenure

Acquired through Debt settlement arrangement from various delinquent trade debtors

STATISTICS OF SHAREHOLDINGS

AS AT 18 APRIL 2005

Authorised Share Capital	:	RM200,000,000.00
Issued and Paid-Up Share Capital	:	RM88,792,100.00 comprising 177,584,200 Ordinary Shares of RM0.50 each
Class of Shares	:	Ordinary Shares of RM0.50 each
Number of Shareholders	:	3,243
Voting Rights	:	One vote per Ordinary Share

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 18 APRIL 2005

Substantial Shareholders	Direct	No. of Shares Held		%
		%	Indirect	
Fabulous Essence Sdn. Bhd.	⁽²⁾ 50,610,000	28.91	-	-
Toh Yew Keat	22,599,404	12.91	⁽¹⁾ 60,503,000	34.56
Dato' Toh Yew Peng	637,596	0.36	⁽¹⁾ 60,503,000	34.56
Md Nahar Bin Noordin	10,000,000	5.71	-	-
Toh Yew Kar	504,000	0.29	⁽¹⁾ 60,503,000	34.56
Toh Yew Chin	-	-	⁽¹⁾ 60,503,000	34.56
Toh Yew Keong	-	-	⁽¹⁾ 60,503,000	34.56
Toh Yew Seng	240,000	0.14	⁽¹⁾ 60,503,000	34.56
Toh Poh Khuan	240,000	0.14	⁽¹⁾ 60,503,000	34.56
Toh Yew Hoe	-	-	⁽¹⁾ 60,503,000	34.56
Y. K. Toh Property Sdn. Bhd.	9,893,000	5.65	-	-

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 50,610,000 shares, 13,990,000 shares are held by UOBM Nominees (Tempatan) Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2005

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1 - 99	5	0.15	90	0.00
100 - 1,000	46	1.42	35,820	0.02
1,001 - 10,000	2,305	71.08	11,261,098	6.43
10,001 - 100,000	783	24.14	23,353,300	13.34
100,001 to 8,753,509 ^(*)	99	3.05	49,717,488	28.40
8,753,510 and above ^(**)	5	0.15	90,702,404	51.81
Total	3,243	100.00	175,070,200	100.00

Remarks:

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 18 APRIL 2005

Directors	Nationality	Direct Interest		Indirect Interest	
		No. of shares held	%	No. of shares held	%
Toh Yew Keat	Malaysian	22,599,404	12.91	*60,503,000	34.56
Dato' Toh Yew Peng	Malaysian	637,596	0.36	*60,503,000	34.56
Toh Yew Kar	Malaysian	504,000	0.29	*60,503,000	34.56
Toh Yew Seng	Malaysian	240,000	0.14	*60,503,000	34.56
Toh Poh Khuan	Malaysian	240,000	0.14	*60,503,000	34.56
Md. Nahar Bin Noordin	Malaysian	10,000,000	5.71	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

Note:

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

STATISTICS OF SHAREHOLDINGS

AS AT 18 APRIL 2005

THIRTY (30) LARGEST SHAREHOLDERS AS AT 18 APRIL 2005

No. Shareholders	No. of Shares Held	Percentage(%)
1. Fabulous Essence Sdn. Bhd.	34,220,000	19.55
2. Toh Yew Keat	22,599,404	12.91
3. UOBM Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Fabulous Essence Sdn. Bhd.)	13,990,000	7.99
4. Md Nahar Bin Noordin	10,000,000	5.71
5. YK Toh Property Sdn. Bhd.	9,893,000	5.65
6. Soh Tik Siew	6,649,400	3.80
7. Melissa Shireen Munshir	2,581,456	1.47
8. Soh Teck Ghee	2,510,400	1.43
9. Munshir Bin Abdullah	2,506,200	1.43
10. Fabulous Essence Sdn. Bhd.	2,400,000	1.37
11. TCL Nominees (Asing) Sdn. Bhd. (OCBC Securities Private Limited for Goh Kok Chen)	2,095,000	1.20
12. Perbadanan Nasional Berhad	1,843,400	1.05
13. Perbadanan Nasional Berhad	1,700,000	0.97
14. Citicorp Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Dato' Noor Azman @ Noor Hizambin Mohd Nurdin)	1,600,000	0.91
15. Citicorp Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lee Chiah Cheang)	1,501,200	0.86
16. HSBC Nominees (Asing) Sdn. Bhd. (Winshire Capital Inc.)	1,200,000	0.69
17. Lim Mei Wha	1,200,000	0.69
18. HSBC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lee Chiah Cheang)	887,200	0.51
19. Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Pheim Asset Management Sdn Bhd For Employees Provident Fund)	756,300	0.43
20. Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Life Assurance Berhad)	664,000	0.38
21. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Sin Huan Kwang)	651,000	0.37
22. Dato' Toh Yew Peng	637,596	0.36
23. AMMB Nominees (Tempatan) Sdn. Bhd. (AmTrustee Berhad for Apex Dana Al-Sofi-I)	622,400	0.36
24. Tee Bon Peng	607,800	0.35
25. Teh Choong Weng	600,000	0.34
26. Ong Hong Choo	584,000	0.33
27. Lim Choon Teik	574,800	0.33
28. Toh Yew Kar	504,000	0.29
29. Ahmad Rafik Bin Hamzah	461,000	0.26
30. Foong Chai Yoong	422,000	0.24

Note :

The analysis of shareholdings is based on the issued and paid-up capital of the Company after deducting 2,514,000 Ordinary Shares bought back by the Company and held as Treasury Shares as at 18 April 2005.

Vincent Woon Kai Weng
No. 48, Jalan Udang Gantung 4
Taman Megah Kepong
52100 Kuala Lumpur

Annexure A

11 April 2005

The Board of Directors
Prestar Resources Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being a registered holder of 20,000 ordinary shares of RM0.50 each fully paid-up in the capital of the Company, hereby nominate pursuant to Section 172 (11) of the Companies Act, 1965, Messrs. BDO Binder for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. KPMG at the forthcoming Annual General Meeting.

Therefore, I propose that the following resolution be considered at the forthcoming Annual General Meeting:-

“That Messrs. BDO Binder be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors.”

Yours faithfully



VINCENT WOON KAI WENG

NRIC : 670702-10-6479



FORM OF PROXY

I/We*, _____ [FULL NAME IN BLOCK CAPITALS]
of _____ [FULL ADDRESS]
being a member/members* of **PRESTAR RESOURCES BHD**, hereby appoint _____ [FULL NAME]
of _____ [FULL ADDRESS]
or failing him/her* _____ [FULL NAME]
of _____ [FULL ADDRESS]

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 2 June 2005 at 10.00 a.m. or at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he/she thinks fit or abstain from voting):

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of the Directors and the Auditors thereon.		
No.	Resolutions	For	Against
2.	To approve the declaration of the first and final dividend of 5% less 28% Malaysian Income Tax. (Resolution 1)		
3.	To approve the declaration of the special tax exempt dividend of 3%. (Resolution 2)		
4.	To sanction the payment of Directors' Fees. (Resolution 3)		
5.	To re-elect Mr. Toh Yew Keat in accordance with Article 105 of the Company's Articles of Association. (Resolution 4)		
6.	To re-elect Mr. Toh Yew Kar in accordance with Article 105 of the Company's Articles of Association. (Resolution 5)		
7.	To re-elect Mr. Yee Chee Seng & Yee Yen in accordance with Article 105 of the Company's Articles of Association. (Resolution 6)		
8.	To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 7)		
	As Special Business :		
9.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. (Resolution 8)		
10.	Authority to renew the purchase of the Company's own shares. (Resolution 9)		
11.	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., Y.K. Toh (M) Sdn. Bhd. and Diager SG Pte. Ltd. (Resolution 10)		
12.	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Lim & Yeoh. (Resolution 11)		
13.	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with POSCO and Posco Steel Service & Sales Co. Ltd. (Resolution 12)		
14.	Authority to obtain additional Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Prestar Steel (S) Pte. Ltd. and Wei Giap Hardware Sdn. Bhd. (Resolution 13)		
15.	Proposed Amendment to the Memorandum of Association of the Company. (Resolution 14)		
16.	Proposed Amendments to the Articles of Association of the Company. (Resolution 15)		

* Strike out whichever not applicable.

Signed this day of 2005

Signature of Member/ Common Seal

No. of Shares Held	CDS Account No.

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 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 appointer 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 Damansara, 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.

fold here

STAMP

The Company Secretary
PRESTAR RESOURCES BERHAD
(123066-A)
Level 7 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

fold here

www.prestar.com.my

PRESTAR RESOURCES BERHAD (123066-A)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel No : 03-2084 9000
Fax No : 03-2094 9940
Email: info@prestar.com.my