

**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 2016.

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 2016.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, 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 2017:

	Effective Date
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2017
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019

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 2016 was not qualified.

**A3 Seasonal or cyclical factors**

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

**Prestar Resources Berhad (123066-A)****Notes to the Interim Financial Report for the period ended 30 September 2017****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**

During the quarter under review, the Group has completed and finalised the acquisition of the 25% equity of a subsidiary, thus recognizing the consolidation gain obtained on the purchase in this quarter.

**A5 Changes in estimates**

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

**A6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

The paid-up share capital of the Company has been increased from RM93,115,175 to RM102,449,803 as a result of the exercise of 16,926,580 options pursuant to the Company ESOS as at 30 September 2017.

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities other than as disclosed above for the current quarter and financial year to date.

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

A final single-tier dividend of 2.0 sen per ordinary share, amounting to RM3,894,001.80 in respect of the financial year ended 31 December 2016 was paid on 16 June 2017.

An interim single-tier dividend of 2.0 sen per ordinary share, amounting to RM3,952,886.60 in respect of the financial year ended 31 December 2017 was paid on 17 November 2017.

**A8 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
<b>Revenue</b>					
External Sales	129,484	414,894	1,205	-	545,583
Inter-segment revenue	3,346	74,017	6,467	(83,830)	-
Total Revenue	<b>132,830</b>	<b>488,911</b>	<b>7,672</b>	<b>(83,830)</b>	<b>545,583</b>
<b>Segment Result</b>	<b>9,588</b>	<b>51,859</b>	<b>4,572</b>	<b>(3,504)</b>	<b>62,515</b>
<b>Profit from operations</b>					<b>62,515</b>
Finance costs					(10,367)
Interest Income					853
Share of results of associates					2,856
<b>Profit before tax</b>					<b>55,857</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.

**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 Engineering Sdn Bhd ("PESB")  
Equity held at 30 April 2016 : 75%  
Equity held at 19 May 2017 : 100% (acquisition of 25% equity)

**A12 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2016**

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 30/09/2017
	RM'000
Property, plant and equipment	
Authorized and contracted for	343
Authorized and not contracted for	-

**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**

Group revenue for the current quarter and year-to-date were RM 201.0 million and RM 545.6 million respectively, about 32.6 % and 21.4 % higher than the same period last year. Indeed, current quarter is a record quarter with highest revenue ever achieved in a quarter by the Group, substantial improvement mainly derived from manufacturing division. Profit before tax ( "PBT") during the quarter under review were 14.9% higher than the same period last year partly due to inclusion of consolidation gain on finalizing acquisition of 25% equity of a subsidiary during the quarter amid lower sales margin as a result of rising material costs over larger sales volume.

Year to date PBT for the current year were significantly higher than last year's performance with 107.5% improvement mainly due to cumulative effects of strong performance reported for the first two quarters as well as incorporating gain on oversea property sale in the prior quarter.

**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 19.1% to RM 201.0 million. However, profit before tax for the quarter under review reduced to RM 13.7 million as compared to RM 25.7 million of the immediate preceding quarter mainly due to lower sales margin on stiff competition while previous quarter the Group experienced better performance with generally lower material costs as well as absorbing net gain of RM 8.6 million on property sale in Vietnam.

**B3 Prospects**

During the quarter under review inflation rate picked up to 4.3% in September, on the back of 6.2 % domestic economic growth. Despite strong GDP reported for the 3 Qtr, market demand remained lackluster with cautious sentiment amid continued rising fuel prices. Notwithstanding that the ringgit has shown some strengthening in the past few days partly due to the weaker USD, this will lessen the pressure on our import material prices and possibly improving margin, Going forward, though steel raw material price has been stabilizing lately, local market demand remain very challenging with rising inflationary pressure, thus the Board will continue to step up its supply chain management and operational efficiencies in order to continue generating a satisfactory performance for the rest of financial year under review.

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

Not applicable.

**Prestar Resources Berhad (123066-A)**  
**Notes to the Interim Financial Report for the period ended 30 September 2017**

**B5 Tax expenses**

	Current Quarter 30/09/2017 RM'000	Current Year To Date 30/09/2017 RM'000
Current taxation	2,831	13,653
Deferred taxation	1,521	361
In respect of prior years	(354)	(354)
	3,998	13,660

Higher tax rate for the current quarter under review mainly due to inclusion of the final tax on Vietnam operation while finalizing its liquidation.

**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.**

- (i) On 12 July 2017, the Company announced the proposed listing of its 51%-owned subsidiary, Tashin Steel Sdn. Bhd. ("TSSB") on the ACE Market of Bursa Securities. Detail of the Proposed Listing have yet to be determined. A detail announcement in relation to the Proposed Listing will be made in due course once TSSB had finalized and approved the structure of the Proposed Listing.
- (ii) On 15 November 2017, the Company announced that Prestar Industries (Vietnam) Co., Ltd. ("**PIVCL**"), a wholly-owned subsidiary of PRB incorporated in Vietnam had submitted the relevant application to the Investment Board of Binh Duong Industrial Zone Authority of Vietnam for commencement of the liquidation process.

**B7 Group bank borrowings:**

**Total group borrowings as at 30 September 2017 are as follows:-**

	<b>Short Term Borrowing</b>	<b>Long Term Borrowing</b>
	RM'000	RM'000
<b>Denominated in Ringgit Malaysia:</b>		
Secured	62,620	5,560
Unsecured	167,496	-
<b>Denominated in US Dollar:</b>		
Secured	-	-
Unsecured	-	-
<b>Total Bank Borrowings</b>	<b>230,116</b>	<b>5,560</b>

**Prestar Resources Berhad (123066-A)**  
**Notes to the Interim Financial Report for the period ended 30 September 2017**

**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 do not recommend any interim dividend for the current quarter under review.

**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 30/09/2017	Preceding Quarter 30/09/2016	Current Year to date 30/09/2017	Preceding Year to date 30/09/2016
Net profit/(loss) attributable to ordinary shareholders (RM'000)	7,729	7,562	35,056	15,885
Weighted average number of ordinary shares in issue ('000)	195,865	175,448	191,390	175,416
Basic earnings per share (sen)	3.95	4.31	18.32	9.06

**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 30/09/2017	Preceding Quarter 30/09/2016	Current Year to date 30/09/2017	Preceding Year to date 30/09/2016
Net profit attributable to ordinary shareholders (RM'000)	7,729	7,562	35,056	15,885
Weighted average number of ordinary shares in issue ('000)	195,865	175,448	191,390	175,416
Effect of dilution – ESOS ('000)	1,720	4,014	1,720	4,014
Weighted average number of ordinary shares in issue ('000) – diluted	197,585	179,462	193,110	179,430
Diluted earnings per share (sen)	3.91	4.21	18.15	8.85

**Prestar Resources Berhad (123066-A)**  
**Notes to the Interim Financial Report for the period ended 30 September 2017**

**B11 Realised and unrealised profits/losses disclosure**

	As at Current Financial Period Ended 30/09/2017 RM'000	As at Preceding Financial Year Ended 31/12/2016 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	212,546	172,138
- Unrealised	(19,321)	(11,581)
	193,225	160,557
Total retained profits / (accumulated losses) from associates companies:		
- Realised	25,955	23,874
- Unrealised	(340)	(1,115)
	218,840	183,316
Less: Consolidation adjustments	(46,360)	(41,998)
Total group retained profits as per consolidated accounts	172,480	141,318

**B12 Notes to Condensed Consolidated Statement of Comprehensive Income**

Net profit is arrived at after take in the following items:	Current Quarter 30/09/2017 RM'000	Current Year To Date 30/09/2017 RM'000
(a) Interest income	389	853
(b) Other income	3,749	17,180
(c) Interest expense	(3,571)	(10,367)
(d) Depreciation and amortization	(2,891)	(8,325)
(e) Provision (for) and written off of receivables	1,671	396
(f) Provision (for) and written off of inventories	2,680	725
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	8,600
(h) Impairment of assets	(58)	(106)
(i) Foreign exchange gain/(loss) - Realised and unrealized	(59)	(60)
(j) Gain / (loss) on derivatives	(67)	(533)
(k) Exceptional items	N/A	N/A

\* included in (b)