

PART A: EXPLANATION NOTES AS PER MFRS 134

A1 Basis of Preparation

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 2020.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2020, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations which are effective for annual periods beginning on or after 1 January 2021:

	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021

The above standards, amendments and annual improvements do not have significant impact on the financial reporting of the Group.

A2 Audit Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2020 was not qualified.

A3 Seasonal or cyclicity factors

The Group faces minor seasonal fluctuations during the major festive season's celebrations.

A4 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.

A5 Changes in estimates

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

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A6 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 **except** for the following changes in share capital:

- (i) Issuance of 19,403,200 new ordinary shares pursuant to the Private Placement exercise which was completed on 8 June 2021.
- (ii) Issuance of 1,110,500 new ordinary shares pursuant to the exercise of Employees' Share Option Scheme (ESOS).
- (iii) Issuance of 135,206,526 (including 6,532,380 treasury shares) new ordinary shares pursuant to the Bonus Issue exercise on the basis of 3 bonus shares for every 5 existing ordinary shares held. The issuance was completed with new shares listed on 13 August 2021.
- (iv) During the current financial quarter, the Company repurchased 110,000 of its issued share capital from the open market at an average price of RM0.56 per share. The total consideration paid was RM61,746. These shares are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016

As a result of the above, the paid-up share capital of the Company has been increased from RM106.608 million to RM126.950 million with the number of shares stood at 360,550,756 (including 17,529,680 treasury shares) as at 31 December 2021.

A7 Dividends paid (aggregate or per share) separately for ordinary share and other shares

First interim single-tier dividend of 1.0 sen per ordinary share, amounting to RM2,144,569 in respect of the financial year ended 31 December 2021 was paid on 30 July 2021.

A final single-tier dividend of 1.0 sen per ordinary share, amounting to RM2,144,569 in respect of the financial year ended 31 December 2020 was approved by the shareholders during Annual General Meeting held on 21 July 2021 and subsequent paid on 30 July 2021.

A second interim single-tier dividend of 2.0 sen per ordinary share, amounting to RM6,860,422 in respect of the financial year ended 31 December 2021 was paid on 21 January 2022.

A8 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
Revenue					
External Sales	141,894	395,178	1,607	-	538,679
Inter-segment revenue	7,181	39,624	17,177	(63,982)	-
Total Revenue	149,075	434,802	18,784	(63,982)	538,679
Segment Result	24,211	72,652	11,095	(12,867)	95,091

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Profit from operations	95,091
Finance costs	(7,713)
Interest Income	547
Share of results of associates	30,851
Profit before tax	<u>118,776</u>

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.

A9 Valuations of property, plant and equipment

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

A10 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.

A11 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

The effect of changes in the composition of the Group during the financial year :

Name of the Company	: Prestar Galvanising Sdn Bhd ("PGSB")
Equity held at 30 September 2021	: 97.16%
Equity held at 31 October 2021	: 100%

Prestar Engineering Sdn Bhd ("PESB") acquired 263,000 ordinary shares (2.84% of the equity) in PGSB on 31 October 2021 on a willing-buyer-willing seller basis with the existing minority shareholder. After the acquisition, PGSB has become a 100% owned subsidiary of PESB and Prestar Group.

A12 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2020

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.

A13 Capital commitments

	As at 31/12/2021
	RM'000
Property, plant and equipment	
Authorized and contracted for	4,846
Authorized but not contracted for	1,879

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”)

	Individual Period (4 th quarter)		Increase / (Decrease)		Cumulative Period		Increase / (Decrease)	
	Current Year Quarter 01.10.2021 to 31.12.2021 RM'000	Preceding Year Corresponding Quarter 01.10.2020 to 31.12.2020 RM'000	RM'000	%	Current Year to- date 01.01.2021 to 31.12.2021 RM'000	Preceding Year Corresponding Period 01.01.2020 to 31.12.2020 RM'000	RM'000	%
Revenue	193,447	137,048	56,399	41.2	538,679	409,981	128,698	31.4
Profit from operations	34,396	16,970	17,426	102.7	95,091	29,809	65,282	219.0
Profit before tax	42,998	19,382	23,616	121.8	118,776	27,687	91,089	329.0

Group revenue and profit before taxation (“PBT”) for the quarter under review were RM193.4 million and RM43.0 million respectively. Compared with the same quarter last year, revenue increased by 41.2% while PBT increased by 121.8%. Substantial increase in revenue are mainly due to economic activities resumed with the easing of COVID-19 pandemic-driven containment measures. This was supported by better higher selling prices and profit margin amid strong demand of our products from the middle of the previous quarter.

YTD Group revenue increased by 31.4% to RM538.7 million while the YTD PBT surged substantially by 329.0% to RM118.8 million as compared to only RM27.7 million of the same period last year. The strong performance was mainly due to the higher selling price of our products as well as stronger demand after the relaxation of movement control. Two associate companies also contributed strongly during the quarter under review. PBT achievement for current quarter and YTD were record quarter in the history of the Group.

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

	Current Year Quarter 01.10.2021 to 31.12.2021 RM'000	Immediate Preceding Quarter 01.07.2021 to 30.09.2021 RM'000	Changes	
			RM'000	%
Revenue	193,447	80,555	112,892	140.1
Profit from operations	34,396	20,594	13,802	67.0
Profit before tax	42,998	26,831	16,167	60.3

Compared with the immediate preceding quarter, Group revenue for the quarter under review increased by 140.1% to RM193.4 million mainly due to the resumption of economic activities since the middle of the previous quarter with the easing of COVID-19 lockdown measures.

The Group experienced higher PBT as a result of better margin during this period on the back of increased raw materials prices and strong customer demand. PBT has increased from RM26.8 million to RM43.0 million with reasons mentioned above. Two associate companies of the Group also contributed positively during the quarter under review.

B3 Prospects

Malaysia's gross domestic product (GDP) grew 3.6% in the fourth quarter of 2021 from a year (y-o-y) and Malaysian economy is expected to remain on its recovery path in and poised to grow at the rate of 5.5% to 6.5% in the year 2022. Nonetheless, with the daily COVID-19 cases shoot up lately amid Omicron wave, the outlook for the new financial year remains challenging. Prices of steel raw material fluctuate amid volatile iron ore prices while competition remains stiff with squeeze profit margin envisaged.

Meanwhile, the Group's sales and marketing activities continue to progress according to plan with on-going deliveries of steel guardrails for Pan Borneo Sarawak & Sabah project as well as the enhanced racking business collaboration with the international business partners, Murata Japan.

Barring unforeseen circumstances, the Board is cautiously optimistic that the Group will continue to generate satisfactory performance for the financial year 2022.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 31/12/2021 RM'000	Current Year To Date 31/12/2021 RM'000
Current taxation	9,197	24,971
Deferred taxation	403	(1,173)
In respect of prior years	(137)	(209)
	9,463	23,589

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.

Private Placement

The gross proceeds arising from the Private Placement amounting to RM19.4million and its utilisation is disclosed in the following manner:

Details of utilisation	Proposed Utilisation	Variation	Actual Utilisation as at 31 December 2021	Unutilisation proceeds as at 31 December 2021	Intended Timeframe for utilisation	Revised Timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000		
Capital expenditure	13,600	(3,622)	(6,642)	3,336	Within 12 months	Within 18 months
Repayment of bank borrowings	5,500	3,500	(9,000)	-	Within 12 months	No change
Working capital	47	122	(169)	-	Within 12 months	No change
Estimated expenses for the Proposed Private Placement	256	-	(256)	-	Within 1 month	No change
Total gross proceeds	19,403		(16,067)	3,336		

B7 Group bank borrowings:

Total group borrowings as at 31 December 2021 are as follows:-

RM'000	Short Term Borrowing	Long Term Borrowing
Denominated in Ringgit Malaysia:		
Secured	48,564	14,454
Unsecured	229,046	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	277,610	14,454

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

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.

B9 Dividend

The Directors recommend a final single-tier dividend of 2.0 sen per ordinary share, amounting to RM6,860,422 in respect of the financial year ended 31 December 2021, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

B10 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 31/12/2021	Preceding Quarter 31/12/2020	Current Year to date 31/12/2021	Preceding Year to date 31/12/2020
Net profit/(loss) attributable to ordinary shareholders (RM'000)	33,535	15,830	95,193	22,238
Weighted average number of ordinary shares in issue ('000)	334,231	322,617*	334,231	322,836*
Basic earnings per share (sen)	10.03	4.91	28.48	6.89

Diluted

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in issue during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Current Quarter 31/12/2021	Preceding Quarter 31/12/2020	Current Year to date 31/12/2021	Preceding Year to date 31/12/2020
Net profit attributable to ordinary shareholders (RM'000)	33,535	15,830	95,193	22,238
Weighted average number of ordinary shares in issue ('000)	334,231	322,617*	334,231	322,836*
Effect of dilution – ESOS ('000)	95	285	95	285
Weighted average number of ordinary shares in issue ('000) –diluted	334,326	322,902	334,326	323,121
Diluted earnings per share (sen)	10.03	4.90	28.47	6.88

- For comparative purpose, the Earning Per Share for the quarter and period ended 31 December 2020 had been adjusted to reflect the bonus issue of 3 bonus shares for every 5 existing ordinary shares which was completed on 13 August 2021.

B11 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 31/12/2021 RM'000	Current Year To Date 31/12/2021 RM'000
(a) Interest income	161	547
(b) Other income	2,181	5,697
(c) Interest expense	(2,340)	(7,713)
(d) Depreciation and amortization	(2,021)	(7,815)
(e) Provision (for) and written down of receivables	(169)	(1,442)
(f) Provision (for) and written down of inventories	(4,752)	(6,978)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	44	44
(h) Impairment of assets	(1,003)	(1,003)
(i) Foreign exchange gain/(loss) - Realised and unrealized	121	203
(j) Gain / (loss) on derivatives	204	179
(k) Exceptional items	N/A	N/A