

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 2017.

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 2017.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, 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 2018:

	Effective Date
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)	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
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	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 2017 was not qualified.

A3 Seasonal or cyclicity factors

The Group faces minor seasonal fluctuations during the major festive seasons 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.

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

(i) Employees' Share Option Scheme

The paid-up share capital of the Company has been increased from RM103,411,006 to RM103,530,490 as a result of the exercise of 204,500 options pursuant to the Company ESOS as at 30 September 2018.

(ii) Shares buy-back

During the current financial quarter, the Company repurchased 302,700 of its issued share capital from the open market at an average price of RM0.768 per share. The total consideration paid was RM232,466.

During the current financial year to date, the Company repurchased 1,937,700 of its issued share capital from the open market at an average price of RM0.865 per share. The total consideration paid was RM1,676,532. These shares are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

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 3.0 sen per ordinary share, amounting to RM5,895,516.90 in respect of the financial year ended 31 December 2017 was paid on 28 June 2018.

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
Revenue					
External Sales	131,536	453,158	1,205	-	585,899
Inter-segment revenue	5,092	93,565	4,999	(103,656)	-
Total Revenue	136,628	546,723	6,204	(103,656)	585,899
Segment Result	4,408	26,686	2,670	(3,160)	30,604
Profit from operations					30,604
Finance costs					(10,405)
Interest Income					546
Share of results of associates					1,664
Profit before tax					22,409

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

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

A12 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2017

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.

Prestar Resources Berhad (123066-A)
Notes to the Interim Financial Report for the period ended 30 September 2018

A13 Capital commitments

As at 30/09/2018

RM'000

Property, plant and equipment

Authorized and contracted for 25,954

Authorized and not contracted for 5,723

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

	Individual Period (3 rd quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year to-date	Preceding Year Corresponding Period	
	01.07.2018 to 30.09.2018 RM'000	01.07.2017 to 30.09.2017 RM'000		01.01.2018 to 30.09.2018 RM'000	01.01.2017 to 30.09.2017 RM'000	
Revenue	206,945	201,038	5,907 / 2.9	585,899	545,583	40,316 / 7.4
Profit from operations	7,823	16,247	(8,424) / (51.8)	30,604	62,515	(31,911) / (51.0)
Profit Before Tax	4,104	13,657	(9,553) / (69.9)	22,409	55,857	(33,448) / (59.9)
Profit for the period	3,246	9,659	(6,413) / (66.4)	16,177	42,197	(26,020) / (61.7)

Group revenue and Profit before taxation ("PBT") for the quarter under review were RM206.9 million and RM4.1 million respectively. Though revenue increased by 2.9% over the same quarter of last year, PBT for the quarter under review was substantially lower by 69.9%. This was mainly due to lower sales margin across the board on higher costs of materials and operating expenses as well as losses reported by some subsidiaries and an associate company during the quarter. Comparatively, a non-recurring consolidation gain of RM1.92 million on share acquisition recognized during the same quarter last year also caused the wider difference in PBT of the two different periods. YTD PBT was also lower by 59.9% when compared to the same period last year as a result of the effects mentioned above.

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

	Current Year Quarter 01.07.2018 to 30.09.2018 RM'000	Immediate Preceding Quarter 01.04.2018 to 30.06.2018 RM'000	Changes (Amount/%)
Revenue	206,945	186,409	20,536 / 11.0
Profit from operations	7,823	10,974	(3,151) / (28.7)
Profit Before Tax	4,104	6,185	(2,081) / (33.6)
Profit for the period	3,246	3,918	(672) / (17.2)

Compared with the immediate preceding quarter, Group revenue for the quarter under review increased by 11.0% from RM186.4 million to RM206.9 million. However, Profit before tax for the quarter under review reduced to RM4.1 million as compared to RM6.2 million of the immediate preceding quarter. Weaker performance was mainly due to squeezed sales margin as a result the sluggish market demand, losses reported by associate company and some subsidiaries amid slowdown in economic activities during the quarter.

B3 Prospects

Malaysia's economy grew merely at 4.4% during the quarter under review which is the lowest growth rate in the last two years as the country grappled with lower exports and weak domestic consumptions. Economists are in view that the domestic economic growth is not likely to improve significantly in the near term amid the on-going trade war between the two top world economies. Nevertheless, steel prices remained reasonably stable with minimum fluctuations thus alleviate further negative impact on company performance.

Against this backdrop, the Board foresee the remaining period of the year to be very challenging amid on-going domestic financial, social and political reforms. Barring unforeseen circumstances, the Board will continue to be cautious and pragmatic in directing the business strategies so as to generate a satisfactory financial results for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 30/09/2018 RM'000	Current Year To Date 30/09/2018 RM'000
Current taxation	1,623	6,950
Deferred taxation	456	550
In respect of prior years	(1,221)	(1,268)
	<u>858</u>	<u>6,232</u>

Prestar Resources Berhad (123066-A)**Notes to the Interim Financial Report for the period ended 30 September 2018**

The average effective tax rate of the Group for the financial year to date is higher than the current statutory tax rate mainly due to non tax deductibility of some expenses.

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 5 March 2018, the Company entered into a Sale and Purchase Agreement with Skyhub Technologies Sdn. Bhd. (Company No. 755194-P) for the acquisition of all that parcel of leasehold land held under Pajakan Mukim 5109, Lot 3811, Pekan Subang, Daerah Petaling, Negeri Selangor, together with the buildings erected thereon, at a total purchase consideration of RM19,250,000 (Ringgit Malaysia: Nineteen Million Two Hundred and Fifty Thousand) only. The Proposed Acquisition is yet to be completed.
- (ii) 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 ("IPO"). Further reference is made to the announcements dated, 9 January 2018, 9 March 2018 and 17 April 2018.

On 20 June 2018, applications in relation to the Proposed Listing have been submitted to:

- (a) Bursa Securities for the listing of and quotation for the entire enlarged share capital of Tashin Holdings on the ACE Market of Bursa Securities; and
- (b) Securities Commission Malaysia (Equity Compliance Unit) in relation to the Bumiputera Equity Requirements for Public Listed Companies.

The application is still pending approval of various authorities.

B7 Group bank borrowings:

Total group borrowings as at 30 September 2018 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	49,309	2,786
Unsecured	189,804	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	239,113	2,786

Prestar Resources Berhad (123066-A)**Notes to the Interim Financial Report for the period ended 30 September 2018****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 1.0 sen per ordinary share, amounting to RM1,957,037.30 in respect of the financial year ending 31 December 2018 on 27 November 2018 with the entitlement date and payable date to be determined in due cause.

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 30/09/2018	Preceding Quarter 30/09/2017	Current Year to date 30/09/2018	Preceding Year to date 30/09/2017
Net profit/(loss) attributable to ordinary shareholders (RM'000)	2,141	7,729	12,259	35,056
Weighted average number of ordinary shares in issue ('000)	196,171	195,865	196,833	191,390
Basic earnings per share (sen)	1.09	3.95	6.23	18.32

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 30/09/2018	Preceding Quarter 30/09/2017	Current Year to date 30/09/2018	Preceding Year to date 30/09/2017
Net profit attributable to ordinary shareholders (RM'000)	2,141	7,729	12,259	35,056
Weighted average number of ordinary shares in issue ('000)	196,171	195,865	196,833	191,390
Effect of dilution – ESOS ('000)	239	1,720	239	1,720
Weighted average number of ordinary shares in issue ('000) – diluted	196,410	197,585	197,072	193,110
Diluted earnings per share (sen)	1.09	3.91	6.22	18.15

B11 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 30/09/2018 RM'000	Current Year To Date 30/09/2018 RM'000
(a) Interest income	135	546
(b) Other income	1,582	5,011
(c) Interest expense	(3,571)	(10,405)
(d) Depreciation and amortization	(2,775)	(8,524)
(e) Provision (for) and written off of receivables	(391)	(485)
(f) Provision (for) and written off of inventories	(244)	(1,399)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	(36)	(164)
(j) Gain / (loss) on derivatives	4	(297)
(k) Exceptional items	N/A	N/A

B12 Other – Judicial Review –Tashin Steel Sdn Bhd (51% owned Subsidiary)

Tashin Steel Sdn. Bhd. (“**TSSB**”), a 51%-owned subsidiary of Prestar Resources Berhad, had on 19 September 2018 appointed Messrs. Teja Singh Penesar & Co as solicitors of TSSB to commence judicial review proceedings to quash the final decision of the Ministry of Finance (“**MOF**”) dated 10 July 2018 in refusing to grant a remission to the sum of RM1,299,907.00 imposed by the Royal Malaysian Customs Department (“**RMCD**”) by way of import duty.

On 5 October 2018, TSSB had filed an application to obtain leave of Court to commence judicial review proceedings against the MOF and RMCD pursuant to Order 53 of the Rules of Court 2012.

TSSB had on 25 October 2018 obtained leave of court to commence judicial review proceedings against the MOF and RMCD for the following:

- (a) An Order of Certiorari to remove into the High Court for the purpose of it being quashed, part of the decision of MOF dated 10 July 2018 where the MOF refused to grant a remission to the sum of RM1,299,907.00 imposed by RMCD by way of import duty; and
- (b) An order to compel RMCD to account for and return the Input Tax Credit (“**ITC**”) in the sum of RM808,097.52 that was erroneously and arbitrarily withheld to off-set the import duty allegedly due and payable by TSSB together with interest accruing at the rate of 5% per annum calculated from the date of Judgement until full and final settlement.

The case management had been fixed on 19 November 2018 for the Attorney General's chambers to file its affidavit in reply for the substantive hearing. At the case management, the Judicial Review Hearing date was fixed on 27 February 2019.

Background information

On 3 June 2011, TSSB entered into an agreement with Perusahaan Otomobil Nasional Sdn Bhd ("**Proton**") to partake in a Material Delivered Duty Unpaid Scheme ("**DDU Scheme**") wherein TSSB was appointed to import raw materials for and on behalf of Proton.

Under the DDU Scheme, Proton is required to obtain all regulatory approvals/permits for the exemption of import duties payable upon the importation of raw materials by TSSB and other steel processors for and on behalf of Proton ("**Proton's Exemption**").

The RMCD investigated TSSB for the alleged misuse of Proton's Exemption and had on 25 February 2016 conducted a physical inspection at TSSB's premise. On 24 May 2016, RMCD issued four (4) Bills of Demand to Proton and TSSB for a total of RM3.66 million, of which RM0.45 million had been paid via the deduction of Goods and Services Tax credit balance. The balance of RM3.21 million had been provided in the audited consolidated financial statements of TSSB for the financial year ended 31 December 2016. The provision made was recorded under accruals.

On 10 July 2018, the MOF had vide its letter to Proton informed that a portion of the waiver on the Bills of Demand had been approved. TSSB's waiver amount is RM2,363,507.04, while the balance of RM1,299,907.00 was not waived.