

**1 Accounting policies and methods of computation**

The interim financial statements have been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2006 except for the adoption of the following new or revised Financial Reporting Standards ("FRS") effective for the financial period beginning on 1 January 2007:

- FRS 117 Leases ( effective for annual period beginning on or after 1 October 2006 )
- FRS 124 Related Party Disclosure ( effective for annual period beginning on or after 1 October 2006 )

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the above mentioned FRSs have no impact on the Group results for the period under review other than changes discussed below.

**FRS 117 : Leases**

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of the other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The up-front payments of leasehold interests are allocated between the land and the buildings elements in proportion to their relative fair values at the inception of the lease.

The Group has reclassified upfront payments of leasehold land as Prepaid Lease Payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of Prepaid Lease Payments as allowed by the transitional provisions. The reclassification of leasehold land as Prepaid Lease Payments has been accounted for retrospectively and certain comparatives have been restated to reflect this application as discloses below. The adoption of this FRS has no effects on the income statement of the Group for the current quarter under review.

The following comparatives have been restated due to the adoption of FRS 117 and have been reclassified to conform with the current year's presentation:

	Previously stated	Adoption of FRS 117	Restated
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>At 31 December 2006</u>			
Property, Plant and Equipment	129,133	-4,931	124,202
Prepaid Lease Payment	-	4,931	4,931

**2 Report of auditors**

The audit report of the most recent annual financial statement for the year ended 31 December 2006 was not qualified.

**Notes to the Interim Financial Report for the period ended 31 March 2007****3 Seasonal or cyclicity factors**

The Group faces minor seasonal fluctuations during the major festive seasons such as Hari Raya Aidilfitri and Chinese New Year celebrations.

**4 The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

There was no unusual items in the quarterly financial statement under review except disclosed in note 11 (a).

**5 Changes in estimates**

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

**6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities****i) Share Buy-Back**

Details of share buy-back for the financial year to date as below:

Month	Price per share (RM)			No. of shares repurchase	Total paid	No of shares held as treasury share
	Lowest	Highest	Average			
Balance b/f	---	---	---	4,450,900	RM'000 3,923	4,450,900
Feb 07	0.75	0.84	0.81	1,793,000	1,444	1,793,000
Mar 07	0.64	0.75	0.72	676,000	487	676,000
Balance c/f				6,919,900	5,854	6,919,900

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 March 2007.

**7 Dividends paid (aggregate or per share) separately for ordinary share and other shares**

There was no dividend paid for the current quarter ended 31 March 2007.

**8 Segment Information for the current financial year to date**

	Trading RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>					
External Sales	<b>25,766</b>	<b>82,458</b>	<b>296</b>	<b>0</b>	<b>108,520</b>
Inter-segment revenue	338	10,427	636	-11,401	0
Total Revenue	<b>26,104</b>	<b>92,885</b>	<b>932</b>	<b>-11,401</b>	<b>108,520</b>
<b>Segment Result</b>	<b>1,715</b>	<b>6,040</b>	<b>24,045</b>	<b>-13,526</b>	<b>18,274</b>
<b>Profit from operations</b>					<b>18,274</b>
Finance Costs					-2,086
Interest Income					73
Share of profit/(loss) of associate					272
<b>Profit before taxation</b>					<b>16,533</b>

No analysis by geographical area has been presented as the Group operates principally within Malaysia.

**9 Valuations of property, plant and equipment**

The valuation of land & buildings have been brought forward, without amendment from the previous annual financial statement.

**10 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter under review.

**11 The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations**

Changes in the composition of the Group for the current quarter ended 31 March 2007 were as follows:

**(a) Posmmit Steel Centre Sdn Bhd (PSC)**

The Company's shareholding in a subsidiary, PSC decreased from 68% to 30% upon completion of the disposal of 5,300,000 shares in PSC to POSCO Steel Service and Sales Co. Ltd (POSTEEL) on 13 February 2007. PSC has become an associate of the Company subsequent to the disposal.

**(b) Prestar Industries (Vietnam) Co., Ltd**

Prestar Manufacturing Sdn Bhd (a wholly owned subsidiary of the Company) has received an investment license pertaining to the registration of its wholly owned subsidiary company in Vietnam, namely Prestar Industries (Vietnam) Co., Ltd on 5 March 2007. The subsidiary shall have Investment capital of USD 3,000,000 of which USD 900,000 will be the Contribution capital.

**12 Changes in contingent liabilities or contingent assets since the last annual balance sheet date.**

The contingent liabilities of the Company are as follows:

	As at 31.3.2007	As at 31.12.2006
	RM'000	RM'000
Guarantees to financial institutions for credit facilities granted to subsidiaries - unsecured	207,692	316,970
	<u>207,692</u>	<u>316,970</u>

**13 Review of performance of the company and its principal subsidiaries for the current quarter and financial year to date (YTD)**

Group Revenue and Profit before taxation for the quarter under review were RM 108.5 million and RM 16.5 million respectively. Both figures incorporated the effects of the completion of the disposal of equity of a subsidiary as mention in Note 11(a) above. Beside equity accounting for the result of the new associate company with effect from February, gain on disposal of the equity has also been included as part of the Other Operating Income. On the operational aspect, current quarter faced minor slowdown during the Chinese New Year season and other festive holidays in the middle of the quarter. Material prices were stable for the quarter while there were some improvement in selling prices towards the end of the quarter under review.

**14 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter.**

The Group achieved a Profit before taxation of RM16.5 million for the quarter under review, this was substantially higher than RM 6.48 million of the immediate preceding quarter. The substantial increase in the quarter was due to the incorporation of the capital gain on the disposal of equity of a subsidiary which were completed in the middle of the quarter. The subsidiary became an associate company of the Group with effect from the month of February.

**15 Prospects for the current financial year.**

Prices for various ranges of steel materials rebounded and showing signs of continue escalating trend. Sales margins are improving, favourable news such as implementation of various governmental mega projects continue to surface while market demand rising. For the Group, commercial production of stainless steel pipes as well as the enhanced strategic alliance with POSCO is expected to boost bottomline higher. Barring unforeseen circumstances, the Board expects the current year performance to be much better than the prior year.

**16 Variance of actual profit from forecast profit / profit guarantee**

Not Applicable.

**17 Tax expenses**

	Current Quarter 31/3/2007	Current Year To date 31/3/2007
RM'000		
- current taxation	1,990	1,990
- deferred taxation	158	158
- in respect of prior years	0	0
	<u>2,148</u>	<u>2,148</u>

The average effective tax rate of the Group for the current quarter and financial year to date is higher than the statutory tax rate as the tax losses of some subsidiaries cannot be set-off against the taxable profits of other subsidiaries. Included in Other Operating Income a gain on disposal of shares in subsidiary as disclosed in note 11 (a) is not subject to tax.

**18 Profit / (Losses) on sale of unquoted investments and/or properties**

There is no sale of unquoted investments or properties for the current quarter and financial year to date.

**19 Quoted securities**

- (a) Total purchases consideration and sale proceeds of quoted securities for the current quarter and financial year to date and profit/loss arising therefrom are as follows:

	Current Quarter 31/3/2007 RM'000	Year To date 31/3/2007 RM'000
Total Purchases	<u>0</u>	<u>0</u>
Total Sale Proceeds	<u>0</u>	<u>0</u>
Total Profit / (Loss)	<u>0</u>	<u>0</u>

- (b) Investments in quoted securities as at 31 March 2007 are as follows :-

	RM'000
(i) At cost	<u>560</u>
(ii) At book value	<u>361</u>
(iii) At market value	<u>404</u>

- 20 (a) The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

(b) Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal.

(a) There was no corporate proposal announced and pending completion.

(b) Proposed utilisation of proceeds from disposal of 5,300,000 shares of RM1.00 each representing 37.86% equity interest in Posmmit Steel Centre Sdn Bhd to POSCO Steel Service & Sales Co Ltd has been completed.

	<u>Proposed utilisation</u>	<u>Amount utilised</u>
	RM'000	RM'000
Repayment of bank borrowings	24,000	24,000
Working capital	5,256	5,251
Defray expenses relating to the disposal	250	255
	<u>29,506</u>	<u>29,506</u>

21 **Group bank borrowings :**

**Total group borrowings as at 31 March 2007 are as follows :-**

**31.3.2007**

**Long term bank loans - Secured**

**RM'000**

Total outstanding balances	0
Repayments due within the next 12 months	0
<b>Total - Long Term Bank Loans - Secured</b>	<b><u>0</u></b>

**Short term bank borrowings**

**Secured :-**

Bank overdrafts	0
Revolving credits	0
Bankers' acceptance & commercial paper	51,032
Current portion of long term loan	0
Sub-total	<u>51,032</u>

**Unsecured :-**

Bank overdrafts	1,313
Revolving credits	0
Bankers' acceptance	82,962
Sub-total	<u>84,275</u>
<b>Total - Short Term Bank Borrowings</b>	<b><u>135,307</u></b>

- 22 **Financial instruments with off balance sheet risk at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.**

**Foreign currency contracts**

As at 18 May 2007, the Group had the following outstanding foreign currency contracts to hedge its committed purchases and sales in foreign currencies.

Currency	Contract Amount ('000)	Equivalent amount in Ringgit Malaysia ('000)	Expiry Dates
Bank Buy :			
USD	3,898	13,728	21/05/07 to 28/02/08
SGD	97	218	26/06/07 to 31/07/07
BND	170	378	29/06/07

There is minimal credit risk because these contracts were entered into with reputable banks. All gains and losses arising from forward foreign exchange contracts are dealt with through the Income Statement upon maturity.

**Notes to the Interim Financial Report for the period ended 31 March 2007****23 Material litigation since the last annual balance sheet date which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report.**

As at 18 May 2007, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2006.

**24 Dividend**

- (i) A First and Final dividend of 5.0% less 27% tax amounting to 1.825 sen net per share in respect of the financial year ended 31 December 2006 was approved by the shareholders at the the Company's Annual General Meeting held on 4 May 2007.
- (ii) On 27 February 2007, the Directors had declared an Interim dividend of 22% less 27% tax amounting to 8.03 sen net per share in respect of the year ending 31 December 2007.

Both dividend were paid on 18 May 2007.

**25 Earnings per share**

**Current  
Quarter ended  
31.3.2007**

**Basic**

Net profit attributable to ordinary shareholders (RM'000)	12,628
Number of ordinary shares as at 1 Jan 2007 after net off treasury shares	173,151
Effect of ESOS exercised	0
Effect of warrants exercised	0
Effect of shares repurchased	-2,085
Weighted average number of ordinary shares in issue ( '000 )	171,066
Basic earnings per share (sen)	<b>7.38</b>

**Diluted**

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

**26 Capital commitments**

**As at 31.3.2007  
RM'000**

Property, plant and equipment	
Authorised and contracted for	<b>1,744</b>
Authorised and not contracted for	<b>2,386</b>