

PART A: EXPLANATION NOTES AS PER FRS 134

A1 Accounting policies and methods of computation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations with effect from 1 January 2013.

MFRS 3	Business Combinations (as issued by the International Accounting Standards Board (“IASB”) in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRSs	Annual Improvements 2009 - 2011 Cycle
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

The above new MFRSs, IC Interpretations and Amendments to MFRSs do not have significant impact on the financial reporting of the Group.

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 31 December 2013.

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

A first and final dividend of 1.2% tax exempt amounting to 0.6 sen per share in respect of the financial year ended 31 December 2012 was paid on 9 September 2013.

A7 Segment Information for the current financial year to date

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Investment</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
Revenue					
External Sales	159,148	440,007	1,383	-	600,538
Inter-segment revenue	1,231	80,853	10,572	(92,656)	-
Total Revenue	160,379	520,860	11,955	(92,656)	600,538
Segment Result	6,401	26,642	1,536	(2,128)	32,451
Profit from operations					32,451
Finance costs					(13,273)
Interest Income					238
Share of results of associates					913
Profit before tax					20,329

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

i) On 28 January 2013, Prestar Manufacturing Sdn. Bhd. ("PMSB") and Prestar Storage System Sdn. Bhd. ("PSSSB"), wholly-owned subsidiary companies of Prestar Resources Berhad ("PRB"), had incorporated a company in Indonesia, namely PT Prestar MHE. Consequently, PT Prestar MHE is a wholly-owned sub-subsidiary company of PRB. The intended principal activity of PT Prestar MHE is the distribution of Material Handling Equipment ("MHE") products manufactured by PRB subsidiaries.

ii) On 15 August 2013, an associate company, Prestar Steel (S) Pte. Ltd was officially strike-off from the register under Section 344 (2) of the Companies Act of Singapore after the application submitted by the company in March 2013 on grounds of no intention to continue any business activities.

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2012

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A12 Capital commitments

As at 31/12/2013

RM'000

Property, plant and equipment

Authorized and contracted for 6,418

Authorized and not contracted for 344

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 RM150.5 million and RM600.5 million respectively. Though revenue for the current quarter were slightly lower, there was an improvement of 2.2 % for the year-to-date revenue over the same period last year. Profit for the quarter under review were also slightly lower at RM4.04 million as compared to RM4.39 million last year mainly due to financial year end - accounting impairment and accruals.

Notwithstanding that, YTD profit for the year was 64.0% higher than last YTD's performance. The substantial improvement in YTD bottom line performance was mainly the cumulated result of the strong performance achieved during the first half of the year where demand were strong and higher sales margin attained at that period. Besides, efficient supply chain management and on-going cost cutting efforts also contributed to the improved performance.

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

Compared to the immediate preceding quarter, Group revenue for the quarter under review increased by 1.6% from RM148.1 million to RM150.5 million. Profit before tax for the quarter under review also improved from RM2.66 million in the immediate preceding quarter to RM4.04 million, this was mainly due to the higher sales volume, cost efficiencies and better margin during the quarter under review.

B3 Prospects

Inflation rate for Jan 2014 inched higher to 3.4% y-o-y , from +3.2% in Dec. The increase was largely due to an increase in fuel prices in Sep last year and it continued to spill over into other product and services prices. The situation was made worse by the power tariff hike that came into effect on 1 Jan 2014. At the same time RM /USD has been weakening from around RM 3.25 at the end of previous quarter to around RM3.30 at the time of writing. Though weaken RM currency may provide a boost to export sales, worries about inflationary pressure and slower domestic demand may dampen market sentiment and confidence with potential impairment to the economic growth estimate of around 5%-5.5% as highlighted during the Budget 2014 announcement.

Amid these challenges and uncertainties, steel prices remained volatile with slight increase anticipated inline with the inflationary pressure and progressive actions taken to alleviate the influx of cheap steel products from oversea. Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in order to remain competitive and generating better performance for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 31/12/2013 RM'000	Current Year To Date 31/12/2013 RM'000
Current taxation	453	3,203
Deferred taxation	13	874
In respect of prior years	1	9
	<u>467</u>	<u>4,086</u>

The average effective tax rate of the Group for the current quarter and financial year to date is slightly lower than the current statutory tax rate mainly due to availability of tax losses and unutilised capital allowance.

B6 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.

On 20 September 2013, the Company had announced that it proposed to undertake the establishment of an employees' share option scheme of up to fifteen per centum (15%) of the issued and paid-up share capital of the Company (**"Proposed ESOS"**).

On 11 November 2013, the Company had announced that the listing application in relation to the Proposed ESOS had been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") for perusal and approval. (hereinafter referred to as "the Listing Application")

On 21 November 2013, the Company had announced that Bursa Securities had vide its letter dated 20 November 2013 approved the Listing Application. The Company will convene an Extraordinary General Meeting ("EGM") in due course to seek shareholders' approval on the Proposed ESOS.

On 17 December 2013, the Company had announced that the shareholders of Prestar had at the Extraordinary General Meeting ("EGM") held on that day, approved all the resolutions as set out in the Notice of EGM dated 29 November 2013 in relation to the Proposed ESOS.

As at todate, there were no options granted to the eligible Directors and employees of the Company and it's subsidiaries.

B7 Group bank borrowings:

Total group borrowings as at 31 December 2013 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	63,904	21,750
Unsecured	173,390	-
Denominated in US Dollar:		
Secured	1,987	-
Unsecured	-	-
Total Bank Borrowings	239,281	21,750

B8 Material litigation since the date of the last annual statement of financial which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report

Save as disclosed below, the Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group:

Tashin Steel Sdn Bhd ("Tashin"), Formula Naga Sdn Bhd ("FN") and Ta Yang Hardware Sdn Bhd ("TY") ("Plaintiffs") vs. PDC Properties Sdn Bhd ("PDC") ("Defendant").

On 25 October, 2012, Tashin, a subsidiary of the Company together with the customers of PDC, FN and TY have filed a Civil Suit against PDC at the Penang High Court.

Tashin has initiated the said suit based on a Sale and Purchase Agreement dated 11 August 2011 entered into between Tashin and PDC for the purchase of a property located at Lot 2634HS(D) 15736, Mukim 13 Daerah Timur Laut by Tashin from PDC as the Vendor. Tashin contended that there was a material breach of representations and assurances by PDC on the said property with the announcement made by another developer, Ivory Properties Group Berhad on a new development adjoining and in front of the said property which may affect the value of the properties purchased earlier by the Plaintiffs. Tashin is claiming for the rescission of the said Sale and Purchase Agreement and special damages to be determined by the Court.

PDC has filed an application on 13 May 2013 to strike out the above suit and the Penang High Court has fixed the hearing on 12 September 2013. The matter was initially fixed for decision before Y.A. Dato' Varghese A/L George Varughese however the matter has now been transferred to be heard before the Learned Judicial Commissioner Tuan Wong Teck Meng and is fixed for case management on 19 November 2013, it was subsequently adjourned to 8 January 2014 for clarification and decision.

The matter is now adjourned to 13 March 2014 for hearing of the Defendant's application to strike out the Writ and Statement of Claim, and our application to amend the Statement of Claim to include a plea of fraud.

The solicitors for the matter, Messrs. Teja Sing Penesar & Co ("TSP"), have opined that the prospect of success can only be determined if the application for amendment is allowed. In any event, the potential liability of Tashin would be limited to costs only. The quantum of costs cannot be determined at this juncture.

B9 Dividend

The Directors recommend a final single-tier dividend of 4.0 % (2.0 sen per ordinary share), amounting to RM3,481,220 in respect of the financial year ended 31 December 2013, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company

B10 Earnings per share

	Current Quarter Ended 31/12/2013
Basic	
Net profit attributable to ordinary shareholder (RM'000)	12,205
Number of ordinary shares as at 31 Dec 2013 after net off treasury shares	174,061
Effect of warrants exercised	-
Effect of shares repurchased	-
Weighted average number of ordinary shares in issue ('000)	<u>174,061</u>
Basic earnings per share (sen)	7.01

Diluted

The diluted earnings per share is not disclosed as it is not applicable.

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 31/12/2013 RM'000	As at Preceding Financial Year Ended 31/12/2012 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	104,519	97,579
- Unrealised	(4,208)	(3,701)
	100,311	93,878
Total retained profits / (accumulated losses) from associates companies:		
- Realised	26,393	25,142
- Unrealised	(1,854)	(1,572)
	124,850	117,448
Less: Consolidation adjustments	(17,544)	(21,303)
Total group retained profits as per consolidated accounts	107,306	96,145

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 31/12/2013 RM'000	Current Year To Date 31/12/2013 RM'000
(a) Interest income	56	238
(b) Other income	3,040	7,688
(c) Interest expense	(3,172)	(13,273)
(d) Depreciation and amortization	(3,799)	(15,276)
(e) Provision (for) and written off of receivables	1,161	(132)
(f) Provision (for) and written off of inventories	(259)	(1,466)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	N/A	N/A
(h) Impairment of assets	(2,654)	(2,654)
(i) Foreign exchange gain/(loss) - Realised and unrealised	357	425
(j) Gain / (loss) on derivatives	319	323
(k) Exceptional items	N/A	N/A