



PRESTAR RESOURCES BERHAD

(123066-A)

Driving Growth



LAPORAN TAHUNAN 2005 ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of Prestar Resources Bhd will be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 29 May 2006 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and the Auditors thereon.
2. To approve the declaration of the Final Tax Exempt Dividend of 3.0% for the financial year ended 31 December 2005. (Resolution 1)
3. To sanction the payment of Directors' Fees for the financial year ended 31 December 2005. (Resolution 2)
4. To re-elect the following Directors who retire pursuant to Article 105 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
 - (a) Mr. Toh Yew Seng (Resolution 3)
 - (b) Ms. Toh Poh Khuan (Resolution 4)
 - (c) Encik Md Nahar Bin Noordin (Resolution 5)
5. To re-appoint Messrs. BDO Binder as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)
6. As Special Business :
To consider and, if thought fit, with or without any modification, to pass the following resolutions which will be proposed as ordinary resolutions:-

ORDINARY RESOLUTION NO. 1

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on 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 7)

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 2005 of RM5,343,025.00 and RM858,470.00 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 next 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 8)

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., DIAGER SG PTE. LTD. AND PRESTAR STEEL (S) 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., Diager SG Pte. Ltd. and Prestar Steel (S) Pte. Ltd., as described in Section 3.2 of the Circular to Shareholders dated 5 May 2006 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 9)

NOTICE OF ANNUAL GENERAL MEETING CONT'D

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 5 May 2006 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. 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 5 May 2006 subject further to the following:-

- (i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall, commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,whichever is earlier.
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 11)

NOTICE OF DIVIDEND ENTITLEMENTS

NOTICE IS HEREBY GIVEN THAT the Final Tax Exempt Dividend of 3.0% will be payable on 5 July 2006 to depositors who are registered in the Record of Depositors at the close of business on 20 June 2006, if approved by members at the forthcoming Twenty-First 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 20 June 2006 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 : 5 May 2006

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 Twentieth Annual General Meeting held on 2 June 2005. 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 Twentieth Annual General Meeting held on 2 June 2005. 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.

Further information on the Proposed Renewal of Share Buy-Back Authority and Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2005 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 appointer 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 Twenty-First Annual General Meeting of the Company are as follows:-

Mr. Toh Yew Seng	Article 105	Resolution 3
Ms. Toh Poh Khuan	Article 105	Resolution 4
Encik Md Nahar Bin Noordin	Article 105	Resolution 5

2. Details of Attendance of Directors at Board Meetings

The Board of Directors met four (4) times during the financial year ended 31 December 2005. Details of each Director's attendance are as follows:-

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
Dato' Toh Yew Peng	4/4
Mr. Toh Yew Seng	4/4
Mr. Toh Yew Keat	4/4
Mr. Toh Yew Kar	4/4
Ms. Toh Poh Khuan	3/4
Encik Md Nahar Bin Noordin	4/4
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	4/4
Mr. Yee Chee Seng @ Yee Yen	4/4
Mr. Lim Cheang Nyok	4/4

3. Details of Annual General Meeting

The Twenty-First Annual General Meeting of the Company will be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 29 May 2006 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 10 April 2006 are as follows:-

DIRECTORS	NATIONALITY	----DIRECT INTEREST----		-----INDIRECT INTEREST---	
		NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
Mr. Toh Yew Seng	Malaysian	240,000	0.14	*60,503,000	34.56
Ms. Toh Poh Khuan	Malaysian	240,000	0.14	*60,503,000	34.56
Encik Md Nahar Bin Noordin	Malaysian	10,000,000	5.71	-	-

Note: * Deemed interested by virtue of his/her 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
Tuan Haji 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

BDO Binder
Chartered Accountants
Kuala Lumpur

PRINCIPAL BANKERS

Bumiputra Commerce Bank Bhd
RHB Bank Berhad
United Overseas Bank Bhd

SOLICITORS

SKRINE
Amin Tan & Co

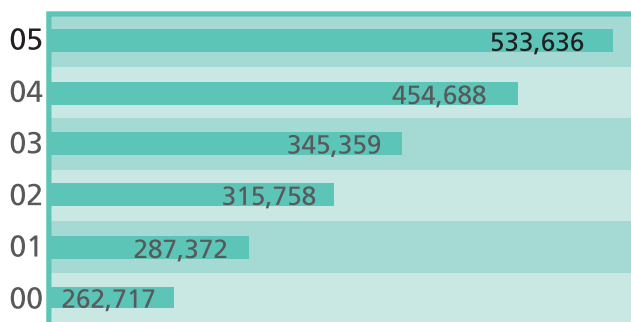
STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Code: 9873
Warrant Code: 9873 WA

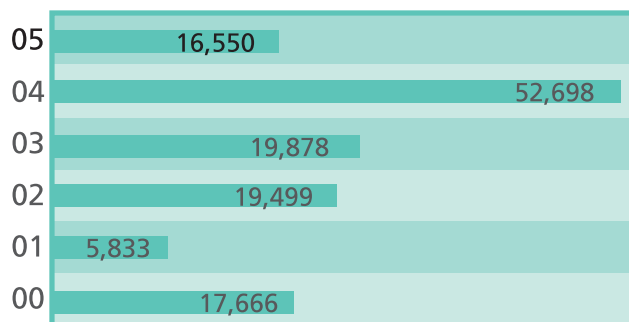
GROUP FINANCIAL HIGHLIGHTS

(RM ' 000)	2000	2001	2002	2003	2004	2005
Revenue	262,717	287,372	315,758	345,359	454,688	533,636
Profit before taxation	17,666	5,833	19,499	19,878	52,698	16,550
Net Profit	12,091	2,040	11,789	11,423	26,285	5,574
Total assets employed	236,949	273,693	330,040	329,243	429,456	425,173
Shareholders' funds	58,207	99,617	110,632	122,253	146,290	149,001
Net tangible assets	55,583	97,145	108,312	120,085	144,373	146,643
Net tangible assets per share (RM)	1.37	1.18	1.31	0.69	0.83	0.83
Earnings per share (Sen)	8.25	1.25	7.0	6.69	15.12	3.19

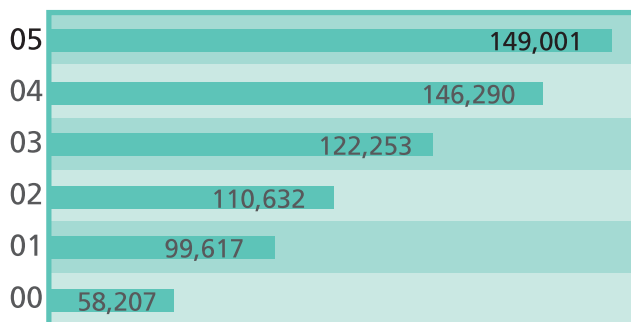
Revenue (RM '000)



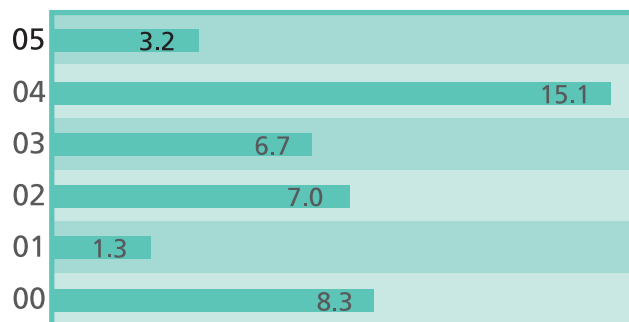
Profit Before Tax (RM '000)



Shareholders' Funds (RM '000)



Earnings Per Share (sen)



* On 14 March 2005, the Company has completed the share split exercise involving the share split of every existing ordinary shares of RM1.00 each into two (2) ordinary shares of RM0.50 each. Previous years net tangible asset per share and earnings per share have been adjusted accordingly.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, 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 2005.

OVERVIEW

The robust demand of the steel sector does have its ups and downs. With the dawning of year 2005, the market reversed into a consolidation phase with its price trend and supply chain displaying signs of a gradual nose dive, thus crippling the price of steel by an average of 25% lower than that of 2004 prices. With this adverse scenario, management needs to enforce some operational changes such as a cut-back on our steel inventories which would eventually enhance the Group's liquidity and financial position. The cut-back move on the inventories worked favorably as it balances the escalation of production overheads, the financial impact of the impending higher interest rates, hike in various logistical expenses as well as manufacturing requirements for critical raw materials and other various business commitments.

Going forward, Prestar shall continue to stay focus on its core businesses in order to brace through the challenges ahead especially the on-going volatile oil price movements and stiff business conditions. Besides, we are also addressing areas of weaknesses and working towards improving our productivity. To counter the arrival of the era of these new escalating costs of doing business, we took time and efforts to implement counter measures and overhaul the areas of weaknesses with the aim to enhance efficiencies in our day-to-day operations and to deliver better customer satisfactions.

On the other aspects of the supply chain management, in order to further improve our delivery system and add value to the customers, considerable amount of efforts

and time had been invested to introduce Just-in-Time module for some special clients who require uninterrupted supplies in their critical production schedules. This has resulted in higher customers' confidence in Prestar's goods and services.

In the area of financial operations, the Group has completed the Renounceable Rights Issue of Warrants during the year and has raised approximately RM4.3 million to fund the working capital requirements of the Group. Besides, the Company has also entered into a RM120 million Commercial Papers Programme with a tenure of up to 7 years. The commercial papers shall be utilized to refinance part of the Group's existing term loans and hire purchase facilities, for capital expenditure and working capital purposes, thus putting the Group on a strong liquidity position to meet the funding requirements of future business growth and expansions.

On the whole, Prestar aims to build more business linkages and ventures with potential strategic partners which would garner greater business opportunities for the Group. Besides, Prestar also aims to provide quality services at reasonable and competitive pricing to the customers in the long run, thus creating a win-win situation for all our business associates. These would be made possible with the close understanding and co-operations of every level of employees which would culminate in greater teamwork and efficiencies in our business operations. Prestar would strive on undauntedly to create better value for its shareholders.

CHAIRMAN'S STATEMENT CONT'D



FINANCIAL PERFORMANCE

Despite of the adverse global and local market scenario in 2005, Prestar Group managed to wrestle successfully against the various hurdles as well as the issue of steel price falling fiasco to continue its unbroken upward sales trend and achieved sales revenue of RM533.6 million which is 17% higher than the preceding year of RM454.7 million. Meanwhile, the Net Profit stood at RM5.6 million which is 79% lower than the record of the prior year due to reasons stated above. The Group shall continuously reviewing its costs of doing business, taking into account the current lower borrowings and inventory level, to prepare itself as a leaner player and getting ready for the next wave of the business cycle.

CORPORATE DEVELOPMENT

- On 14 March 2005, the Company has completed its share split exercise involving the share split of every existing Ordinary Share of RM1.00 each into two (2) Ordinary Shares of RM0.50 each.
- On 19 July 2005, the Company has completed the Renounceable Rights Issue of 87,543,800 Warrants at an issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) existing Ordinary Shares held. This exercise was approved by the Securities Commission on 27 December 2004 and the Company's shareholders' approval was obtained at an Extraordinary General Meeting held on 4 February 2005.
- The Company has entered into a RM120 million Commercial Papers Programme ("CP Programme") with a tenure of up to 7 years. During its 7-year tenure, the Company may issue commercial papers with maturity period of between 1 to 12 months.

The commercial papers shall be utilized to refinance part of the Group's existing term loans and hire purchase facilities, for capital expenditure and working capital purposes.

PROSPECTS

Domestically, the Malaysian economy was projected to grow at a rate of 5.5% in 2006 during the Budget 2006 announcement in September 2005. Some financial institutions even projected the economic growth rate to be 6.5% in view of the implementation of the Ninth Malaysian Plan (2006 - 2010). Internationally, the steel prices are showing stabilizing trend after the 2005 price-fall scenario. Therefore, barring any unforeseen circumstances, the Board expects the performance for 2006 to be much better notwithstanding the possibility of further rise in interest rates, the Ringgit value and fuel prices.

DIVIDENDS

The Board is pleased to recommend a final tax-exempt dividend of 3% amounting to RM2,626,314 in respect of the financial year ended 31 December 2005 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. Prior to that, your Company had on 3 October 2005 paid an Interim Dividend of 2% less 28% tax, amounting to RM1,260,631 in respect of the financial year ended 31 December 2005. Thus, the total gross dividend paid/payable for the financial year ended 31 December 2005 is 5%.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our appreciation and gratitude to the management and employees of Prestar Group for their dedicated services, contributions and firm commitments towards the Group during the year. We also wish to extend our thanks to our valuable shareholders, customers, business associates, investors as well as banking institutions and relevant authorities for their continued support, guidance and confidence in Prestar Group.

TOH YEW KEAT
Group Executive Chairman

BOARD OF DIRECTORS' PROFILE

TOH YEW KEAT

Age: 59, 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: 54, 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: 48, 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: 45, 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: 58, 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: 49, 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.

TUAN HAJI FADZLULLAH SHUHAIMI BIN SALLEH

Age: 49, 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

Tuan Haji 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, Tuan Haji Shuhaimi does not have any family relationship with any Director and/or major shareholder of the Company.

YEE CHEE SENG @ YEE YEN

Age: 66, 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: 38, 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

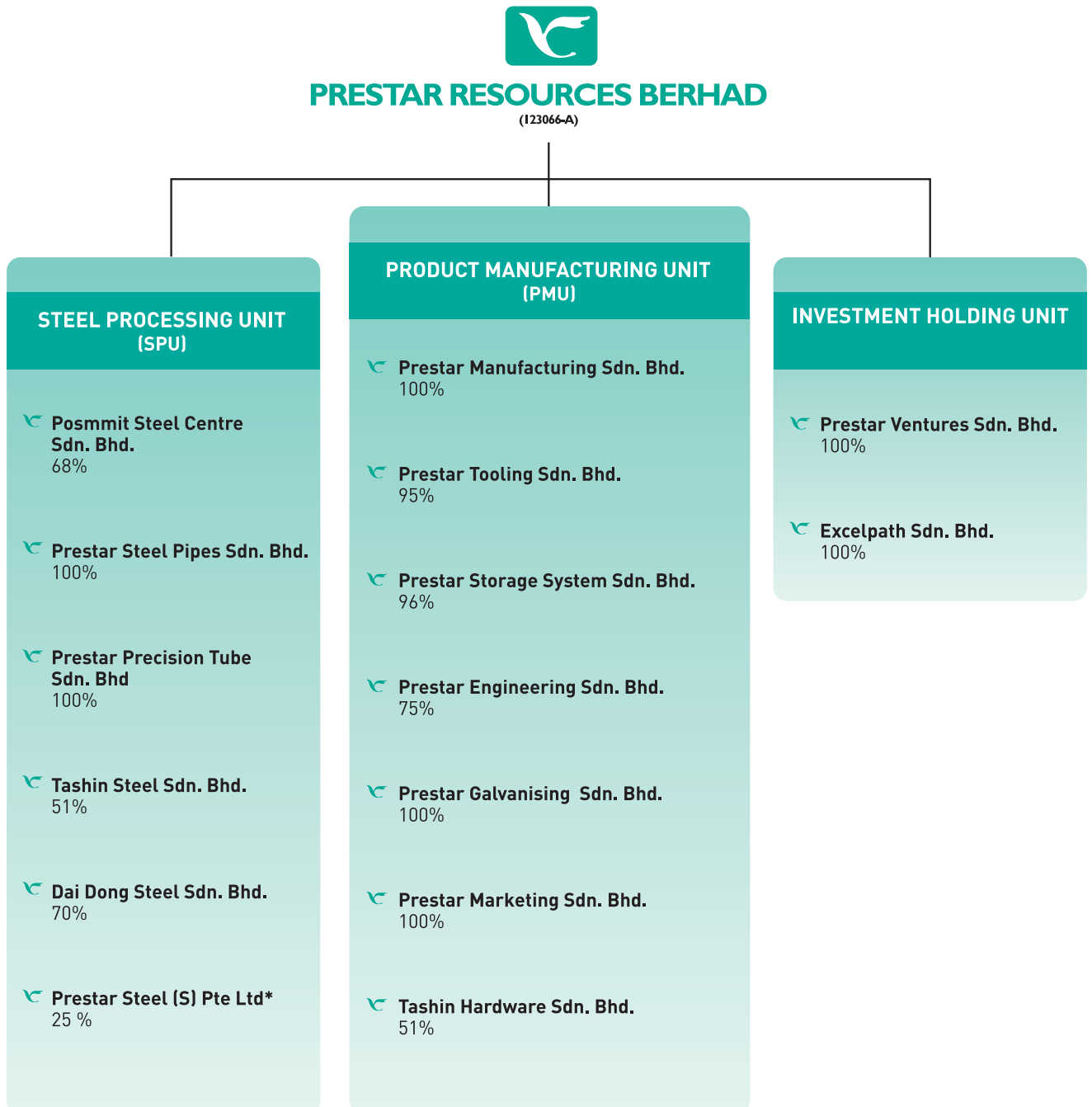
Conflict of interest

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



* Associated company

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") recognised the importance and relevance of good corporate governance to a public listed company and is committed to implement the principles and best practices prescribed by the Code (Malaysian Code of Corporate Governance) within the Group. As such, 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 in its pursuit for sustainable good corporate results.

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 a 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 businesses.

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

(ii) Directors' Training

All Directors have attended the Mandatory Accreditation Programme and scored the remaining points needed to be acquired under the Continuing Education Programme (CEP) as stipulated by Bursa Malaysia Securities Berhad ("Bursa Securities"). Directors are also encouraged to attend training programmes on a continual basis to enhance their knowledge and keep abreast with the latest technological market and recent developments in regulations and business practices.

The Board acknowledges the amendments to the Listing Requirements of Bursa Securities which stipulated that for the year 2005 onwards (the CEP requirements have been repealed with effect from 1 January 2005), the Board of Directors will assume the onus of determining or overseeing the training needs of their Directors. The Board of Directors has empowered the Directors of the Company to determine their own training requirements as they consider necessary to enhance their knowledge as well as understanding of the Group's business and operations.

The training programmes and seminars organised by the relevant regulatory authorities and professional bodies attended by the Board of Directors during the financial year under review are, inter-alia, on areas relevant to the Group's operations, risk management, business plan, corporate governance and financial reporting and include amongst others:-

Seminar/Workshop/Course Attended

1. "Practical Risk Management Conference / Workshop" for Directors
2. Implementing Business Plan Strategies for Company Directors & Senior Management
3. New Investment Instruments
4. From Good Governance to Good Results
5. Manage and Not Just Measure Corporate Performance
6. Implementing Business Plan Strategies for Company Directors & Senior Management
7. Finance for Non-Finance Director
8. Managing Corporate Turnaround & Change Management
9. Understanding Financial and Accounting Reports in the New Reporting Regime and Corporate Governance

CORPORATE GOVERNANCE STATEMENT CONT'D

10. Managing Going Global Strategies
11. Corporate Governance Assessment Framework
12. Corporate Financial Strategy In A Global Market
13. Off-Balance Sheet Items, Offshore Accounts & Derivatives
14. International Currency Risk Management
15. Malaysian Code on Take-Overs & Mergers
16. Practical Aspects In Conducting General Meetings of PLCs
17. Company Valuation, Restructuring & Funding
18. Goods And Services Tax (GST) - BDO Tax Consulting

(iii) Board Meetings and Supply of Information

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

All Directors are provided with the agenda and information necessary for them to deal with prior to each Board Meeting. Senior Management staff were invited to attend Board Meetings to provide the Board with detailed explanations and clarifications on certain matters that were 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.

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 as set out in the report of Audit Committee. Four (4) other committees, namely the Nomination Committee, Remuneration Committee, Group Risk Management Committee and Employees' Share Option Scheme 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 a 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 Audit Committee Report in this Annual Report.

b) *Nomination Committee*

The Nomination Committee consists of three (3) members, all of which 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 and to assess the performance of the Directors of the Company on an on-going basis. However, the Board makes all decisions on appointments after considering those recommendation.

Members of the Committee are as follows: -

Mr. Lim Cheang Nyok	<i>Chairman</i>
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	<i>Member</i>
Mr. Yee Chee Seng @ Yee Yen	<i>Member</i>

Other responsibilities of this Committee are clearly defined in the Terms of Reference of the Nomination Committee.

The Nomination Committee has met once during the financial year ended 31 December 2005.

(c) *Remuneration Committee*

In line with the recommendation of the Code, the Remuneration Committee was established on 27 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: -

Tuan Haji Fadzlullah Shuhaimi Bin Salleh	<i>Chairman</i>
Encik Md. Nahar Bin Noordin	<i>Member</i>
Mr. Yee Chee Seng @ Yee Yen	<i>Member</i>

The Terms of Reference of the Remuneration Committee are clearly defined to its members.

The Remuneration Committee has met once during the financial year ended 31 December 2005.

(d) *ESOS II Option Committee*

The Company with the approval of the shareholders during the Extraordinary General Meeting ("EGM") held on 21 July 2003, has implemented the ESOS II (Employees Share Option Scheme II) officially on 1 October 2003.

An ESOS II Option Committee was appointed by the Board on 1 October 2003 to oversee the administration as well as to ensure proper implementation of the ESOS II according to the By-laws of the scheme.

The members of the ESOS II Committee are as follows :

Dato' Toh Yew Peng	<i>Chairman</i>
Mr. Toh Yew Seng	<i>Member</i>
Mr. Lim Cheang Nyok	<i>Member</i>
Mr. Alex Koay	<i>Secretary</i>

(e) *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 on a periodic basis.

CORPORATE GOVERNANCE STATEMENT CONT'D

B. DIRECTORS' REMUNERATION

Details of the remuneration for Directors of the Company comprising remuneration received/receivable from the Company and its subsidiary companies during the financial year ended 31 December 2005 are as follows: -

(i) Aggregate remuneration categorised into appropriate components:

RM ('000)	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Fees	278	86
Salaries	1,737	-
Bonus	395	-
Benefits-in-kind	89	-
EPF and Socso	282	-

(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	-	-
RM 550, 001 to RM 600, 000	2	-
RM 600, 001 to RM 650, 000	2	-

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

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

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 positions and prospects. The Board is assisted by the Audit Committee to review and assess the accuracy and adequacy of all the information to be disclosed and ensuring its compliance 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 in another section of this Annual Report.

(ii) Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control and risk management that aims to safeguard shareholders' investment and the Group's assets during its course of business. 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 could 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 in discharging their duties and responsibilities. Both the internal and external auditors report their findings and recommendations to the Audit Committee.

The Internal Control Statement in this Annual Report provides an overview on the state of internal controls within the Group.

(iii) Relationship with Auditors

The Board, through the 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 the 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 in this Annual Report.

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**(i) Communication and dissemination of information**

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

The Annual Report of the Company is an important channel of communication to reach shareholders and investors. In view thereof, effort has been taken to enhance the contents of the Annual Report in line with the best practices of the Corporate Governance.

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

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

(ii) Annual General Meeting ("AGM")

The AGM represents the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's business and corporate development. There is always a healthy dialogue and interaction with shareholders, which is greatly encouraged. Adequate Notice of the AGM of not less than 21 days are communicated to the shareholders concerned. The Board is supported by the external auditors, company secretaries, legal and financial advisers and senior management staff, where applicable, who are also present at the AGM to communicate with the shareholders, investors and media and also respond to the queries raised. In the event that an answer could not be given at the AGM, the Chairman would undertake to provide written reply to the shareholders in due course.

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 (Chief Executive Officer), 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 has completed the renounceable Rights Issue of Warrants ("Issue") on 19 July 2005. The proceeds raised during the Issue were approved for the following activities and the funds were fully utilised as at 30 September 2005.

UTILISATION	APPROVED UTILISATION RM'000	AMOUNT UTILISED RM'000
Working capital for Prestar Group	3,577	3,862
Defrayment of expenses incidental to the Issue	800	515
Total	4,377	4,377

2. SHARES BUY-BACKS

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

A total of 476,300 options were exercised during the financial year prior to the share split exercise and 1,325,000 options were exercised subsequent to the completion of the share split on 14 March 2005, pursuant to the Company's Employees' Share Option Scheme. There was no warrants conversion exercised during 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 Prestar Group for the financial year were RM2,800.

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 was no profit guarantee given by the Company.

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

There were no material contracts entered into 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 Audited Financial Statements in this Annual Report.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Prestar Resources Berhad is pleased to present the following report on the Audit Committee and its activities during the financial year ended 31 December 2005.

1 MEMBERS AND MEETINGS

The Audit Committee comprises the following members and attendance of each member at Audit Committee meetings are as follows:

	Composition of Audit Committee Held	Number of Committee Meetings Attended
Mr. Yee Chee Seng @ Yee Yen <i>Chairman / Independent, Non-Executive Director</i>	4	4
Tuan Haji Fadzlullah Shuhaimi Bin Salleh <i>Independent, Non-Executive Director</i>	4	4
Dato' Toh Yew Peng <i>Non-Independent, Group Managing Director</i>	4	4

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 22 to 24.

3 SUMMARY OF KEY ACTIVITIES FOR THE FINANCIAL YEAR

The activities undertaken by the Committee during the financial year included the following:

- a) Reviewed the unaudited quarterly financial results announcement for the Group and the Company prior to submission to the Board for consideration and approval.
- b) Reviewed the audited year-end financial statements of the Group prior to submission to the Board for consideration and approval.
- c) Met with the External Auditors once during a year without the presence of any executive Board member to discuss the audit issues and recommendations raised by them and review the audit strategy and scope of the audit plan prior to commencement of annual audit.
- d) Reviewed the audit reports of the External Auditors in relation to audit and management letters including Management's response arising from the audit.
- e) Reviewed the principal risks and the risk management actions reported by the Group Risk Management Committee and the Subsidiary Risk Management Unit.
- f) Considered the application of corporate governance principles and the extent of the Group's compliance with the best practices and also reviewed the audit committee report and the statement of internal control and recommended the same to the Board for inclusion in the annual report.
- g) Reviewed audit reports on significant related party transactions.
- h) Reviewed the annual audit plan presented by the internal audit department.
- i) Reviewed the audit reports presented by the internal audit department on major findings, recommendations and Management's responses.
- j) Carried out the evaluation of appointment of new External Auditors in replacement of the retiring External Auditors prior to recommendation to the Board for the appointment of new External Auditors in 2005.
- k) During the financial year ended 31/12/2005, no Employees' Share Option Scheme ("ESOS") were granted to the eligible employees.

REPORT OF THE AUDIT COMMITTEE CONT'D

4 INTERNAL AUDIT FUNCTION

The principal responsibility of the internal audit department is to undertake independent and systematic approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the financial year, the internal audit department carried out the engagements based on the audit plan that was reviewed and approved by the Audit Committee and issued reports arising from the engagements to Management for their response and corrective actions. The reports were subsequently tabled to the Audit Committee for their deliberation.

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 audit 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 two (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 Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

At least one (1) member of the Audit Committee must be:

- a) a member of the Malaysian Institute of Accountant ("MIA"); or
- b) if he is not member of MIA, he must have at least three (3) years of working experience and;
 - i) he must have passed the examinations specified in Part I of the First 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
 - iii) fulfils such other requirements as prescribed by the Exchange.

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

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 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.
- 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 deem necessary.
- e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.

REPORT OF THE AUDIT COMMITTEE CONT'D

7 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee shall be:

a) *Risk Management and Internal Control*

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

b) *Financial Reporting*

To review the quarterly announcements to Bursa Securities and year end annual financial statements before submission to the Board, focusing on:

- i) going concern assumption;
- ii) compliance with accounting standards and regulatory requirements which include the Listing Requirements of Bursa Securities and Securities Commission's guidelines;
- iii) any changes in accounting policies and practices;
- iv) significant and unusual issues arising from the audit; and
- v) major judgemental areas.

c) *Audit Process*

To review with the external auditors the following:

- i) the audit plan;
- ii) the maintenance and control of an effective accounting system;
- iii) the evaluation of the system of internal controls;
- iv) the audit reports and findings;
- v) problems and reservations arising from their interim and final audits; and
- vi) the assistance given by the employees of the Company or Group to the external auditors.

To review the internal audit functions on the following:

- i) adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work;
- ii) 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; and
- iii) 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's response.

To assist the Board on the appointment and resignation of external auditors, to recommend the nomination of external auditors and negotiate on the auditors' fees.

d) *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 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.

To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the Bylaws of ESOS of the Company.

INTERNAL CONTROL STATEMENT

INTRODUCTION

The Malaysian Code on Corporate Governance (“Code”) requires the Board of Directors (“Board”) of listed company to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) requires the Board to include a statement on the status of the system of internal control in the annual report of the Company.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls which covers risk management, financial, organizational, operational, and compliance controls. It also includes the establishment of an appropriate control environment and framework as well as reviewing the effectiveness, adequacy and integrity of the systems. However, the systems are designed to manage rather than eliminate the risk of failure to meet the Group's business objective. Hence, the system of internal control can only provide reasonable but not absolute assurance against material misstatement, fraud and losses.

The Board affirms that the Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the period.

RISK MANAGEMENT FRAMEWORK

The Board has always regarded risk management as part of business processes. Therefore, the Group has a well-established risk management framework to promote effective risk management to manage significant risks faced by the Group.

The Group and its subsidiary's risk management process are managed by the Group Risk Management Committee (“GRMC”) and Risk Management Unit (“RMU”) respectively. The GRMC is made up of Group Financial Controller, Group Executive Directors and is headed by the Group Managing Director. While RMU is made up of the various head of department and headed by the General Manager or Managing Director of each respective subsidiary.

The risk profile of the Group and its subsidiary is established during risk assessment sessions facilitated by the GRMC and the RMU. All possible risks with significant impact that can affect the achievement of Group's objectives and its relevant risk control and mitigation plan taken by the management are documented in the risk management reports that are prepared every half yearly.

The Audit Committee reviews the effectiveness of the risk management reports to ensure all risks reported are proper addressed with appropriate mitigation plans before recommend to the Board for deliberation and approval.

INTERNAL AUDIT FUNCTION

The internal audit department is responsible to review the adequacy and effectiveness of the Group's internal control system. The internal audit department report directly to the Audit Committee.

The Audit Committee meets quarterly to review and discuss audit findings and corrective action plans to ensure control weaknesses reported are proper addressed by the management.

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

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

There were no serious control weaknesses identified during the financial year that had material impact on the Group's financial performance or operations that would require disclosure in the annual report of the Company.

INTERNAL CONTROL STATEMENT CONT'D

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

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

- o A budgeting process where budgets are prepared by the operating business units for subsequent monitoring and tracking of variances and performance.
- o Documented production and quality control system accredited by various ISO certification bodies on 4 subsidiaries.
- o Board meetings with a set schedule of matters for discussion thus ensuring that it maintains effective supervision and control.
- o Quarterly review of financial results and operational matters by the Board and Audit Committee.

Based on the above, the Board confirms that the Group's system of internal control was operational throughout the financial year and up to date of approval of the annual report.

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 Companies' 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, made out in accordance with the applicable accounting standards in Malaysia, the provisions of the Act and the Listing Requirements of Bursa Malaysia Securities Berhad.

The audited financial statements of the Company and the Group for the financial year ended 31 December 2005 are set out from pages 28 to 81 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 2005, and of the results of their operations and cash flows 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 Directors' Circular Resolution passed on 14 April 2006.

DIRECTORS' REPORT

for the financial year ended 31 December 2005

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the rental of properties, investment holding and indent activity. The principal activities of the subsidiary companies mainly involve in the manufacturing of steel related products and the details are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit after tax	11,349,907	4,891,912
Minority interests	(5,775,909)	-
Net profit for the financial year	5,573,998	4,891,912

DIVIDENDS

Dividend paid or proposed since the end of the previous financial year were as follows:

- (i) As proposed and included in the last financial year's report, a final dividend of 5% per share, less tax, amounting to RM3,151,577 and a special tax exempt dividend of 3% per share, amounting to RM2,626,314 for the financial year ended 31 December 2004 was paid on 20 June 2005; and
- (ii) An interim dividend of 2% per share, less tax, amounting to RM1,260,631 in respect of the financial year ended 31 December 2005 was paid on 3 October 2005.

The Directors proposed a final dividend of 3% per share, tax exempt, amounting to RM2,626,314 in respect of the financial year ended 31 December 2005, which is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 476,300 new ordinary shares of RM1.00 each for cash at option prices of RM1.39 and RM1.50 per share arising from the exercise of options granted under the Company's Employees' Share Option Scheme ("ESOS") prior to the implementation of the share split.

On 14 March 2005, the Company completed a share split involving the split of one (1) ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each. Subsequently, the Company issued 1,325,000 new ordinary shares of RM0.50 each for cash at option prices of RM0.695 and RM0.750 per share arising from the exercise of options under the Company's ESOS.

All the new ordinary shares issued rank *pari passu* in all respect with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

WARRANTS 2005/2011

Pursuant to a deed poll dated 17 March 2005 ("Deed Poll"), the Company has a renounceable rights issue of up to 95,721,500 6-year Warrants 2005/2011 ("Warrants").

The Warrants were issued to the entitled shareholders of the Company at an offer price of RM0.05 per Warrant on the basis of one (1) Warrant for every 2 existing ordinary shares of RM0.50 each held in the Company.

The salient features of the Warrants as per the Deed Poll are as follows:

- (a) Each Warrant entitles the registered holders at any time during the exercise period to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM0.75 per ordinary share;
- (b) The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the conditions provided in the Deed Poll;
- (c) The Warrants shall be exercisable at any time within the period commencing from and including the date of issue of the Warrants and ending on the date preceding the 6th anniversary of the date of issuance of the Warrants; and
- (d) At the expiry of the exercise period, any Warrant which has not been exercised will lapse and cease to be valid for any purpose.

The Warrants were granted for listing and quotation with effect from 19 July 2005.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") of not more than 10% of the issued and paid-up share capital of the Company was approved by its shareholders at an Extraordinary General Meeting held on 21 July 2003 and came into effect on 1 October 2003. The ESOS shall be in force a period of 5 years from the date of last approval subject to any extension as shall be approved by the shareholders and the relevant authorities. The salient features of the ESOS are as follows:

- (a) Eligible employees comprise any employee who has attained the age of 18 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 (1) year prior to the date of offer.
- (b) The option is personal to the grantee and is non-assignable.
- (c) 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 5 days weighted average market price of the shares at the date the option is granted, subject to the minimum price of RM1.00 each or at RM0.50 each after share split, being the par value of the shares, whichever is higher.
- (d) The options granted may be exercised according to the following scale in respect of a maximum of the following:

NUMBER OF SHARES IN RESPECT OF OPTIONS GRANTED	PERCENTAGE OF OPTIONS EXERCISABLE (%)				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Less than 20,000	30	30	40	-	-
20,000 to 100,000	25	25	25	25	-
More than 100,000	20	20	20	20	20

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

DIRECTORS' REPORT CONT'D

for the financial year ended 31 December 2005

EMPLOYEES' SHARE OPTION SCHEME cont'd

- (e) The options granted may be exercised at any time within a period of 5 years from the date of the last approval subject to any extension as shall be approved by the shareholders and the relevant authorities.
- (f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.
- (g) 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.
- (h) 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 within the Group.

The movement of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1.00 EACH					
DATE OF OFFER	OPTION PRICE	BALANCE	GRANTED	EXERCISED	BALANCE
		AS AT 1.1.2005			BEFORE SHARE SPLIT
3 December 2003	RM1.50	7,303,700	-	(447,800)	6,855,900
23 March 2004	RM1.39	268,500	-	(28,500)	240,000

NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH						
DATE OF OFFER	OPTION PRICE	BALANCE	GRANTED	EXERCISED	LAPSED	BALANCE
		AFTER SHARE SPLIT				AS AT 31.12.2005
3 December 2003	RM0.750	13,711,800	-	(1,307,000)	(838,000)	11,566,800
23 March 2004	RM0.695	480,000	-	(18,000)	(8,000)	454,000

DIRECTORS

The Directors who held office 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
 Tuan Haji Fadzlullah Shuhaimi Bin Salleh
 Yee Chee Seng @ Yee Yen
 Lim Cheang Nyok

In accordance with Article 105 of the Company's Articles of Association, Toh Yew Seng, Toh Poh Khuan and Md. Nahar Bin Noordin shall retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and its related corporations during the financial year ended 31 December 2005 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
	BALANCE AS AT 1.1.2005	BOUGHT	SOLD	BALANCE BEFORE SHARE SPLIT
SHARES IN THE COMPANY				
Direct interests				
Toh Yew Keat	11,179,702	-	(800,000)	10,379,702
Dato' Toh Yew Peng	318,798	-	-	318,798
Toh Yew Kar	186,000	-	-	186,000
Md. Nahar Bin Noordin	5,000,000	-	-	5,000,000
Deemed interests				
Toh Yew Keat	30,251,500	-	-	30,251,500
Dato' Toh Yew Peng	30,251,500	-	-	30,251,500
Toh Yew Kar	30,251,500	-	-	30,251,500
Toh Yew Seng	30,251,500	-	-	30,251,500
Toh Poh Khuan	30,251,500	-	-	30,251,500

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	BALANCE AFTER SHARE SPLIT	EXERCISE OF ESOS/ BOUGHT	SOLD	BALANCE AS AT 31.12.2005
SHARES IN THE COMPANY				
Direct interests				
Toh Yew Keat	20,759,404	1,840,000	-	22,599,404
Dato' Toh Yew Peng	637,596	348,000	(348,000)	637,596
Md. Nahar Bin Noordin	10,000,000	-	-	10,000,000
Toh Yew Kar	372,000	240,000	(108,000)	504,000
Toh Yew Seng	-	240,000	-	240,000
Toh Poh Khuan	-	240,000	-	240,000
Deemed interests				
Toh Yew Keat	60,503,000	-	-	60,503,000
Dato' Toh Yew Peng	60,503,000	-	-	60,503,000
Toh Yew Kar	60,503,000	-	-	60,503,000
Toh Yew Seng	60,503,000	-	-	60,503,000
Toh Poh Khuan	60,503,000	-	-	60,503,000

DIRECTORS' REPORT CONT'D

for the financial year ended 31 December 2005

DIRECTORS' INTEREST cont'd

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
	BALANCE			BALANCE
	AS AT	BOUGHT	SOLD	AS AT
	1.1.2005			31.12.2005
SHARES IN THE SUBSIDIARY COMPANIES				
Deemed interests				
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	2,690,000	-	3,250,000
Toh Yew Seng	560,000	2,690,000	-	3,250,000
Toh Yew Kar	560,000	2,690,000	-	3,250,000
Prestar Engineering Sdn. Bhd.				
Toh Yew Kar	750,000	750,000	-	1,500,000
Toh Yew Seng	750,000	750,000	-	1,500,000
Posmmitt 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	700,000	-	1,050,000
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 the shares of the Company, the Directors are also deemed to have an interest in the shares of the subsidiary companies to the extent that the Company had an interest.

The Directors' option in the Company by virtue of the options offered to them under the Employees' Share Option Scheme are as follows:

	OPTION PRICE	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1.00 EACH			
		BALANCE			BALANCE
		AS AT	GRANTED	EXERCISED	BEFORE SHARE SPLIT
		1.1.2005			
SHARE OPTIONS IN THE COMPANY					
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

DIRECTORS' INTEREST cont'd

	OPTION PRICE	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			BALANCE
		BALANCE AFTER SHARE SPLIT	GRANTED	EXERCISED	AS AT 31.12.2005
SHARE OPTIONS IN THE COMPANY					
Toh Yew Keat	RM0.75	600,000	-	(240,000)	360,000
Dato' Toh Yew Peng	RM0.75	600,000	-	(240,000)	360,000
Toh Yew Kar	RM0.75	600,000	-	(240,000)	360,000
Toh Yew Seng	RM0.75	600,000	-	(240,000)	360,000
Toh Poh Khuan	RM0.75	600,000	-	(240,000)	360,000

	BALANCE AS AT 1.1.2005	NUMBER OF WARRANTS		BALANCE
		BOUGHT	SOLD	AS AT 31.12.2005
WARRANTS IN THE COMPANY				
Direct interests				
Toh Yew Keat	-	11,299,702	-	11,299,702
Dato' Toh Yew Peng	-	318,798	-	318,798
Toh Yew Kar	-	252,000	-	252,000
Md. Nahar Bin Noordin	-	5,000,000	-	5,000,000
Toh Yew Seng	-	120,000	-	120,000
Toh Poh Khuan	-	120,000	-	120,000
Indirect interests				
Toh Yew Keat	-	30,251,500	-	30,251,500
Dato' Toh Yew Peng	-	30,251,500	-	30,251,500
Toh Yew Kar	-	30,251,500	-	30,251,500
Toh Yew Seng	-	30,251,500	-	30,251,500
Toh Poh Khuan	-	30,251,500	-	30,251,500

Other than stated above, none of the other Directors in office at the end of the financial year held any interest in the shares of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen from the transactions disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling 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 except for the share options granted to Directors of the Company pursuant to the Company's ESOS.

DIRECTORS' REPORT CONT'D

for the financial year ended 31 December 2005

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY:

(I) AS AT THE END OF THE FINANCIAL YEAR

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

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

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

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 14 March 2005, the Company has completed its share split exercise involving the share split of every existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.
- (ii) On 19 July 2005, the Company has completed the renounceable rights issue of 87,543,800 warrants at an issue price of RM0.05 per warrant on the basis of one (1) warrant for every 2 existing ordinary shares held. This exercise was approved by the Securities Commission on 27 December 2004 and the Company's shareholders' approval was obtained at an Extraordinary General Meeting held on 4 February 2005.
- (iii) On 30 August 2005, Excelpath Sdn. Bhd. ("Excelpath"), a wholly owned subsidiary company of the Company, has acquired additional 1,690,000 ordinary shares of RM1.00 each in Prestar Storage System Sdn. Bhd. ("PSSSB"). Consequently, the Group's equity interest in PSSSB has been increased from 79% to 94%.

On 19 December 2005, Excelpath has further acquired additional 1,000,000 ordinary shares of RM1.00 each in PSSSB. Consequently, the Group's equity interest in PSSSB has been increased from 94% to 96%.

- (iv) The Company has entered into a RM120 million Commercial Papers Programme ("CP Programme") with a tenure of up to 7 years. During its 7-year tenure, the Company may issue commercial papers with maturities of between 1 to 12 months.

The CP Programme is divided into 2 separate tranches of RM70 million (Tranche 1) and RM50 million (Tranche 2) respectively. The commercial papers shall be utilised to refinance part of the Group's existing term loans and hire purchase facilities, for capital expenditure and working capital purposes.

As at 31 December 2005, the Company has utilised RM52 million from the CP Programme.

AUDITORS

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

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

DATO' TOH YEOW PENG

Director

TOH YEOW KAR

Director

Kuala Lumpur
29 March 2006

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 81 have been drawn up in accordance with 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 as at 31 December 2005 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2005.

On behalf of the Board,

DATO' TOH YEWE PENG
Director

TOH YEWE KAR
Director

Kuala Lumpur
29 March 2006

STATUTORY DECLARATION

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

I, Koay Kah Ee, being the officer primarily responsible for the financial management of Prestar Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 81 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)	KOAY KAH EE
declared by the abovenamed at)	
Kuala Lumpur this)	
29 March 2006)	

Before me:

W-217
P. SETHURAMAN
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 81.

These financial statements are 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 towards any other person for the content 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 reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) 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
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results and cash flows for the financial year then ended;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that are 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.

Our auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

BDO BINDER
AF: 0206
Chartered Accountants

JAMES CHAN KUAN CHEE
2271/10/07 (J)
Partner

Kuala Lumpur
29 March 2006

BALANCE SHEETS

as at 31 December 2005

	NOTE	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	6	116,551,145	108,201,416	51,493,595	44,973,093
INVESTMENT IN SUBSIDIARY COMPANIES	7	-	-	47,729,743	47,729,743
INVESTMENT IN AN ASSOCIATED COMPANY	8	17,204	43,035	55,588	55,588
QUOTED INVESTMENTS	9	431,283	552,783	-	-
INTANGIBLE ASSETS	10	2,358,523	1,916,939	-	-
DEFERRED TAX ASSETS	11	1,719,000	1,951,000	-	-
CURRENT ASSETS					
Inventories	12	147,606,165	184,423,681	-	-
Trade receivables	13	129,840,218	109,753,607	-	-
Other receivables, deposits and prepayments	14	9,881,551	10,721,496	1,755,495	241,750
Amounts owing by subsidiary companies	15	-	-	56,183,887	25,862,608
Tax recoverable		2,170,441	597,144	154,076	198,001
Fixed deposits with licensed banks	16	2,296,151	1,500,000	446,151	-
Cash and bank balances		12,300,957	9,795,144	623,831	1,296
		304,095,483	316,791,072	59,163,440	26,303,655
LESS: CURRENT LIABILITIES					
Trade payables	17	20,111,647	23,085,160	-	-
Other payables and accruals	18	12,692,472	14,319,636	423,428	1,274,035
Amounts owing to subsidiary companies	15	-	-	2,304,744	1,529,992
Borrowings	19	189,078,470	188,069,952	57,482,959	17,521,400
Tax liabilities		409,335	4,832,628	-	-
		222,291,924	230,307,376	60,211,131	20,325,427
NET CURRENT ASSETS/(LIABILITIES)		81,803,559	86,483,696	(1,047,691)	5,978,228
		202,880,714	199,148,869	98,231,235	98,736,652
FINANCED BY					
SHARE CAPITAL	20	88,800,800	87,662,000	88,800,800	87,662,000
RESERVES	21	60,200,486	58,628,165	8,502,633	7,612,398
SHAREHOLDERS' EQUITY		149,001,286	146,290,165	97,303,433	95,274,398
MINORITY INTERESTS		45,293,601	41,222,691	-	-
NON-CURRENT AND DEFERRED LIABILITIES					
Borrowings	19	3,919,679	7,202,062	54,772	2,603,303
Deferred tax liabilities	11	4,666,148	4,433,951	873,030	858,951
		202,880,714	199,148,869	98,231,235	98,736,652

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

INCOME STATEMENTS

for the financial year ended 31 December 2005

	NOTE	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	22	533,635,838	454,687,929	9,382,047	9,133,512
Cost of sales		(484,091,744)	(366,407,784)	(828,802)	(827,547)
Gross profit		49,544,094	88,280,145	8,553,245	8,305,965
Other operating income		8,616,052	4,428,711	284,773	197,141
Selling and distribution costs		(7,251,393)	(7,158,721)	-	-
Administration expenses		(22,954,896)	(23,921,797)	(2,127,866)	(2,460,015)
Other operating expenses		(1,056,600)	(1,209,456)	(141,172)	(366,579)
Profit from operations		26,897,257	60,418,882	6,568,980	5,676,512
Finance costs		(10,352,789)	(7,723,824)	(1,434,216)	(802,016)
Interest income		28,294	17,791	1,381,020	751,098
Share of loss in an associated company		(23,254)	(15,130)	-	-
Profit before tax	23	16,549,508	52,697,719	6,515,784	5,625,594
Tax expense	24				
Company and subsidiary companies		5,197,024	13,555,683	1,623,872	1,133,259
Share of tax expense/(income) in an associated company		2,577	(2,577)	-	-
		(5,199,601)	(13,553,106)	(1,623,872)	(1,133,259)
Profit after tax		11,349,907	39,144,613	4,891,912	4,492,335
Minority interests		(5,775,909)	(12,860,042)	-	-
Net profit for the financial year		5,573,998	26,284,571	4,891,912	4,492,335
Gross dividends per ordinary share (sen)	25	2.5	4.0	2.5	4.0
Earnings per ordinary share (sen)		26			
- Basic		3.19	15.12		
- Diluted		-	15.02		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2005

Group	ORDINARY SHARE CAPITAL RM	SHARE PREMIUM RM	REVALUATION RESERVE RM	WARRANT RESERVE RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL RM
Balance as at 1 January 2004	87,068,900	-	1,201,835	-	(1,305,025)	35,286,989	122,252,699
Crystallisation of revaluation reserve	-	-	(33,621)	-	-	33,621	-
Net profit for the financial year	-	-	-	-	-	26,284,571	26,284,571
Issue of new ordinary shares	593,100	293,195	-	-	-	-	886,295
Dividends - paid in respect of financial year ended 31 December 2003	-	-	-	-	-	(3,133,400)	(3,133,400)
Balance as at 31 December 2004	87,662,000	293,195	1,168,214	-	(1,305,025)	58,471,781	146,290,165
Crystallisation of revaluation reserve	-	-	(33,621)	-	-	33,621	-
Net profit for the financial year	-	-	-	-	-	5,573,998	5,573,998
Issue of new ordinary shares	1,138,800	565,275	-	-	-	-	1,704,075
Repurchase of ordinary shares	-	-	-	-	(1,390,696)	-	(1,390,696)
Rights issue of warrants	-	-	-	3,862,266	-	-	3,862,266
Dividends (Note 25) - paid in respect of financial year ended 31 December 2004	-	-	-	-	-	(5,777,891)	(5,777,891)
- paid in respect of financial year ended 31 December 2005	-	-	-	-	-	(1,260,631)	(1,260,631)
Balance as at 31 December 2005	88,800,800	858,470	1,134,593	3,862,266	(2,695,721)	57,040,878	149,001,286

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

Company	ORDINARY SHARE CAPITAL RM	SHARE PREMIUM RM	REVALUATION RESERVE RM	WARRANT RESERVE RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL RM
Balance as at 1 January 2004	87,068,900	-	1,201,835	-	(1,305,025)	6,063,458	93,029,168
Crystallisation of revaluation reserve	-	-	(33,621)	-	-	33,621	-
Net profit for the financial year	-	-	-	-	-	4,492,335	4,492,335
Issue of new ordinary shares	593,100	293,195	-	-	-	-	886,295
Dividends - paid in respect of financial year ended 31 December 2003	-	-	-	-	-	(3,133,400)	(3,133,400)
Balance as at 31 December 2004	87,662,000	293,195	1,168,214	-	(1,305,025)	7,456,014	95,274,398
Crystallisation of revaluation reserve	-	-	(33,621)	-	-	33,621	-
Net profit for the financial year	-	-	-	-	-	4,891,912	4,891,912
Issue of new ordinary shares	1,138,800	565,275	-	-	-	-	1,704,075
Repurchase of ordinary shares	-	-	-	-	(1,390,696)	-	(1,390,696)
Rights issue of warrants	-	-	-	3,862,266	-	-	3,862,266
Dividends (Note 25) - paid in respect of financial year ended 31 December 2004	-	-	-	-	-	(5,777,891)	(5,777,891)
- paid in respect of financial year ended 31 December 2005	-	-	-	-	-	(1,260,631)	(1,260,631)
Balance as at 31 December 2005	88,800,800	858,470	1,134,593	3,862,266	(2,695,721)	5,343,025	97,303,433

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

CASH FLOW STATEMENTS

for the financial year ended 31 December 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	16,549,508	52,697,719	6,515,784	5,625,594
Adjustments for:				
Provision for diminution in value of investments	121,500	-	-	-
Allowance for doubtful debts	118,487	1,996,438	-	-
Allowance for doubtful debts no longer required	(689,250)	(314,403)	-	-
Allowance for inventories written down	824,738	669,649	-	-
Allowance for inventories written down no longer required	(64,024)	-	-	-
Depreciation of property, plant and equipment	10,369,544	10,090,383	748,113	765,502
Net (gain)/loss on disposal of property, plant and equipment	(369,218)	41,669	-	-
Interest expenses	10,352,789	7,723,824	1,434,216	802,016
Gain on disposal of quoted investments	-	(2,743)	-	-
Impairment loss on property, plant and equipment	-	964,810	-	-
Interest income	(28,294)	(17,791)	(1,381,020)	(751,098)
Dividend income	(1,630)	(9,805)	(5,921,110)	(5,903,333)
Share of loss of an associated company	23,254	15,130	-	-
Amortisation of goodwill	147,056	150,820	-	-
Bad debts written off	12,402	-	-	-
Inventories written off	-	555,971	-	-
Property, plant and equipment written off	166,959	-	-	-
Operating profit before working capital changes	37,533,821	74,561,671	1,395,983	538,681
Increase in amounts owing by subsidiary companies	-	-	(30,321,279)	(5,938,427)
Decrease/(Increase) in inventories	36,056,802	(78,883,834)	-	-
Increase in trade receivables	(19,528,250)	(18,122,887)	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	839,945	(4,606,319)	(1,513,745)	(201,161)
(Decrease)/Increase in trade payables	(2,973,513)	984,279	-	-
(Decrease)/Increase in other payables and accruals	(1,627,164)	3,333,643	(850,607)	852,713
Increase in amounts owing to subsidiary companies	-	-	774,752	904,586
Cash generated from/(used in) operations	50,301,641	(22,733,447)	(30,514,896)	(3,843,608)
Tax refunded	-	878,760	-	-
Tax paid	(10,729,417)	(10,104,916)	(239,758)	(32,348)
Net cash from/(used in) operating activities	39,572,224	(31,959,603)	(30,754,654)	(3,875,956)

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of intangible assets	(588,640)	-	-	-
Investment in an associated company	-	(55,588)	-	(55,588)
Additional investment in a subsidiary company	-	(400,000)	-	(400,000)
Subscription of shares in a subsidiary company	-	-	-	(1,200,000)
Dividend received, net	1,630	9,805	4,595,000	4,170,000
Interest received	28,294	17,791	1,381,020	751,098
Purchase of quoted investments	-	(181,000)	-	-
Purchase of property, plant and equipment (Note 27)	(17,342,903)	(6,845,680)	(7,268,615)	(109,023)
Proceeds from disposal of quoted investments	-	4,343	-	-
Proceeds from disposal of property, plant and equipment	665,055	681,078	-	-
Net cash (used in)/ from investing activities	(17,236,564)	(6,769,251)	(1,292,595)	3,156,487
CASH FLOWS FROM FINANCING ACTIVITIES				
Fixed deposits pledged	(596,151)	-	(446,151)	-
Interest paid	(10,352,789)	(7,723,824)	(1,434,216)	(802,016)
Proceeds from issue of shares	1,704,075	886,295	1,704,075	886,295
Repayment of hire purchase liabilities	(4,095,802)	(3,008,558)	(118,159)	(110,334)
Drawdown of hire purchase liabilities	-	564,700	-	-
Drawdown of term loans	2,000,000	-	-	-
Repayment of term loans	(4,095,706)	(3,728,932)	(2,933,702)	(2,729,332)
Repurchase of shares	(1,390,696)	-	(1,390,696)	-
Proceed from commercial papers (Repayments for)/Proceeds from other bank borrowings	(49,668,594)	64,624,828	(10,874,000)	6,883,521
Proceeds from issuance of warrants	3,862,266	-	3,862,266	-
Dividends paid	(7,038,522)	(3,133,400)	(7,038,522)	(3,133,400)
Dividends paid to minority interests	(1,704,999)	(1,692,000)	-	-
Net cash (used in)/from financing activities	(19,376,918)	46,789,109	33,330,895	994,734
Net increase in cash and cash equivalents	2,958,742	8,060,255	1,283,646	275,265
Cash and cash equivalents at beginning of financial year	8,131,066	70,811	(659,815)	(935,080)
Cash and cash equivalents at end of financial year (Note 28)	11,089,808	8,131,066	623,831	(659,815)

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

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

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

The financial statements are presented in Ringgit Malaysia.

2. 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's financial risk management policies. The Board regularly reviews these risks and approves such policies that cover the management of these risks.

(i) Foreign currency exchange risk

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

(ii) 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.

(iii) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk 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.

(iv) 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.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the rental of properties, investment holding and indent activity. The principal activities of the subsidiary companies mainly involve in the manufacturing of steel related products and the details are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year using the acquisition method of accounting except for certain subsidiary companies which are consolidated using the merger method of accounting.

The subsidiary companies, Prestar Marketing Sdn. Bhd. and Prestar Ventures Sdn. Bhd., are consolidated under the merger method of accounting. The Group has chosen to adopt the provision of Financial Reporting Standard ("FRS") 122₂₀₀₄ - Business Combinations prospectively as allowed by the transitional provision of the said standard, therefore comparative figures have not been restated.

Under the acquisition method of accounting, the difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal.

Under the merger method of accounting, the results of the subsidiary companies 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 subsidiary companies is taken to merger reserve (or adjusted against appropriate reserve in the case of debit differences).

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

5.3 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Revaluation of certain properties in 1995 was carried out primarily for the purpose of listing to the Second Board of Bursa Malaysia Securities Berhad (formerly known as 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 impairment losses.

The surplus arising from such valuation is credited to shareholders' equity as a revaluation reserve and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charge to the income statement.

For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus should be recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES cont'd

5.3 Property, plant and equipment and depreciation cont'd

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the revaluation reserve related to those assets, if any, is transferred directly to retained profits.

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.

Freehold land and capital work-in-progress are not amortised. Short term leasehold land is amortised over the lease periods of 52 years. Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

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

5.4 Assets acquired under hire purchase agreements

Assets acquired under hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

5.5 Investments

(a) Subsidiary companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(b) Associated company

An associated company is a company in which the Group and the Company have a long term equity interest and where the Group and the Company is in a position to exercise significant influence over the financial and operating policies of the investee company.

The Company's investment in an associated company is stated at cost less impairment losses, if any.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method of accounting. The Group's interest in an associated company is stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associated company.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated company at the date of acquisition.

The Group's share of results and reserves less losses in the associated company acquired or disposed of is included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

5. SIGNIFICANT ACCOUNTING POLICIES cont'd

5.5 Investments cont'd

(c) Other investments

Investments in shares, bonds and debentures held as long term investments are stated at cost unless in the opinion of the Directors there is a decline other than temporary in the value of such investments. Such decline is recognised as an expense in the period in which the decline is identified.

5.6 Intangible assets

5.6.1 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 impairment losses, if any.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years.

5.6.2 Development costs

Costs associated with developing a new product are recognised as an expense as and when incurred. Cost that are directly associated with the production of identifiable and unique products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one (1) year, are recognised as intangible assets. Direct costs include costs of employee benefits and fees to register a legal right.

Development cost that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on the straight line basis over the period of their expected benefits, not exceeding a period of 10 years.

5.7 Inventories

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

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

The cost of work-in-progress and finished goods includes cost of raw materials, direct labour and a proportion of manufacturing overheads.

5.8 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

5.9 Impairment of assets

The carrying amounts of the Group's and the Company's assets, other than financial assets (other than investment in an associated company and subsidiary companies), inventories and deferred tax assets, 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 and an impairment loss is recognised in the income statement immediately whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES cont'd

5.9 Impairment of assets cont'd

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

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

5.10 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

5.11 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.12 Employee benefits

5.12.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

5.12.2 Defined contribution plans

The Company and its subsidiary companies make contributions to a statutory provident fund and recognise the contributions payable:

- (a) after deducting contributions already paid as a liability; and
- (b) as an expense in the financial year in which the employees render their services.

5.13 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

5.13.1 Current tax expense

Current tax expense is based on taxable profits. Current tax expense also include real property gains taxes payable on disposal of properties, if any.

5.13.2 Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

5. SIGNIFICANT ACCOUNTING POLICIES cont'd

5.13.2 Deferred tax cont'd

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

5.14 Foreign currency transactions and translations

(a) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date except where there are related or matching forward contracts in respect of trading transactions, in which case, the rates of exchange specified in those contracts are used.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

(b) Principal closing rates

The principal closing rates used in the translation of foreign currency amounts are as follows:

	2005 RM	2004 RM
1 US Dollar	3.78	3.80
1 Singapore Dollar	2.27	2.35
1 Euro	-	5.22
1 Australia Dollar	-	2.99
1 Brunei Dollar	2.27	2.35
100 Thai Baht	-	9.93

5.15 Revenue recognition

Revenue from sales of goods is recognised in the income statements upon delivery of goods and customer's acceptance.

Rental income is recognised on an accrual basis unless collectibility is in doubt.

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

Interest income is recognised on an accrual basis, taking into account the effective yield on the asset.

5.16 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short-term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

5.17 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and returns are affected predominantly by differences in the products it produces, while secondary information is reported geographically.

A segment with a majority of operating income earned from providing product or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES cont'd

5.18 Financial instruments

5.18.1 Financial instruments recognised on the balance sheets

(a) Ordinary shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

Where the Company purchases its equity share capital, the consideration paid, including any attributable transaction costs is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are reissued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(b) Borrowings

All interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

(c) Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheets are disclosed in the individual policy associated with each item.

5.18.2 Financial instruments not recognised on the balance sheets

Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

All others gains or losses relating to hedged instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

5.19 Borrowings costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

6. PROPERTY, PLANT AND EQUIPMENT

Group 2005	BALANCE	ADDITIONS	RECLASSIFI- CATION	DISPOSALS	WRITTEN OFF	BALANCE
	AS AT 1.1.2005					AS AT 31.12.2005
	RM	RM	RM	RM	RM	RM
At cost/valuation						
Freehold land						
- at cost	15,679,744	-	-	-	-	15,679,744
- at valuation	3,542,999	-	-	-	-	3,542,999
Short term leasehold land	2,668,063	2,664,996	-	-	-	5,333,059
Buildings						
- at cost	34,193,033	182,600	-	-	-	34,375,633
- at valuation	6,004,614	-	-	-	-	6,004,614
Plant and machinery	75,415,642	3,969,866	562,836	(891,659)	(400,674)	78,656,011
Office equipment	4,659,720	420,356	7,800	(178,436)	(81,055)	4,828,385
Furniture, fittings and renovations	4,180,261	289,898	-	(105,279)	(92,337)	4,272,543
Motor vehicles and forklifts	8,090,442	1,883,687	10,465	(1,063,814)	-	8,920,780
Moulds, tools and equipments	8,753,212	690,151	-	(6,030)	-	9,437,333
Capital work-in-progress	883,810	9,080,515	(581,101)	-	-	9,383,224
	164,071,540	19,182,069	-	(2,245,218)	(574,066)	180,434,325

	BALANCE	CHARGE FOR	DISPOSALS	WRITTEN OFF	BALANCE
	AS AT 1.1.2005	THE FINANCIAL YEAR			AS AT 31.12.2005
	RM	RM	RM	RM	RM
Accumulated depreciation					
Freehold land	-	-	-	-	-
Short term leasehold land	223,773	70,474	-	-	294,247
Buildings					
- at cost	2,828,995	741,046	-	-	3,570,041
- at valuation	1,317,990	119,263	-	-	1,437,253
Plant and machinery	33,472,881	6,458,278	(882,464)	(253,781)	38,794,914
Office equipment	3,095,297	470,726	(173,369)	(77,996)	3,314,658
Furniture, fittings and renovations	2,805,673	368,591	(96,443)	(75,330)	3,002,491
Motor vehicles and forklifts	4,694,607	1,277,746	(791,408)	-	5,180,945
Moulds, tools and equipments	6,466,098	863,420	(5,697)	-	7,323,821
Capital work-in-progress	-	-	-	-	-
	54,905,314	10,369,544	(1,949,381)	(407,107)	62,918,370

	BALANCE	ADDITIONS	BALANCE
	AS AT 1.1.2005		AS AT 31.12.2005
	RM	RM	RM
Impairment losses			
Buildings - at cost	64,810	-	64,810
Plant and machinery	900,000	-	900,000
	964,810	-	964,810

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

6. PROPERTY, PLANT AND EQUIPMENT cont'd

Group 2004	BALANCE	ADDITIONS	DISPOSALS	RECLASSI- FICATION	TRANSFERS	TRANSFERS TO INVENTORIES	BALANCE
	AS AT 1.1.2004						AS AT 31.12.2004
	RM	RM	RM	RM	RM	RM	RM
At cost/valuation							
Freehold land							
- at cost	15,679,744	-	-	-	-	-	15,679,744
- at valuation	3,542,999	-	-	-	-	-	3,542,999
Short term leasehold land	2,668,063	-	-	-	-	-	2,668,063
Buildings							
- at cost	34,183,863	9,170	-	-	-	-	34,193,033
- at valuation	6,004,614	-	-	-	-	-	6,004,614
Plant and machinery	68,247,841	4,651,910	(231,016)	2,960,844	142,410	(356,347)	75,415,642
Office equipment	4,244,330	506,184	(119,894)	29,100	-	-	4,659,720
Furniture, fittings and renovations	3,946,638	278,165	(43,082)	-	(1,460)	-	4,180,261
Motor vehicles and forklifts	7,892,138	1,306,684	(1,108,380)	-	-	-	8,090,442
Moulds, tools and equipment	8,174,426	714,858	(40,500)	45,378	(140,950)	-	8,753,212
Capital work-in-progress	2,870,223	1,048,909	-	(3,035,322)	-	-	883,810
	157,454,879	8,515,880	(1,542,872)	-	-	(356,347)	164,071,540

	BALANCE	CHARGE FOR THE FINANCIAL YEAR	DISPOSALS	TRANSFER	BALANCE
	AS AT 1.1.2004				AS AT 31.12.2004
	RM	RM	RM	RM	RM
Accumulated depreciation					
Freehold land	-	-	-	-	-
Short term leasehold land	172,133	51,640	-	-	223,773
Buildings					
- at cost	2,159,235	669,760	-	-	2,828,995
- at valuation	1,198,727	119,263	-	-	1,317,990
Plant and machinery	27,295,737	6,188,523	(25,966)	14,587	33,472,881
Office equipment	2,641,483	506,839	(53,025)	-	3,095,297
Furniture, fittings and renovations	2,473,288	369,247	(36,825)	(37)	2,805,673
Motor vehicles and forklifts	4,050,021	1,308,395	(663,809)	-	4,694,607
Moulds, tools and equipment	5,644,432	876,716	(40,500)	(14,550)	6,466,098
Capital work-in-progress	-	-	-	-	-
	45,635,056	10,090,383	(820,125)	-	54,905,314

	BALANCE	ADDITIONS	BALANCE
	AS AT 1.1.2004		AS AT 31.12.2004
	RM	RM	RM
Impairment losses			
Buildings - at cost	-	64,810	64,810
Plant and machinery	-	900,000	900,000
	-	964,810	964,810

6. PROPERTY, PLANT AND EQUIPMENT cont'd

Company 2005	BALANCE AS AT 1.1.2005 RM	ADDITIONS RM	BALANCE AS AT 31.12.2005 RM
At cost/valuation			
Freehold land			
- at cost	15,329,744	-	15,329,744
- at valuation	2,130,000	-	2,130,000
Buildings			
- at cost	25,018,824	-	25,018,824
- at valuation	4,915,291	-	4,915,291
Office equipment	150,802	4,070	154,872
Furniture, fittings and renovations	361,098	5,300	366,398
Motor vehicles	781,251	-	781,251
Capital work-in-progress	105,144	7,259,245	7,364,389
	48,792,154	7,268,615	56,060,769

	BALANCE AS AT 1.1.2005 RM	CHARGE FOR THE FINANCIAL YEAR RM	BALANCE AS AT 31.12.2005 RM
Accumulated depreciation			
Freehold land	-	-	-
Buildings			
- at cost	2,079,282	501,206	2,580,488
- at valuation	988,431	97,477	1,085,908
Office equipment	74,312	15,213	89,525
Furniture, fittings and renovations	313,757	12,978	326,735
Motor vehicles	363,279	121,239	484,518
Capital work-in-progress	-	-	-
	3,819,061	748,113	4,567,174

Company 2004	BALANCE AS AT 1.1.2004 RM	ADDITIONS RM	BALANCE AS AT 31.12.2004 RM
At cost/valuation			
Freehold land			
- at cost	15,329,744	-	15,329,744
- at valuation	2,130,000	-	2,130,000
Buildings			
- at cost	25,018,824	-	25,018,824
- at valuation	4,915,291	-	4,915,291
Office equipment	146,923	3,879	150,802
Furniture, fittings and renovations	361,098	-	361,098
Motor vehicles	781,251	-	781,251
Capital work-in-progress	-	105,144	105,144
	48,683,131	109,023	48,792,154

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

6. PROPERTY, PLANT AND EQUIPMENT cont'd

Company 2004	BALANCE		CHARGE	BALANCE
	AS AT 1.1.2004 RM		FOR THE FINANCIAL YEAR RM	AS AT 31.12.2004 RM
Accumulated depreciation				
Freehold land	-		-	-
Buildings				
- at cost	1,578,076		501,206	2,079,282
- at valuation	890,954		97,477	988,431
Office equipment	57,040		17,272	74,312
Furniture, fittings and renovations	297,644		16,113	313,757
Motor vehicles	229,845		133,434	363,279
Capital work-in-progress	-		-	-
	3,053,559		765,502	3,819,061
		GROUP		COMPANY
		2005		2005
		2004		2004
		RM		RM
Net book value				
Freehold land				
- at cost	15,679,744	15,679,744	15,329,744	15,329,744
- at valuation	3,542,999	3,542,999	2,130,000	2,130,000
Short term leasehold land	5,038,812	2,444,290	-	-
Buildings				
- at cost	30,740,782	31,299,228	22,438,336	22,939,542
- at valuation	4,567,361	4,686,624	3,829,383	3,926,860
Plant and machinery	38,961,097	41,042,761	-	-
Office equipment	1,513,727	1,564,423	65,347	76,490
Furniture, fittings and renovations	1,270,052	1,374,588	39,663	47,341
Motor vehicles and forklifts	3,739,835	3,395,835	296,733	417,972
Moulds, tools and equipment	2,113,512	2,287,114	-	-
Capital work-in-progress	9,383,224	883,810	7,364,389	105,144
	116,551,145	108,201,416	51,493,595	44,973,093

The freehold land and buildings of the Company and its subsidiary companies 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Freehold land	2,551,407	2,551,407	1,376,176	1,376,176
Buildings	2,393,756	2,460,333	1,904,030	1,955,025
	4,945,163	5,011,740	3,280,206	3,331,201

The freehold land and leasehold land and certain buildings of the Group and the Company with net book values amounting to RM57,513,842 (2004: RM56,757,861) and RM43,727,463 (2004: RM44,326,146) have been charged as securities for banking facilities granted to the Company and its subsidiary companies (Note 19).

6. PROPERTY, PLANT AND EQUIPMENT cont'd

Included in property, plant and equipment are following assets acquired under hire purchase arrangements:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Plant and machinery	7,568,352	11,066,670	-	-
Motor vehicles and forklifts	1,819,388	1,237,392	296,733	415,426
Moulds, tools and equipment	181,657	220,885	-	-
	9,569,397	12,524,947	296,733	415,426

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
At cost		
Unquoted shares	47,729,743	47,729,743

The details of the subsidiary companies, all incorporated in Malaysia, are as follows:

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2005 %	2004 %	
Prestar Manufacturing Sdn. Bhd.	100	100	Manufacture and export of material handling equipment such as wheelbarrows and hand trucks.
Prestar Marketing Sdn. Bhd.	100	100	Importer and distributor of general hardware, tools and material handling equipment.
Prestar Ventures Sdn. Bhd.	100	100	Renting of building and office premises.
Prestar Engineering Sdn. Bhd.	75	75	Manufacture and supply of guardrails and related products.
Posmmit Steel Centre Sdn. Bhd.	68	68	Slitting, shearing and sales of steel sheets and coils.
Prestar Steel Pipes Sdn. Bhd.	100	100	Manufacture and supply of carbon steel pipes and related products.
Dai Dong Steel Sdn. Bhd.	70	70	Import and trading of steel materials and general hardware products.
Tashin Steel Sdn. Bhd.	51	51	Manufacture, reprocess and trading of steel related products.
Prestar Galvanising Sdn. Bhd.	100	100	General hot-dip galvanising and coating of metal products and threaded items.
Subsidiary companies of Prestar Manufacturing Sdn. Bhd.			
Prestar Tooling Sdn. Bhd.	95	95	Moulds and dies fabrication, maintenance and installation of machinery and manufacture of plastic products, industrial castors and pallet meshes.
Excelpath Sdn. Bhd.	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

7. INVESTMENT IN SUBSIDIARY COMPANIES cont'd

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2005 %	2004 %	
Subsidiary company of Excelpath Sdn. Bhd.			
Prestar Storage System Sdn. Bhd.	96	79	Manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking system.
Subsidiary company of Prestar Steel Pipes Sdn. Bhd.			
Prestar Precision Tube Sdn. Bhd.	100	100	Manufacture precision steel pipes and tubes.
Subsidiary company of Tashin Steel Sdn. Bhd.			
Tashin Hardware Sdn. Bhd.	51	51	Trading of steel material and general hardware products.

During the financial year, Excelpath Sdn. Bhd. acquired an additional 2,690,000 ordinary shares of RM1.00 each in Prestar Storage System Sdn. Bhd. ("PSSSB") for a total purchase consideration of RM2,690,000. Consequently, the Group's equity interest in PSSSB has been increased from 79% to 96%.

8. INVESTMENT IN AN ASSOCIATED COMPANY

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares at cost	55,588	55,588	55,588	55,588
Share of loss	(38,384)	(12,553)	-	-
	17,204	43,035	55,588	55,588

Represented by:

	GROUP	
	2005 RM	2004 RM
Group's share of net assets	17,204	43,035

The details of the associated company, incorporated in Singapore, are as follows:

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2005 %	2004 %	
Prestar Steel (S) Pte. Ltd.	25	25	Marketing and distributing steel related products.

The results of the associated company has been accounted for based on the audited financial statements for the financial year ended 31 December 2005.

9. QUOTED INVESTMENTS

	GROUP	
	2005 RM	2004 RM
At cost		
Quoted shares in Malaysia	749,783	749,783
Less: Provision for diminution in value	(318,500)	(197,000)
	431,283	552,783
At market value		
Quoted shares in Malaysia	451,287	637,862

10. INTANGIBLE ASSETS

Group	DEVELOPMENT		
	GOODWILL RM	COSTS RM	TOTAL RM
As at 1 January 2004	2,168,146	-	2,168,146
Acquisition of subsidiary companies	(100,387)	-	(100,387)
Amortisation charge (Note 23)	(150,820)	-	(150,820)
As at 31 December 2004	1,916,939	-	1,916,939
Additions	-	588,640	588,640
Amortisation charge (Note 23)	(147,056)	-	(147,056)
As at 31 December 2005	1,769,883	588,640	2,358,523
As at 31 December 2005			
Cost	2,941,127	588,640	3,529,767
Accumulated amortisation	(1,171,244)	-	(1,171,244)
Net book value	1,769,883	588,640	2,358,523
As at 31 December 2004			
Cost	2,941,127	-	2,941,127
Accumulated amortisation	(1,024,188)	-	(1,024,188)
Net book value	1,916,939	-	1,916,939

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

11. DEFERRED TAX

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Balance as at 1 January	2,482,951	2,173,000	858,951	855,000
Recognised in the income statement (Note 24)				
- current year	308,272	380,978	27,154	17,026
- under/(over) provision in prior years	169,000	(57,952)	-	-
- crystallisation on revaluation reserve	(13,075)	(13,075)	(13,075)	(13,075)
	464,197	309,951	14,079	3,951
Balance as at 31 December	2,947,148	2,482,951	873,030	858,951
Presented after appropriate offsetting:				
Deferred tax assets, net	(1,719,000)	(1,951,000)	-	-
Deferred tax liabilities, net	4,666,148	4,433,951	873,030	858,951
	2,947,148	2,482,951	873,030	858,951

(b) The movements of deferred tax assets and liabilities during the financial year are as follows:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax assets				
Balance as at 1 January	(4,271,568)	(4,795,589)	-	-
Recognised in the income statement				
- provisions	(11,314)	(644,979)	-	-
- unabsorbed tax losses	(2,000)	724,000	-	-
- unutilised capital allowances	(522,000)	445,000	-	-
	(535,314)	524,021	-	-
Balance as at 31 December	(4,806,882)	(4,271,568)	-	-
Deferred tax liabilities				
Balance as at 1 January	6,754,519	6,968,589	858,951	855,000
Recognised in the income statement				
- excess of capital allowances over corresponding depreciation	1,012,586	(200,995)	27,154	17,026
- revaluation reserve	(13,075)	(13,075)	(13,075)	(13,075)
	999,511	(214,070)	14,079	3,951
Balance as at 31 December	7,754,030	6,754,519	873,030	858,951

11. DEFERRED TAX cont'd

(c) The components of deferred tax assets and liabilities as at the end of the financial year comprise tax effect of:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax assets				
Provisions	(1,225,882)	(1,214,568)	-	-
Unabsorbed tax losses	(1,715,000)	(1,713,000)	-	-
Unutilised capital allowances	(1,866,000)	(1,344,000)	-	-
	(4,806,882)	(4,271,568)	-	-
Deferred tax liabilities				
Excess of capital allowances over corresponding depreciation	7,185,780	6,173,194	304,780	277,626
Revaluation reserve	568,250	581,325	568,250	581,325
	7,754,030	6,754,519	873,030	858,951

(d) The deferred tax assets which have not been recognised in the balance sheet are as follows:

	GROUP	
	2005 RM	2004 RM
Unabsorbed tax losses	1,230,000	374,000
Unutilised capital allowances	1,047,000	1,218,000
	2,277,000	1,592,000

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profit of subsidiary companies will be available against which the deductible temporary differences can be utilised.

12. INVENTORIES

	GROUP	
	2005 RM	2004 RM
At cost		
Raw materials	95,112,618	133,739,147
Work-in-progress	6,436,421	3,469,581
Manufacturing and trading inventories	40,320,568	43,894,107
Tools and consumables	24,234	13,636
	141,893,841	181,116,471
At net realisable value		
Raw materials	1,705,287	1,306,113
Work-in-progress	244,703	465,404
Manufacturing and trading inventories	3,762,334	1,535,693
	5,712,324	3,307,210
	147,606,165	184,423,681

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

13. TRADE RECEIVABLES

	GROUP	
	2005 RM	2004 RM
Trade receivables	138,666,570	119,341,393
Less: Allowance for doubtful debts	(8,826,352)	(9,587,786)
	129,840,218	109,753,607

The allowance for doubtful debts is net of bad debts written off as follows:

	GROUP	
	2005 RM	2004 RM
Bad debts written off	190,671	300,867

The credit terms offered by the Group in respect of trade receivables range from 30 to 120 days from date of invoice.

Included in trade receivables is an amount of RM332,298 (2004: RM663,410) owing by certain companies in which certain Directors have interests.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	4,765,809	3,289,203	1,320,913	193,344
Deposits	3,577,299	5,237,633	15,750	29,470
Prepayments	1,538,443	2,194,660	418,832	18,936
	9,881,551	10,721,496	1,755,495	241,750

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

- (i) security deposits paid to suppliers of RM3,105,900 (2004: RM3,000,000) for the purchase of raw materials and property, plant and equipment; and
- (ii) rebate receivable from a supplier of RM1,271,399 (2004: Nil) for the purchase of raw materials.

15. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

Company

The amounts owing by subsidiary companies represent advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment except for advances of RM49,133,000 (2004: RM16,239,000) which bear interest range from 2.70% to 6.75% (2004: 3.20% to 7.84%) per annum.

The amounts owing to subsidiary companies represent advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment except for advances of RM1,700,000 (2004: Nil) which bear interest of 3.25% (2004: Nil) per annum.

16. FIXED DEPOSITS WITH LICENSED BANKS

Group and Company

The fixed deposits of the Group and of the Company as at 31 December 2005 have maturity periods ranging from 1 month to 6 months.

Included in the fixed deposits of the Group and of the Company are RM596,151 (2004: Nil) and RM446,151 (2004: Nil) respectively pledged to licensed banks as security for banking facilities granted to the Group and the Company (Note 19).

17. TRADE PAYABLES**Group**

The credit terms available to the Group in respect of trade payables range from 30 to 90 days from date of invoice.

Included in trade payables is an amount of RM218,261 (2004: RM201,610) owing to companies in which certain Directors have interests.

18. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	5,895,130	6,531,380	15,482	255,187
Accruals	6,797,342	7,788,256	407,946	1,018,848
	12,692,472	14,319,636	423,428	1,274,035

Included in other payables of the Group is RM34,535 (2004: RM2,000) owing to certain companies in which certain Directors have interests. This amount is unsecured, interest-free and has no fixed terms of repayment..

19. BORROWINGS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Current liabilities				
<u>Secured</u>				
Bank overdraft	-	573,088	-	222,705
Trade financing	11,395,000	24,736,000	598,000	2,161,000
Short term loan (Note 19.1)	52,000,000	-	52,000,000	-
Hire purchase creditors (Note 19.2)	2,597,965	3,015,764	125,988	118,160
Revolving credits	-	7,000,000	-	7,000,000
Term loans (Note 19.3)	3,281,929	3,934,089	2,422,971	2,934,129
<u>Unsecured</u>				
Bank overdraft	2,911,149	2,590,990	-	438,406
Trade financing	116,892,427	146,220,021	2,336,000	4,647,000
	189,078,470	188,069,952	57,482,959	17,521,400
Non-current liabilities				
<u>Secured</u>				
Hire purchase creditors (Note 19.2)	2,427,051	4,265,888	54,772	180,759
Term loans (Note 19.3)	1,492,628	2,936,174	-	2,422,544
	3,919,679	7,202,062	54,772	2,603,303

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

19. BORROWINGS cont'd

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Total borrowings				
Secured				
Bank overdraft	-	573,088	-	222,705
Trade financing	11,395,000	24,736,000	598,000	2,161,000
Short term loan	52,000,000	-	52,000,000	-
Hire purchase creditors	5,025,016	7,281,652	180,760	298,919
Revolving credits	-	7,000,000	-	7,000,000
Term loans	4,774,557	6,870,263	2,422,971	5,356,673
Unsecured				
Bank overdraft	2,911,149	2,590,990	-	438,406
Trade financing	116,892,427	146,220,021	2,336,000	4,647,000
	192,998,149	195,272,014	57,537,731	20,124,703

The maturity profile and the exposure of borrowings of the Group and of the Company as at balance sheet date (excluding hire purchase liabilities) to interest rate risk are as follows:

Group	FLOATING RATE RM
2005	
Not later than one (1) year	186,480,505
Later than one (1) year but not later than 5 years	1,492,628
	187,973,133
2004	
Not later than one (1) year	185,054,188
Later than one (1) year but not later than 5 years	2,936,174
	187,990,362
Company	RM
2005	
Not later than one (1) year	57,356,971
2004	
Not later than one (1) year	17,403,240
Later than one (1) year but not later than 5 years	2,422,544
	19,825,784

19. BORROWINGS cont'd**Group**

The Group's bank borrowings (other than short term loan and hire purchase creditors) are secured by means of:

- (i) first and third party registered legal charge over the Group's freehold and leasehold land and certain buildings (Note 6);
- (ii) corporate guarantee issued by the Company and personal guarantee by certain Directors of the subsidiary companies; and
- (iii) pledged against fixed deposits of the subsidiary company (Note 16).

Company

The Company's bank borrowings (other than short term loan and hire purchase creditors) are secured by the first legal charge over the Company's freehold land and buildings (Note 6).

19.1 SHORT TERM LOAN**Group and Company**

The Company has entered into a RM120 million Commercial Papers Programme ("CP Programme") with a tenure of up to 7 years. During its 7-year tenure, the Company may issue commercial papers with maturities of between 1 to 12 months.

The CP Programme is divided into 2 separate tranches of RM70 million (Tranche 1) and RM50 million (Tranche 2) respectively. The commercial papers shall be utilised to refinance part of the Group's existing term loans and hire purchase facilities, for capital expenditure and working capital purposes.

The commercial papers are secured by a pledge of fixed deposits of the Company (Note 16).

19.2 HIRE PURCHASE CREDITORS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Minimum hire purchase payments:				
- not later than one (1) year	2,924,452	3,450,286	133,488	133,488
- later than one (1) year and not later than 5 years	2,503,811	4,531,695	55,588	189,075
	5,428,263	7,981,981	189,076	322,563
Less: Future interest charges	(403,247)	(700,329)	(8,316)	(23,644)
Present value of hire purchase liabilities	5,025,016	7,281,652	180,760	298,919
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	2,597,965	3,015,764	125,988	118,160
Non-current liabilities:				
- later than one (1) year and not later than 5 years	2,427,051	4,265,888	54,772	180,759
	5,025,016	7,281,652	180,760	298,919

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

19. BORROWINGS cont'd

19.3 TERM LOANS - SECURED

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Term loan I repayable by 5 equal monthly instalments of RM273,541 and 91 equal monthly instalments of RM268,844 commencing April 2001	2,422,971	5,356,673	2,422,971	5,356,673
Term loan II repayable by 71 equal monthly instalments of RM83,330 and final instalment of RM83,570 commencing July 2001	513,990	1,513,590	-	-
Term loan III repayable by 60 equal monthly instalments of RM38,899 commencing July 2005	1,837,596	-	-	-
	4,774,557	6,870,263	2,422,971	5,356,673
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	3,281,929	3,934,089	2,422,971	2,934,129
Non-current liabilities:				
- later than one (1) year and not later than 5 years	1,492,628	2,936,174	-	2,422,544
	4,774,557	6,870,263	2,422,971	5,356,673

20. SHARE CAPITAL

	GROUP AND COMPANY		
	NUMBER OF ORDINARY SHARES	PAR VALUE	RM
Authorised:			
2005			
Balance as at 1 January	200,000,000	1.00	200,000,000
Share split of 1 : 1	200,000,000	0.50	-
Balance as at 31 December	400,000,000	0.50	200,000,000
2004			
Balance as at 1 January/31 December	200,000,000	1.00	200,000,000
Issued and fully paid:			
2005			
Balance as at 1 January	87,662,000	1.00	87,662,000
Issued during the financial year	476,300	1.00	476,300
Balance before share split	88,138,300	1.00	88,138,300
Share split of 1 : 1	88,138,300	0.50	-
	176,276,600	0.50	88,138,300
Issued during the financial year	1,325,000	0.50	662,500
Balance as at 31 December	177,601,600	0.50	88,800,800
2004			
Balance as at 1 January	87,068,900	1.00	87,068,900
Issued under ESOS	593,100	1.00	593,100
Balance as at 31 December	87,662,000	1.00	87,662,000

20. SHARE CAPITAL cont'd

During the financial year, the Company issued 476,300 new ordinary shares of RM1.00 each for cash at option prices of RM1.39 and RM1.50 per share arising from the exercise of options granted under the Company's Employees' Share Option Scheme ("ESOS") prior to the implementation of the share split.

On 14 March 2005, the Company completed a share split involving the split of one (1) ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each. Subsequently, the Company issued 1,325,000 new ordinary shares of RM0.50 each for cash at option prices of RM0.695 and RM0.750 per share arising from the exercise of options under the Company's ESOS.

All the new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of the Company.

The Company implemented the ESOS on 1 October 2003. The salient features of the ESOS are as follows:

- (a) Eligible employees comprise any employee who has attained the age of 18 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 (1) year prior to the date of offer.
- (b) The option is personal to the grantee and is non-assignable.
- (c) 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 5 days weighted average market price of the shares at the date the option is granted, subject to the minimum price of RM1.00 each or at RM0.50 each after share split, being the par value of the shares, whichever is higher.
- (d) The options granted may be exercised according to the following scale in respect of a maximum of the following:

NUMBER OF SHARES IN RESPECT OF OPTIONS GRANTED	PERCENTAGE OF OPTIONS EXERCISABLE (%)				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Less than 20,000	30	30	40	-	-
20,000 to 100,000	25	25	25	25	-
More than 100,000	20	20	20	20	20

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

- (e) The options granted may be exercised at any time within a period of 5 years from the date of the last approval subject to any extension as shall be approved by the shareholders and the relevant authorities.
- (f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.
- (g) 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.
- (h) 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 within the Group.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

20. SHARE CAPITAL cont'd

The movement of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

DATE OF OFFER	OPTION PRICE	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1.00 EACH			BALANCE BEFORE SHARE SPLIT
		BALANCE AS AT 1.1.2005	GRANTED	EXERCISED	
3 December 2003	RM1.50	7,303,700	-	(447,800)	6,855,900
23 March 2004	RM1.39	268,500	-	(28,500)	240,000

DATE OF OFFER	OPTION PRICE	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH				BALANCE AS AT 31.12.2005
		BALANCE AFTER SHARE SPLIT	GRANTED	EXERCISED	LAPSED	
3 December 2003	RM0.750	13,711,800	-	(1,307,000)	(838,000)	11,566,800
23 March 2004	RM0.695	480,000	-	(18,000)	(8,000)	454,000

Details of the share options exercised during the financial year and the fair value of shares issued at the exercise date are as follow:

EXERCISE DATE	NUMBER OF SHARE ISSUED	OPTION EXERCISE PRICE RM	FAIR VALUE OF SHARES ISSUED		
			CONSIDERATION RM	PER SHARE RM	TOTAL RM
2005					
January	183,100	1.500	274,650	1.81 - 1.91	347,041
January	16,500	1.390	22,935	1.91	31,515
February	264,700	1.500	397,050	1.84 - 1.85	487,098
February	12,000	1.390	16,680	1.84 - 1.85	22,150
March	1,289,600	0.750	967,200	0.86	1,109,056
March	18,000	0.695	12,510	0.86	15,480
April	17,400	0.750	13,050	0.76	13,224
			1,704,075		2,025,564

	RM
Ordinary share capital - at par	1,138,800
Share premium	565,275
	1,704,075

20. SHARE CAPITAL cont'd

EXERCISE DATE	NUMBER OF SHARE ISSUED	OPTION EXERCISE PRICE RM	CONSIDERATION RM	FAIR VALUE OF SHARES ISSUED	
				PER SHARE RM	TOTAL RM
2004					
February	10,400	1.500	15,600	1.53	15,912
March	11,400	1.500	17,100	1.50	17,100
April	400,500	1.500	600,750	1.82 - 1.92	763,190
April	20,500	1.390	28,495	1.92	39,360
May	64,300	1.500	96,450	1.53 - 1.65	104,103
June	67,400	1.500	101,100	1.65	111,210
June	7,000	1.390	9,730	1.65	11,550
July	8,600	1.500	12,900	1.67	14,362
December	3,000	1.390	4,170	1.61	4,830
			886,295	1,081,617	
			RM		
Ordinary share capital - at par			593,100		
Share premium			293,195		
			886,295		

21. RESERVES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Share premium	858,470	293,195	858,470	293,195
Revaluation reserve	1,134,593	1,168,214	1,134,593	1,168,214
Warrant reserve	3,862,266	-	3,862,266	-
Treasury shares, at cost	(2,695,721)	(1,305,025)	(2,695,721)	(1,305,025)
	3,159,608	156,384	3,159,608	156,384
Distributable				
Retained profits	57,040,878	58,471,781	5,343,025	7,456,014
	60,200,486	58,628,165	8,502,633	7,612,398

(a) Treasury shares, at cost

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 26 June 2003, approved the Company's plan to repurchase its own shares. The Directors are committed to enhancing the value of the Company to its shareholders and believed that the repurchase plan is in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 719,900 (before share split) of its issued share capital from the open market at an average price of RM1.92 per share using internal generated funds. The shares repurchased are measured at cost and held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

20. SHARE CAPITAL cont'd

(b) Warrants 2005/2011

Pursuant to a deed poll dated 17 March 2005 ("Deed Poll"), the Company has a renouceable rights issue of 95,721,500 6-year Warrants 2005/2011 ("Warrants").

The Warrants were issued to the entitled shareholders of the Company at an offer price of RM0.05 per Warrant on the basis of one (1) Warrant for every 2 existing ordinary shares of RM0.50 held in the Company.

The salient features of the Warrants as per the Deed Poll are as follows:

- (i) Each Warrant entitles the registered holders at any time during the exercise period to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM0.75 per ordinary share;
- (ii) The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the conditions provided in the Deed Poll;
- (iii) The Warrants shall be exercisable at any time within the period commencing from and including the date of issue of the Warrants and ending on the date preceding the 6th anniversary of the date of issuance of the Warrants; and
- (iv) At the expiry of the exercise period, any Warrant which has not been exercised will lapse and cease to be valid for any purpose.

The Warrants were granted for listing and quotation with effect from 19 July 2005.

(c) Retained profits

- (i) The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.
- (ii) The Company and certain subsidiary companies have tax exempt account amounting to approximately RM8,568,000 (2004: RM8,568,000) and RM32,531,000 (2004: RM33,923,000) respectively available for distribution of tax exempt dividends.

22. REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	533,623,838	454,675,929	78,991	29,059
Dividend income	-	-	5,921,110	5,903,333
Rental income	12,000	12,000	3,381,946	3,201,120
	533,635,838	454,687,929	9,382,047	9,133,512

23. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	118,487	1,996,438	-	-
Allowance for inventories written down	824,738	669,649	-	-
Auditors' remuneration:				
- current year	117,000	141,500	15,000	18,500
- underprovision in prior year	8,618	-	-	-
Amortisation of goodwill (Note 10)	147,056	150,820	-	-
Bad debts written off	12,402	-	-	-
Depreciation of property, plant and equipment	10,369,544	10,090,383	748,113	765,502
Directors' remuneration:				
- fees	473,000	473,000	138,000	138,000
- emoluments other than fees	3,576,142	3,479,739	544,186	529,013
Impairment loss of property, plant and equipment	-	964,810	-	-
Inventories written off	-	555,971	-	-
Interest expenses on:				
- trade financing	8,089,428	5,953,682	-	-
- short term loan	504,670	-	504,670	-
- revolving credits	584,567	175,573	584,567	175,573
- bank overdraft	176,377	299,278	26,616	71,774
- term loans	453,766	652,274	292,426	496,796
- hire-purchase	513,208	643,017	15,328	23,155
- subsidiary companies	-	-	10,609	34,718
- others	30,773	-	-	-
Loss on disposal of property, plant and equipment	14,962	191,570	-	-
Property, plant and equipment written off	166,959	-	-	-
Provision for diminution value of investments (Note 9)	121,500	-	-	-
Realised loss on foreign exchange	9,181	7,807	-	-
Rental of equipment	276,502	260,061	-	-
Rental of premises	508,740	357,618	-	-
And crediting:				
Allowance for inventories written down no longer required	64,024	-	-	-
Allowance for doubtful debts no longer required	689,250	314,403	-	-
Gross dividend income				
- subsidiary companies	-	-	5,921,110	5,903,333
- quoted investments	1,630	9,805	-	-
Gain on disposal of property, plant and equipment	384,180	149,901	-	-
Interest income	28,294	17,791	1,381,020	751,098
Gain on disposal of quoted investments	-	2,743	-	-
Realised gain on foreign exchange	209,549	86,237	-	-
Rental income	37,680	49,200	3,381,946	3,201,120

The estimated monetary value of benefits-in-kind received or receivable by the Directors of the Group and of the Company amounted to RM206,633 (2004: RM209,627) and RM28,000 (2004: RM28,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

24. TAX EXPENSE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense based on profit for the financial year	4,769,852	13,299,946	1,609,793	1,129,308
Deferred tax (Note 11)	308,272	380,978	27,154	17,026
Deferred tax arising from crystallisation of revaluation reserve (Note 11)	(13,075)	(13,075)	(13,075)	(13,075)
	5,065,049	13,667,849	1,623,872	1,133,259
Under/(Over) provision in prior years				
- Current tax expense	(37,025)	(54,214)	-	-
- Deferred tax (Note 11)	169,000	(57,952)	-	-
	5,197,024	13,555,683	1,623,872	1,133,259
Share of tax in an associated company	2,577	(2,577)	-	-
	5,199,601	13,553,106	1,623,872	1,133,259

The numerical reconciliation between the effective tax expense and the applicable tax expense of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before tax	16,549,508	52,697,719	6,515,784	5,625,594
Taxation at Malaysia statutory rate of 28% (2004: 28%)	4,633,862	14,755,361	1,824,420	1,575,166
Tax effects in respect of:				
Non-allowable expenses	754,178	936,336	126,955	391,127
Non taxable income	(219,291)	(2,632)	(331,800)	(761,600)
Tax incentives and allowances	(882,016)	(2,359,314)	-	-
Deferred tax not recognised	1,014,328	-	-	-
Others	(233,435)	335,521	4,297	(71,434)
	5,067,626	13,665,272	1,623,872	1,133,259
Under/(Over) provision in prior years	131,975	(112,166)	-	-
Effective tax expense	5,199,601	13,553,106	1,623,872	1,133,259

Subject to the agreement of the Inland Revenue Board, the subsidiary companies have unutilised capital allowances and unabsorbed tax losses of approximately RM10,405,000 (2004: RM9,150,000) and RM10,519,000 (2004: RM7,454,000) respectively which are available for offset against their future taxable profits.

25. DIVIDENDS

	GROUP AND COMPANY			
	2005		2004	
	GROSS DIVIDEND PER SHARE SEN	AMOUNT OF DIVIDEND RM	GROSS DIVIDEND PER SHARE SEN	AMOUNT OF DIVIDEND RM
Interim dividend, less tax	1.0	1,260,631	-	-
Final dividend proposed, tax exempt (2004: less tax)	1.5	2,626,314	2.5	3,151,577
Special tax exempt dividend proposed	-	-	1.5	2,626,314
	2.5	3,886,945	4.0	5,777,891

The gross dividend per share is based on ordinary share of RM0.50 each (2004: Adjusted for the share split during the financial year).

A final dividend of 2.5 sen per ordinary share of RM0.50 each less tax, amounting to RM3,151,577 and special tax exempt of 1.5 sen per ordinary share of RM0.50 each amounting to RM2,626,314 in respect of the financial year ended 31 December 2004 was paid on 20 June 2005.

An interim dividend of 1.0 sen per ordinary share of RM0.50 each less tax, amounting to RM1,260,631 in respect of the financial year ended 31 December 2005 was paid on 3 October 2005.

A final tax exempt dividend in respect of the financial year ended 31 December 2005 of 1.5 sen per ordinary share of RM0.50 each amounting to RM2,626,314 has been proposed by the Directors after the balance sheet date for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by the Company's shareholders, will be accounted for as an appropriation of retained profits in the financial year ending 31 December 2006.

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per share

The basic earnings per share for the financial year has been calculated based on the consolidated profit after tax and minority interests divided by the weighted average number of ordinary shares outstanding during the financial year after deducting the treasury shares. The basic earnings per share is calculated considering the share split of one (1) ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each during the financial year. The preceding year comparative figures have been adjusted accordingly.

	2005	GROUP 2004
Consolidated profit after tax and minority interests (RM)	5,573,998	26,284,571
Weighted average number of ordinary shares outstanding	174,791,738	173,890,058
Basic earnings per ordinary share (sen)	3.19	15.12

(b) Diluted earnings per ordinary share

- (i) The diluted earnings per ordinary share is not presented for the current financial year as there is an anti-dilutive effect on the conversion of ESOS and Warrants to ordinary shares.

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31 December 2005

26. EARNINGS PER ORDINARY SHARE cont'd

(b) Diluted earnings per ordinary share cont'd

- (ii) The diluted earnings per ordinary share for the financial year ended 31 December 2004 was calculated based on the consolidated profit after tax and minority interests divided by the weighted average number of ordinary shares which would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares which would be issued on conversion of all dilutive potential ordinary shares into ordinary shares was calculated as follows:

	GROUP 2004
Weighted average number of ordinary shares outstanding	173,890,058
Weighted average number of ordinary shares deemed to have been issued during the current financial year for no consideration upon exercise of ESOS	1,118,674
Weighted average number of ordinary shares for diluted earnings per share	175,008,732
Diluted earnings per ordinary share (sen)	15.02

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Purchase of property, plant and equipment (Note 6)	19,182,069	8,515,880	7,268,615	109,023
Financed by hire purchase arrangement	(1,839,166)	(1,670,200)	-	-
Cash payments on purchase of property, plant and equipment	17,342,903	6,845,680	7,268,615	109,023

28. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	2,296,151	1,500,000	446,151	-
Cash and bank balances	12,300,957	9,795,144	623,831	1,296
Bank overdraft (Note 19)	(2,911,149)	(3,164,078)	-	(661,111)
	11,685,959	8,131,066	1,069,982	(659,815)
Less: Fixed deposits pledged to licensed banks (Note 16)	(596,151)	-	(446,151)	-
	11,089,808	8,131,066	623,831	(659,815)

29. SEGMENT REPORTING

(a) Business segments

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

Segment results, assets and liabilities included 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 (1) period.

The Group's operations comprise the following 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

	INVESTMENT RM	TRADING RM	MANUFACTURING RM	ELIMINATION RM	TOTAL RM
2005					
Revenue					
External segment revenue	12,000	90,862,272	442,761,566	-	533,635,838
Inter-segment revenue	9,468,447	1,459,102	48,479,898	(59,407,447)	-
	9,480,447	92,321,374	491,241,464	(59,407,447)	533,635,838
Results					
Segment results	6,614,243	1,896,940	24,331,526	(5,945,452)	26,897,257
Finance costs					(10,352,789)
Interest income					28,294
Share of loss in an associated company					(23,254)
Profit before tax					16,549,508
Tax expense					(5,199,601)
Profit after tax					11,349,907
Minority interests					(5,775,909)
Net profit for the financial year					5,573,998
Other information					
Segment assets	163,385,487	43,516,053	371,374,711	(159,211,424)	419,064,827
Investment in an associated company					17,204
Quoted investments					431,283
Tax assets					3,889,441
Unallocated corporate asset					1,769,883
Total assets					425,172,638

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

29. SEGMENT REPORTING cont'd

(a) Business segments cont'd

2005	INVESTMENT RM	TRADING RM	MANUFACTURING RM	ELIMINATION RM	TOTAL RM
Segment liabilities	6,140,647	14,669,259	116,128,954	(104,134,171)	32,804,119
Deferred tax liabilities					4,666,148
Tax liabilities					409,335
Borrowings					192,998,149
Total liabilities					230,877,751
Capital expenditure	7,268,615	805,540	11,337,201	(229,287)	19,182,069
Depreciation	774,026	537,702	9,057,816	-	10,369,544
Non-cash expenses other than depreciation	-	-	1,406,104	-	1,406,104
2004	INVESTMENT RM	TRADING RM	MANUFACTURING RM	ELIMINATION RM	TOTAL RM
Revenue					
External segment revenue	12,000	86,522,587	368,153,342	-	454,687,929
Inter-segment revenue	9,219,912	1,585,369	52,942,395	(63,747,676)	-
	9,231,912	88,107,956	421,095,737	(63,747,676)	454,687,929
Results					
Segment results	5,727,551	8,980,904	51,931,853	(6,221,426)	60,418,882
Finance costs					(7,723,824)
Interest income					17,791
Share of loss in an associated company					(15,130)
Profit before tax					52,697,719
Tax expense					(13,553,106)
Profit after tax					39,144,613
Minority interests					(12,860,042)
Net profit for the financial year					26,284,571

29. SEGMENT REPORTING cont'd

(a) Business segments cont'd

2004	INVESTMENT RM	TRADING RM	MANUFACTURING RM	ELIMINATION RM	TOTAL RM
Other information					
Segment assets	121,207,117	46,461,072	380,679,021	(123,951,866)	424,395,344
Investment in an associated company					43,035
Quoted investments					552,783
Tax assets					2,548,144
Unallocated corporate asset					1,916,939
Total assets					429,456,245
Segment liabilities	3,546,713	9,728,787	95,540,378	(71,411,082)	37,404,796
Deferred tax liabilities					4,433,951
Tax liabilities					4,832,628
Bank borrowings					195,272,014
Total liabilities					241,943,389
Capital expenditure	109,023	550,581	7,934,454	(78,178)	8,515,880
Depreciation	791,416	552,371	8,746,596	-	10,090,383
Impairment losses	-	-	964,810	-	964,810
Non-cash expenses other than depreciation	-	-	3,564,448	-	3,564,448

(b) Geographical segments

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

30. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The weighted average effective interest rates of the financial assets and liabilities of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2005 %	2004 %	2005 %	2004 %
Bank overdraft	7.82	7.53	-	7.64
Trade financing	4.20	4.17	4.06	4.73
Fixed deposits with licensed banks	2.61	2.00	2.45	-
Hire purchase	6.83	7.00	6.40	6.40
Revolving credits	-	4.75	-	4.75
Short term loan	4.46	-	4.46	-
Term loans	7.53	7.30	7.50	7.25

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

30. FINANCIAL INSTRUMENTS cont'd

(b) Foreign currency risk

As at balance sheet date, the Group has entered into foreign currency forward contracts to manage exposures to currency risk of its trade receivables and bank borrowings which are denominated in other foreign currency.

The notional amount and maturity date of the forward foreign exchange contracts outstanding as at balance sheet date are as follows:

	CURRENCY	CONTRACT AMOUNTS IN FOREIGN CURRENCY	FAIR VALUE	MATURITIES
31 December 2005				
Sales contracts to hedge trade receivables	USD	3,185,569	11,863,601	1 - 6 months
Purchase contracts to hedge bank borrowings	USD	326,241	1,225,864	2 - 3 months
31 December 2004				
Sales contracts to hedge trade receivables	USD	3,912,704	14,852,865	1 - 6 months

The unrecognised loss as at 31 December 2005 on forward foreign exchange contracts amounting to RM170,521 (2004: RM15,412) are deferred and will be recognised when they are transacted, at which time they are included in the measurement of the transactions. The expected timing of recognising the expenses is within one (1) year.

The net unhedged financial assets and liabilities of the Group that are denominated in foreign currencies are as follows:

	2005 RM	GROUP	2004 RM
Trade receivables:			
- US Dollar	91,867		290,466
- Brunei Dollar	225,342		-
- Singapore Dollar	187,509		181,677
	504,718		472,143
Trade payables:			
- US Dollar	530,989		2,667,023
- Singapore Dollar	37,941		138,008
	568,930		2,805,031
Borrowings:			
- US Dollar	605,060		-

30. FINANCIAL INSTRUMENTS cont'd

(c) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at balance sheet date approximate their fair values except as set out below:

	GROUP		COMPANY	
	CARRYING AMOUNT RM	FAIR VALUE RM	CARRYING AMOUNT RM	FAIR VALUE RM
2005				
Quoted investments	431,283	451,287	-	-
Amounts owing by:				
- subsidiary companies	-	-	56,183,887	*
Amounts owing to:				
- subsidiary companies	-	-	(2,304,744)	*
2004				
Quoted investments	552,783	637,862	-	-
Amounts owing by:				
- subsidiary companies	-	-	25,862,608	*
Amounts owing to:				
- subsidiary companies	-	-	(1,529,992)	*

* It is not practical to estimate the fair value of amounts owing by/(to) subsidiary companies. This is principally due to the lack of fixed repayment terms and the inability to estimate fair value without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to determine the fair value of financial instruments:

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair value of quoted investment is the quoted market price at the balance sheet date.
- (iii) The carrying amounts of bank borrowings approximate their 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

31 December 2005

30. FINANCIAL INSTRUMENTS cont'd

(d) Credit risk

As at 31 December 2005, the Group has trade receivables of approximately RM6,238,359 (2004: RM7,807,680) which have been outstanding for more than the credit terms of 120 days. The Directors believe that any material loss in the event of non-performance by these counter parties is unlikely.

In respect of the deposits, cash and bank balances placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Other than as mentioned, the Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

- (i) The Company has controlling related party relationships with its direct and indirect subsidiary companies.
- (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. and Y.K Toh Property 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.
- (iii) POSCO, a corporate shareholder of a subsidiary company who has a significant influence.

(b) Significant related party transactions

In the normal course of business, the Group undertakes transactions with certain related parties. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

	COMPANY	
	2005 RM	2004 RM
(i) Transactions with subsidiary companies:		
Gross dividends received	(5,921,110)	(5,903,333)
Interest paid	10,609	34,718
Interest received	(1,374,090)	(748,911)
Management fee received	(284,773)	(197,141)
Rental received	(3,381,946)	(3,201,120)
	GROUP	
	2005 RM	2004 RM
(ii) Transactions with associate, in which Toh Yew Keong and Toh Yew Chin, have interests:		
Sales of goods	(434,562)	(81,079)
(iii) Transactions with companies in which the substantial shareholders have interests:		
Chiho Hardware Sdn. Bhd.		
Sales of goods	(142,036)	(180,145)
Purchases	184,299	294,939
Logam Indah Sdn. Bhd.		
Sales of goods	(3,996)	(3,729)

31. SIGNIFICANT RELATED PARTY DISCLOSURES cont'd

(b) Significant related party transactions cont'd

	2005 RM	GROUP	2004 RM
(iii) Transactions with companies in which the substantial shareholders have interests: cont'd			
Wei Giap Hardware Sdn. Bhd.			
Sales of goods	(149,051)		(156,076)
Purchases	140,555		250,756
Wei Sheng Hardware Sdn. Bhd.			
Sales of goods	(106,873)		(118,378)
Purchases	40		-
Y.K Toh (M) Sdn. Bhd.			
Commission expenses	52,312		103,065
Rental received	(18,000)		(18,000)
(iv) Transactions with company, in which Toh Yew Keat and Dato' Toh Yew Peng, have interests:			
Syarikat Kwong Nam Hing Sdn. Bhd.			
Sales of goods	(90,250)		(121,744)
(v) Transactions with companies, in which Toh Yew Keong and Toh Yew Chin have interests:			
Y.K. Toh Marketing (S) Pte.Ltd.			
Sales of goods	(1,820,030)		(1,714,028)
Purchases	725,976		1,417,587
Diager SG Pte. Ltd.			
Purchases	194,784		328,070
(vi) Transactions with firm in which Lim Cheang Nyok has interest:			
Lim & Yeoh			
Legal fees	8,661		-
(vii) Transactions with POSCO and its' subsidiary company:			
Purchases	41,505,484		28,373,377

32. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Capital expenditure in respect of purchase of property, plant and equipment				
Approved and contracted	11,339,000	15,441,000	4,791,000	11,895,000
Approved but not contracted	7,550,000	-	-	-
	18,889,000	15,441,000	4,791,000	11,895,000

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2005

33. CONTINGENT LIABILITIES

	2005 RM	COMPANY 2004 RM
Guarantees to financial institutions for credit facilities granted to subsidiary companies	308,050,000	239,089,000

34. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group		Company	
	2005	2004	2005	2004
Number of employees, including Executive Directors, at the end of the financial year	811	808	7	7

The total expenses recognised in the income statements are as follows:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Salaries, wages and allowances	22,139,771	21,116,660	979,912	938,125
Defined contribution plan	1,972,385	1,902,994	47,684	48,001
Other employee benefits	2,987,000	3,642,325	218,027	352,998
	27,099,156	26,661,979	1,245,623	1,339,124

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 14 March 2005, the Company has completed its share split exercise involving the share split of every existing ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.
- (ii) On 19 July 2005, the Company has completed the renounceable rights issue of up to 87,543,800 warrants at an issue price of RM0.05 per warrant on the basis of one (1) warrant for every 2 existing shares held. This exercise was approved by the Securities Commission on 27 December 2004 and the Company's shareholders' approval was obtained at an Extraordinary General Meeting held on 4 February 2005.
- (iii) On 30 August 2005, Excelpath Sdn. Bhd. ("Excelpath"), a wholly owned subsidiary company of the Company, has acquired additional 1,690,000 ordinary shares of RM1.00 each in Prestar Storage System Sdn. Bhd. ("PSSSB"). Consequently, the Group's equity interest in PSSSB has been increased from 79% to 94%.

On 19 December 2005, Excelpath has further acquired additional 1,000,000 ordinary shares of RM1.00 each in PSSSB. Consequently, the Group's equity interest in PSSSB has been increased from 94% to 96%.

- (iv) The Company has entered into a RM120 million Commercial Papers Programme ("CP Programme") with a tenure of up to 7 years. During its 7-year tenure, the Company may issue commercial papers with maturities of between 1 to 12 months.

The CP Programme is divided into 2 separate tranches of RM70 million (Tranche 1) and RM50 million (Tranche 2) respectively. The commercial papers shall be utilised to refinance part of the Group's existing term loans and hire purchase facilities, for capital expenditure and working capital purposes.

As at 31 December 2005, the Company has utilised RM52 million from the CP Programme.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation:

	As PREVIOUSLY REPORTED RM	AS RESTATED RM
Consolidated cash flow statement		
<i>Cash flows from operating activities</i>		
Transfer from property, plant and equipment to inventories	356,347	-
Increase in inventories	(79,240,181)	(78,883,834)
Increase in trade receivables	(22,729,206)	(18,122,887)
Increase in other receivables, deposits and prepayments	-	(4,606,319)
Increase in trade payables	4,317,922	984,279
Increase in other payables and accruals	-	3,333,643
Cash flow statement		
<i>Cash flows from operating activities</i>		
Increase in amounts owing by subsidiary companies	(5,033,841)	(5,938,427)
Increase in amounts owing to subsidiary companies	-	904,586

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 29 March 2006.

LIST OF PROPERTIES

for year ended 31st December 2005

No.	LOCATION	TENURE	BUILT-UP AREA (SQ FT)	YEAR OF EXPIRY	DESCRIPTION/ EXISTING USE	NET BOOK VALUE (000's)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION/ REVALUATION
1	GM 4895, Lot 1298 Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Freehold	303,340	nil	Corporate office cum manufacturing site for subsidiaries	38,501	10	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	5,263	12	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	2,151	18	20 May 1994
4	Lot 1113, 65A, Jalan Perak, 10150 Penang	Freehold	2,904	nil	Office cum warehouse	1,054	43	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	540	13	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	68	7	5 June 2000
7 #	Parcel No. M2-L2-1D Tuanku Jaafar Golf & Country Resort under Master Title H.S.(D) 99111 for PT No. 18519 Mukim of Ampangan, District of Seremban, State of Negeri Sembilan	Freehold	898	nil	Vacant	179	5	4 Feb 2004
8 #	PT 4028, Batu 8, Jalan IPP Kepong, Mukim Batu	99 yrs Leasehold *(85 years)	1,650	2090	Tenanted	179	18	1 Dec 1998
9	Plot 40, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold *(46 years)	124,474	2052	Manufacturing site for Tashin Steel Sdn Bhd	8,989	7	8 Aug 2000
10	Plot 39, Lorong Perusahaan Maju 7, Kawasan Perusahaan 4, 13600 Prai	60 yrs Leasehold *(46 years)	197,626	2052	Vacant Land	2,646	N/A	17 Aug 2005

* Balance of Leasehold Tenure

#Acquired through Debt settlement arrangement from various delinquent trade debtors

STATISTICS OF SHAREHOLDINGS

as at 10 APRIL 2006

Authorised Share Capital	:	RM200,000,000
Issued and Paid-Up Share Capital	:	RM88,800,800.00 comprising 177,601,600 Ordinary Shares of RM0.50 each
Class of Shares	:	Ordinary Shares of RM0.50 each
Number of Shareholders	:	3,295
Voting Rights	:	One (1) vote per shareholder on a show of hands One (1) vote per Ordinary Share on a poll

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS	DIRECT	No. OF SHARES HELD		%
		%	INDIRECT	
Fabulous Essence Sdn. Bhd.	50,610,000	28.91	-	-
Toh Yew Keat	15,749,404	9.00	(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	-	-

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

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	No. OF SHARE-HOLDERS	% OF SHARE-HOLDERS	No. OF SHARES HELD	% OF ISSUED CAPITAL
1 - 99	12	0.36	320	0.00
100 - 1,000	105	3.19	84,420	0.05
1,001 - 10,000	2,249	68.26	11,057,568	6.32
10,001 - 100,000	832	25.25	24,783,500	14.15
100,001 - 8,754,379 (*)	93	2.82	54,209,388	30.96
8,754,380 and above (**)	4	0.12	84,952,404	48.52
Total	3,295	100.00	175,087,600	100.00

Remarks: * Less than 5% of Issued Shares
** 5% and above of Issued Shares

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE DIRECTORS' SHAREHOLDINGS

DIRECTORS	NATIONALITY	DIRECT INTEREST		INDIRECT INTEREST	
		No. OF SHARES HELD	%	No. OF SHARES HELD	%
Toh Yew Keat	Malaysian	15,749,404	9.00	*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	-	-
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Malaysian	-	-	-	-
Yee Chee Seng @ Yee Yen	Malaysian	-	-	-	-
Lim Cheang Nyok	Malaysian	-	-	-	-

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 CONT'D

as at 10 APRIL 2006

SHARE OPTIONS HELD UNDER THE EMPLOYEES' SHARE OPTION SCHEME OF THE COMPANY

DIRECTORS	NO. OF SHARE OPTIONS HELD	OPTION PRICE (RM)
Toh Yew Keat	360,000	0.75
Dato' Toh Yew Peng	360,000	0.75
Toh Yew Kar	360,000	0.75
Toh Yew Seng	360,000	0.75
Toh Poh Khuan	360,000	0.75

THIRTY (30) LARGEST SHAREHOLDERS

NO. SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE(%)
1. Fabulous Essence Sdn. Bhd.	48,210,000	27.53
2. Toh Yew Keat	16,849,404	9.62
3. Md Nahar Bin Noordin	10,000,000	5.71
4. YK Toh Property Sdn. Bhd.	9,893,000	5.65
5. Soh Tik Siew	8,253,400	4.71
6. Lim Mei Wha	5,148,000	2.94
7. Melissa Shireen Munshir	3,236,456	1.85
8. Soh Teck Ghee	2,510,400	1.43
9. Munshir Bin Abdullah	2,506,200	1.43
10. HSBC Nominees (Asing) Sdn. Bhd. (<i>Winshire Capital Inc.</i>)	2,500,000	1.43
11. Soo Chee Meng	2,500,000	1.43
12. Fabulous Essence Sdn. Bhd.	2,400,000	1.37
13. Alliancegroup Nominees (Tempatan) Sdn. Bhd. (<i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>)	1,800,800	1.03
14. Citigroup Nominees (Tempatan) Sdn. Bhd. (<i>Pledged Securities Account for Dato' Noor Azman @ Noor Hizambin Mohd Nurdin</i>)	1,600,000	0.91
15. HSBC Nominees (Tempatan) Sdn. Bhd. (<i>Pledged Securities Account for Lee Chiah Cheang</i>)	887,200	0.51
16. Azman Bin Ahmad	812,000	0.46
17. TCL Nominees (Asing) Sdn Bhd	700,000	0.40
18. RHB Capital Nominees (Tempatan) Sdn. Bhd. (<i>Pledged Securities Account for Sin Huan Kwang</i>)	651,000	0.37
19. Munshir Bin Abdullah	650,036	0.37
20. Dato' Toh Yew Peng	637,596	0.36
21. AMMB Nominees (Tempatan) Sdn. Bhd. (<i>AmTrustee Berhad for Apex Dana Al-Sofi-I</i>)	608,100	0.35
22. Tee Bon Peng	607,800	0.35
23. Teh Choong Weng	600,000	0.34
24. Ong Hong Choo	584,000	0.33
25. Lim Choon Teik	574,800	0.33
26. Toh Yew Kar	504,000	0.29
27. Ahmad Rafik Bin Hamzah	461,000	0.26
28. CIMSEC Nominees (Tempatan) Sdn. Bhd. (<i>CIMB for Wong Thiam Chai</i>)	445,000	0.25
29. Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. (<i>Pledged Securities Account for Tiong Kiong Choon</i>)	410,000	0.23
30. Fam Keat Hong	400,000	0.23

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 10 April 2006.

STATISTICS OF WARRANT HOLDINGS

as at 10 APRIL 2006

Number of Warrant Holders	:	1,616
Voting Rights at meetings of Warrant Holders	:	One (1) vote per warrant holder on a show of hands One (1) vote per warrant on a poll

ANALYSIS OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	% OF WARRANT HOLDERS	NO. OF WARRANTS HELD	% OF ISSUED WARRANTS
1 - 99	2	0.12	96	0.00
100 - 1,000	155	9.59	146,300	0.17
1,001 - 10,000	935	57.86	4,899,804	5.60
10,001 - 100,000	446	27.60	14,146,200	16.16
100,001 - 4,377,189 (*)	74	4.58	23,000,198	26.27
4,377,190 and above (**)	4	0.25	45,351,202	51.80
Total	1,616	100.00	87,543,800	100.00

Remarks: * Less than 5% of Issued Warrants
** 5% and above of Issued Warrants

DIRECTORS' WARRANT HOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

DIRECTORS	NATIONALITY	DIRECT INTEREST		INDIRECT INTEREST	
		NO. OF WARRANTS HELD	%	NO. OF WARRANTS HELD	%
Toh Yew Keat	Malaysian	11,299,702	12.91	*30,251,500	34.56
Dato' Toh Yew Peng	Malaysian	318,798	0.36	*30,251,500	34.56
Toh Yew Kar	Malaysian	252,000	0.29	*30,251,500	34.56
Toh Yew Seng	Malaysian	120,000	0.14	*30,251,500	34.56
Toh Poh Khuan	Malaysian	120,000	0.14	*30,251,500	34.56
Md. Nahar Bin Noordin	Malaysian	2,500,000	2.86	-	-
Tuan Haji Fadzlullah Shuhaimi Bin Salleh	Malaysian	-	-	-	-
Yee Chee Seng @ Yee Yen	Malaysian	-	-	-	-
Lim Cheang Nyok	Malaysian	-	-	-	-

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

STATISTICS OF WARRANT HOLDINGS CONT'D

as at 10 APRIL 2006

THIRTY (30) LARGEST WARRANT HOLDERS

NO. WARRANT HOLDERS	NO. OF WARRANTS HELD	PERCENTAGE(%)
1. Fabulous Essence Sdn. Bhd.	24,105,000	27.53
2. Toh Yew Keat	11,299,702	12.91
3. Md Nahar Bin Noordin	5,000,000	5.71
4. YK Toh Property Sdn. Bhd.	4,946,500	5.65
5. Soo Chee Meng	1,541,800	1.76
6. Fabulous Essence Sdn. Bhd.	1,200,000	1.37
7. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lim Siew Ping)	1,181,800	1.35
8. Liew Hin Choy	1,085,000	1.24
9. Lim Mei Wha	946,800	1.08
10. Beh Chan Chen	852,000	0.97
11. Citigroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Dato' Noor Azman @ Noor Hizambin Mohd Nurdin)	800,000	0.91
12. Fong Ah Chai	680,000	0.78
13. Ong Hong Choo	643,200	0.73
14. Kuala Lumpur City Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tiong Har Hua)	507,000	0.58
15. Go Peng Kooi	500,000	0.57
16. Lim Teck Ang	500,000	0.57
17. Soh Tik Siew	375,000	0.43
18. Mayban Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lee Siu Wah)	355,900	0.41
19. Lim Chuan Heng	350,000	0.40
20. TCL Nominees (Asing) Sdn. Bhd. (OCBC Securities Private Limited for Goh Kok Chen)	350,000	0.40
21. Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Ng Sun Lai)	336,000	0.38
22. RHB Capital Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Sin Huan Kwang)	320,500	0.37
23. Dato' Toh Yew Peng	318,798	0.36
24. Tee Bon Peng	303,900	0.35
25. OSK Nominees (Tempatan) Sdn. Berhad (Pledged Securities Account for Hee Yuen Sang)	300,000	0.34
26. Chua Seu Mooi	295,000	0.34
27. ECM Libra Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Leow Teik Heng)	294,800	0.34
28. Gan Lay Har	290,000	0.33
29. Lim Choon Teik	287,400	0.33
30. Goh Jiunn Ming	286,000	0.33



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 Twenty-First Annual General Meeting of the Company to be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 29 May 2006 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):

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and the Auditors thereon.			
No.	Resolutions	For	Against
2.	To approve the declaration of the Final Tax Exempt Dividend of 3%. (Resolution 1)		
3.	To sanction the payment of Directors' Fees. (Resolution 2)		
4.	To re-elect Mr. Toh Yew Seng in accordance with Article 105 of the Company's Articles of Association. (Resolution 3)		
5.	To re-elect Ms. Toh Poh Khuan in accordance with Article 105 of the Company's Articles of Association. (Resolution 4)		
6.	To re-elect Encik Md Nahar Bin Noordin in accordance with Article 105 of the Company's Articles of Association. (Resolution 5)		
7.	To re-appoint Messrs. BDO Binder as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)		
	As Special Business:		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. (Resolution 7)		
9.	Authority to renew the purchase of the Company's own shares. (Resolution 8)		
10.	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Wei Giap Hardware Sdn. Bhd., Chiho Hardware Sdn. Bhd., Y.K. Toh Marketing (S) Pte. Ltd., Wei Sheng Hardware Sdn. Bhd., Syarikat Kwong Nam Hing Sdn. Bhd., Logam Indah Sdn. Bhd., Y.K. Toh (M) Sdn. Bhd., Diager SG Pte. Ltd. and Prestar Steel (S) Pte. Ltd. (Resolution 9)		
11.	Authority to renew the Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature with Lim & Yeoh. (Resolution 10)		
12.	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 11)		

* Strike out whichever not applicable.

Signed this day of 2006

No. of Shares Held	CDS Account No.

.....
Signature of Member/ Common Seal

NOTES:

- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) to (d) of the Companies Act, 1965 shall not apply to the Company.
Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad 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 appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

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STAMP

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

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