

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.

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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's subsidiary in Vietnam had disposed a piece of land with factory at RM 22.7 million, the net effect has been taken up in this quarter. (Detail has been announced on 28th April 2017)

Save as disclosed above, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

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 RM101,984,697 as a result of the exercise of 16,284,380 options pursuant to the Company ESOS as at 30 June 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

An interim single-tier dividend of 1.0 sen per ordinary share, amounting to RM1,860,864.40 in respect of the financial year ended 31 December 2016 was paid on 16 February 2017.

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.

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	82,530	261,212	803	-	344,545
Inter-segment revenue	1,790	43,789	3,348	(48,927)	-
Total Revenue	84,320	305,001	4,151	(48,927)	344,545
Segment Result	7,205	39,861	1,951	(2,749)	46,268
Profit from operations					46,268
Finance costs					(6,796)
Interest Income					464
Share of results of associates					2,264
Profit before tax					42,200

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 was signed on
4th May 2017, please refer to Note B6)

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 30/06/2017
	RM'000
Property, plant and equipment	
Authorized and contracted for	160
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 ("YTD")

Group revenue and Profit before taxation ("PBT") for the quarter under review were RM168.8 million and RM 25.7 million respectively. Though the growth momentum of revenue for the quarter under review was slightly lower than previous quarter, it was 10.3% higher than the same quarter of last year. PBT for the quarter under review was substantially higher with the recognition of the gain in land and factory disposal by our Vietnam subsidiary.

YTD results for the current year were also significantly higher than last year's performance mainly due to strong demand and higher sales margin experienced since beginning of the year. Besides the above factor, on-going improvement efforts such as costs-control exercise and operational improvements carried out within the Group also contributed to the better 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 reduced by 3.90% to RM168.8 million in line with tapering demand towards the end of the quarter . However, profit before tax for the quarter under review increased substantially to RM 25.7 million when compared to RM16.5 million of the preceding quarter. The improvement was due to current quarter incorporating gain on land and factory disposal by our Vietnam subsidiary coupled with increase in sales margin in the early part of the quarter as well as on-going cost control activities and operational improvements carried out within the Group.

B3 Prospects

Amid report of slightly stronger growth in Malaysia's economy for the second quarter of the year to 5.8% (y-o-y); market demand appears to slow down towards the end of the quarter under review. International steel prices continued to fluctuate though some rebound is seen again at the time of this reporting.

Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in order to continue generating good performance for the financial year under review.

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B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 30/06/2017 RM'000	Current Year To Date 30/06/2017 RM'000
Current taxation	5,026	10,822
Deferred taxation	408	(1,160)
In respect of prior years	-	-
	<u>5,434</u>	<u>9,662</u>

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 28 April 2017, the Company announced that Prestar Industries (Vietnam) Co., Ltd. ("PIVCL"), a wholly-owned subsidiary of the company, had on 27 April 2017 entered into a Asset Purchase Agreement with Thai Binh Shoes Joint Stock Company, for the proposed disposal of assets, consisting of the land use rights, building, fixtures and equipment as electric system, air-condition system in PIVCL's office and weighing scale in front of PIVCL's office located at Lot CN7, Plots 1,2,3, N5 Street, Song Than 3 Industrial Park, Phu Tan Ward, Thu Dau Mot City, Binh Duong Province ("the Disposal") for a disposal consideration, including 10% Value Added Tax, of Vietnamese Dong 118,800,000,000/- (equivalent to approximately RM22,710,763/- at the exchange rate of RM1/-=VND5,231/- as at 27 April 2017).
- (ii) On 4 May 2017, the Company entered into a Sale and Purchase Agreement of Shares in Prestar Engineering Sdn. Bhd. ("PESB") with Mr. Lam Chung Ming for the acquisition of 750,000 ordinary shares representing 25% of the total number of issued shares of PESB, a 75% owned subsidiary of the Company, at a total purchase consideration of RM4,500,000/-. The acquisition has been completed on 19 May 2017.
- (iii) 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.

B7 Group bank borrowings:

Total group borrowings as at 30 June 2017 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	73,951	8,983
Unsecured	207,863	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	281,814	8,983

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 Board declared an interim single-tier dividend of 2.0 sen per ordinary share, amounting to RM3,916,866.60 in respect of the financial year ending 31 December 2017 on 23 August 2017 with the entitlement date and payable date to be determined in due course.

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 30/06/2017	Preceding Quarter 30/06/2016	Current Year to date 30/06/2017	Preceding Year to date 30/06/2016
Net profit/(loss) attributable to ordinary shareholders (RM'000)	18,038	5,172	27,327	8,323
Weighted average number of ordinary shares in issue ('000)	191,902	175,176	189,115	175,129
Basic earnings per share (sen)	9.40	2.95	14.45	4.75

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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 30/06/2017	Preceding Quarter 30/06/2016	Current Year to date 30/06/2017	Preceding Year to date 30/06/2016
Net profit attributable to ordinary shareholders (RM'000)	18,038	5,172	27,327	8,323
Weighted average number of ordinary shares in issue ('000)	191,902	175,176	189,115	175,129
Effect of dilution – ESOS ('000)	1,933	1,488	1,933	1,488
Weighted average number of ordinary shares in issue ('000) – diluted	193,835	176,664	191,048	176,617
Diluted earnings per share (sen)	9.31	2.93	14.30	4.71

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 30/06/2017 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	197,573	172,138
- Unrealised	(11,026)	(11,581)
	<u>186,547</u>	<u>160,557</u>
Total retained profits / (accumulated losses) from associates companies:		
- Realised	25,688	23,874
- Unrealised	(664)	(1,115)
	<u>211,571</u>	<u>183,316</u>
Less: Consolidation adjustments	<u>(46,820)</u>	<u>(41,998)</u>
Total group retained profits as per consolidated accounts	<u>164,751</u>	<u>141,318</u>

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 30/06/2017 RM'000	Current Year To Date 30/06/2017 RM'000
(a) Interest income	293	464
(b) Other income	12,320	13,431
(c) Interest expense	(3,589)	(6,796)
(d) Depreciation and amortization	(2,709)	(5,434)
(e) Provision (for) and written off of receivables	28	(1,275)
(f) Provision (for) and written off of inventories	1,860	(1,955)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	8,600	8,600
(h) Impairment of assets	(48)	(48)
(i) Foreign exchange gain/(loss) - Realised and unrealized	(304)	(1)
(j) Gain / (loss) on derivatives	(5)	(466)
(k) Exceptional items	N/A	N/A