

**PART A: EXPLANATION NOTES AS PER FRS 134**

**A1 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 2007. 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 2007.

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 2007 except for the adoption of the following revised Financial Reporting Standards ("FRS") effective for the financial period beginning on 1 January 2008. These revised MASB's FRSs align with the equivalent International Accounting Standards ("IAS"), both in terms of form and content.

- FRS 107 Cash Flow Statements
- FRS 112 Income taxes
- FRS 118 Revenue
- FRS 134 Interim Financial Reporting
- FRS 137 Provision, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

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.

**A2 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.

**A3 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 item in the quarterly financial statement under review.

**A4 Changes in estimates**

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

**A5 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 30 Sep 2008.

**A6 Dividends paid (aggregate or per share) separately for ordinary share and other shares**

A First and Final Dividend of 3.0% tax exempt amounting to 1.5 sen per share in respect of the financial year ended 31 December 2007 was paid on 2 July 2008.

**A7 Segment Information for the current financial year to date**

	<u>Trading</u>	<u>Manufacturing</u>	<u>Investment</u>	<u>Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External Sales	121,910	412,522	1,793	-	536,225
Inter-segment revenue	230	75,664	13,087	(88,981)	-
<b>Total Revenue</b>	<b>122,140</b>	<b>488,186</b>	<b>14,880</b>	<b>(88,981)</b>	<b>536,225</b>
<b>Segment Result</b>	<b>5,277</b>	<b>32,765</b>	<b>10,957</b>	<b>(13,203)</b>	<b>35,796</b>
<b>Profit from operations</b>					<b>35,796</b>
Finance costs					(12,964)
Interest Income					119
Share of results of associates					5,199
<b>Profit before tax</b>					<b>28,150</b>

No analysis by geographical area has been presented as its year to date contribution was less than 10% to the combined results of all segments revenue or results or assets.

**A8 Valuations of property, plant and equipment**

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

**A9 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.

**A10 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**

There were no changes in the composition of the Company for the financial period under review.

**A11 Changes in contingent liabilities or contingent assets since the last annual balance sheet date**

The contingent liabilities of the Company as follows:	<b>As at 31.12.2008 RM'000</b>
Guarantees to financial institutions for credit facilities granted to subsidiaries – unsecured	297,460
	<hr/> <b>297,460</b>

**A12 Capital commitments**

Property, plant and equipment	<b>As at 31/12/2008 RM'000</b>
Authorised and contracted for	<hr/> <b>7,691</b>
Authorised and not contracted for	<hr/> <b>2,523</b>

**Part B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF  
BURSA SECURITIES (PART A OF APPENDIX 9B)**

**B1 Review of performance of the company and its principal subsidiaries for the current quarter and financial year to date (YTD)**

Group revenue for the current quarter and year-to-date were RM 97.3 million and RM 536.2 million respectively. On year-to-date basis, there was an 18% increase in revenue compared to the prior year. However, revenue for the quarter reduced by 20.4% when compared to the same quarter of the prior year. This is due to the abrupt drop in steel prices and demand amidst the global financial crisis. Financial performance of the reporting quarter also suffered a huge blow with the substantial diminution in value of inventories towards the year end resulting in the net loss of RM 17.2 million for the quarter under review. Total written down in value of the inventories amounted to RM 25.1 million for the financial year-to-date. Notwithstanding that, the Group still managed to report a net profit of RM 11.2 million for the whole financial year due to a strong performance recorded earlier.

**B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter**

Group revenue for the quarter under review was RM 97.3 million, 24.2% lower than the immediate preceding quarter. The Group also suffered a net loss of RM 17.2 million for the quarter under review. This was a total reverse of RM 8.1 million net profit of the immediate preceding quarter. The substantial reduction was mainly attributed to the sudden fall in steel prices and demand during the reporting quarter as well as considerable written down in value of the inventories mentioned above.

**B3 Prospects**

During the last quarter of the financial year, the steel industry experienced an unprecedented fiasco in tandem with the global financial turmoil and shrinkage in our economy. There is no definite sign of recovery for the moment amidst the announcement of stimulus packages by various countries as well as ours. Acknowledging the fact that the stormy and uncertain business conditions will remain very challenging in the new financial year, the Board will continue to take cautious and prudent actions in steering the Group through this economy downturn. Improvement actions taken earlier in optimizing supply chain management, productivity enhancement programs and cost cutting exercises will be continued and further intensified.

**Prestar Resources Berhad (123066-A)**  
**Notes to the Interim Financial Report for the period ended 31 Dec 2008**

**B4 Variance of actual profit from forecast profit / profit guarantee**

Not applicable.

**B5 Tax expenses**

RM'000	<b>Current Quarter 31/12/08</b>	<b>Current Year To Date 31/12/08</b>
Current taxation	(3,905)	8,373
Deferred taxation	(1,299)	(2,365)
In respect of prior years	48	(168)
	<u><b>(5,156)</b></u>	<u><b>5,840</b></u>

The average effective tax rate of the Group for the current quarter and financial year to date is lower than the statutory tax rate due principally to the utilization of tax losses, capital allowance and reinvestment allowance of some subsidiaries.

**B6 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.

**B7 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 there from are as follows:

	Current Quarter 31/12/08 RM'000	Year To date 31/12/08 RM'000
Total Purchases*	<u>0</u>	<u>1</u>
Total Sale Proceeds	<u>0</u>	<u>0</u>
Total Profit / (Loss)	<u>0</u>	<u>0</u>

\*Subscription of rights issue

(b) Investments in quoted securities as at 31 Dec 2008 are as follows:-

	RM'000
(i) At cost	<u>561</u>
(ii) At book value	<u>362</u>
(iii) At market value	<u>388</u>

- B8 (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 utilization of proceeds raised from any corporate proposal.
- (a) and (b) not applicable.

**B9 Group bank borrowings:**

Total group borrowings as at 31 Dec 2008 are as follows:-

	Short Term Borrowing	<i>Long Term Borrowing</i>
	RM'000	RM'000
<b>Denominated in Ringgit Malaysia:</b>		
Secured	89,050	4,408
Unsecured	109,501	7,848
<b>Denominated in US Dollar:</b>		
Secured	1,504	11,822
<b>Denominated in Vietnam VND:</b>		
Secured	208	1,020
<b>Total Bank Borrowings</b>	<b>200,263</b>	<b>25,098</b>

- B10 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 20 Feb 2009, 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 Sell:			
USD	555	2,011	20/04/09 to 05/08/09

**Prestar Resources Berhad (123066-A)****Notes to the Interim Financial Report for the period ended 31 Dec 2008**

Currency	Contract Amount ('000)	Equivalent amount in Ringgit Malaysia ('000)	Expiry Dates
Bank Buy:			
USD	2,044	6,811	27/02/09 to 05/06/09
SGD	267	636	27/02/09 to 15/06/09

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.

**B11 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 20 Feb 2009, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2007.

**B12 Dividend**

The Directors recommend a final dividend of 3% (1.5 sen per ordinary share), tax exempt, amounting to RM2,610,915 in respect of the financial year ended 31 December 2008, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

**B13 Earnings per share**

	<b>Current Quarter Ended 31/12/2008</b>
<b>Basic</b>	
<b>Net loss attributable to ordinary shareholder (RM'000)</b>	<b>17,190</b>
Number of ordinary shares as at 1 Jan 2008 after net off treasury shares	174,061
Effect of ESOS exercised	-
Effect of warrants exercised	-
Effect of shares repurchased	-
<b>Weighted average number of ordinary shares in issue ('000)</b>	<b>174,061</b>
<b>Basic earnings per share (sen)</b>	<b>(9.87)</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 Warrants to ordinary shares.

**Prestar Resources Berhad (123066-A)**  
**Notes to the Interim Financial Report for the period ended 31 Dec 2008**

**B14 Report of auditors**

The audit report of the most recent annual financial statement for the year ended 31 December 2007 was not qualified.