

PART A: EXPLANATION NOTES AS PER FRS 134

A1 Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and other FRS issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

These explanatory notes attached to the 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 2010.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new FRSs, Amendments to FRSs and Interpretations with effect from 1 January 2011.

Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRSs	Improvements to FRSs (2010)
IC Interpretation 4	Determining whether an Agreement Contains a Lease
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The above new FRSs, IC Interpretations and Amendments to FRSs 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 30 June 2011.

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

There was no dividend paid for the quarter ended 30 June 2011.

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	60,417	215,902	910	-	277,229
Inter-segment revenue	225	35,182	2,273	(37,680)	-
Total Revenue	<u>60,642</u>	<u>251,084</u>	<u>3,183</u>	<u>(37,680)</u>	<u>277,229</u>
Segment Result	1,823	13,551	971	800	17,145
Profit from operations					17,145
Finance costs					(6,889)
Interest Income					144
Share of results of associates					643
Profit before tax					<u>11,043</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.

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) Incorporation of a subsidiary company in Indonesia

On 3 March 2011, Prestar Precision Tube Sdn Bhd (“PPTSB”), a wholly-owned subsidiary of the Company, had incorporated a company in Jakarta, Indonesia with the name - PT Prestar Precision Tube (“PTPPT”). PPTSB holds 75% of PTPPT’s equity while the balance of equity is held by Mr. Hartono Amidjojo.

The above incorporation is not expected to have any material effect on the earnings or net assets of the Company.

ii) Members’ Voluntary Winding-up of a subsidiary

On 24 Jun 2011, the Company announced that its wholly-owned subsidiary, Prestar Ventures Sdn Bhd has been dissolved on 23 June 2011 pursuant to Section 272(5) of the Companies Act 1965.

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2010

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 30/06/2011
	RM’000
Property, plant and equipment	
Authorized and contracted for	2,243
Authorized and not contracted for	684

**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 for the quarter under review were RM146.08 million and RM5.83 million respectively. Though the revenue was slightly higher than the same quarter of last year, profit before taxation for the quarter under review is lower by around 23.3% due to weak market demand and fluctuating steel prices. YTD results for the current year were still significantly below last year's performance mainly due to strong demand and higher sales margin experienced by the steel industry during the same period last year.

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 11.4% to RM146.08 million. However, profit before tax for the quarter under review increased only slightly to RM5.83 million when compared to RM5.21 million of the preceding quarter. The improvement was partly due to increase in other income, better steel prices in the quarter albeit fluctuating as well as improvements attained through various on-going kaizen and cost cutting activities carried out within the Group.

B3 Prospects

Malaysian economic growth has slowed down during the second quarter amid the global economic turmoil in Eurozone as well as fragile US economic recovery which culminated in the downgrading of US credit rating. Steel prices remain volatile as prices weakened in the middle of the quarter under review but rebounded slightly in the subsequent quarter. Nevertheless, there is an affirmative sign for steel industry as MITI just announced its termination of investigation in relation to Megasteel's hot-rolled coil safeguard petition.

Against this lackluster economic backdrop, the Board will continue to adopt cautious and pragmatic approach in order to generate a satisfactory performance for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 30/06/2011 RM'000	Current Year To Date 30/06/2011 RM'000
Current taxation	1,559	2,782
Deferred taxation	(29)	5
In respect of prior years	(39)	(39)
	<u>1,491</u>	<u>2,748</u>

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

B6 Profit / (Losses) on sale of unquoted investments and/or properties

There is no sale of unquoted investments or properties for the current quarter and financial year to date.

B7 Quoted securities

- (a) There is no purchase or disposal of quoted securities for the current quarter and financial year to date.
- (b) There is no investment in quoted securities as at 30 June 2011.

- B8 (a) 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.**
- (b) Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal.**

(a) and (b) not applicable.

B9 Group bank borrowings:

Total group borrowings as at 30 June 2011 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	82,955	4,905
Unsecured	145,183	6,231
Denominated in US Dollar:		
Secured	2,671	-
Unsecured	7,225	-
Denominated in Vietnam VND:		
Secured	10,615	-
Total Bank Borrowings	248,649	11,136

B10 Disclosure of derivatives

The list of outstanding derivatives as at 30 June 2011 is as follows:

Type of Derivatives :	Notional Value	Fair Value
Forward Foreign currency contract	RM'000	RM'000
Bank buy :		
- Less than 1 year	7,105	7,056
Bank sell :		
- Less than 1 year	3,480	3,513

The above foreign currency contracts were executed with creditworthy financial institutions and hence the likelihood of non performance is remote.

B11 Material litigation since the last financial year ended 31 December 2010 which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report

As at 19 August 2011, there were no changes in material litigation, including the status of pending material litigation since the last financial year ended 31 December 2010.

B12 Dividend

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

B13 Earnings per share

	Current Quarter Ended 30/06/2011
Basic	
Net profit attributable to ordinary shareholder (RM'000)	5,565
Number of ordinary shares as at 1 Jan 2010 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)	3.20

Diluted

The diluted earnings per ordinary share is not presented for the current quarter as there is an anti-dilutive effect on the conversion of Warrants to ordinary shares.

B14 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 30/06/2011 RM'000	As at Preceding Financial Year Ended 31/12/2010 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	92,062	87,675
- Unrealised	<u>(4,399)</u>	<u>(4,272)</u>
	87,663	83,403
Total retained profits / (accumulated losses) from associates companies:		
- Realised	24,129	23,438
- Unrealised	<u>(1,516)</u>	<u>(1,468)</u>
	110,276	105,373
Less: Consolidation adjustments	<u>(23,850)</u>	<u>(24,530)</u>
Total group retained profits as per consolidated accounts	<u>86,426</u>	<u>80,843</u>