

PART A: EXPLANATION NOTES AS PER MFRS 134

A1 Accounting policies and methods of computation

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 2013.

The explanatory notes attached to these condensed consolidated 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 2013.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following Amendments to Standards and IC Interpretations with effect from 1 January 2014 :

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities : Investment Entities
Amendments to MFRS 127	Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The above Amendments to MFRSs and IC Interpretation 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 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.

Prestar Resources Berhad (123066-A)
Notes to the Interim Financial Report for the period ended 30 June 2014

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 2014.

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 2014.

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	73,143	239,302	660	-	313,105
Inter-segment revenue	343	41,605	2,318	(44,266)	-
Total Revenue	73,486	280,907	2,978	(44,266)	313,105
Segment Result	2,644	16,348	557	(670)	18,879
Profit from operations					18,879
Finance costs					(6,988)
Interest Income					160
Share of results of associates					409
Profit before tax					12,460

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

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

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2013

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 30/06/2014
	RM'000
Property, plant and equipment	
Authorized and contracted for	5,670
Authorized and not contracted for	224

- The balance of this page has been left blank intentionally -

**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 RM155.62 million and RM6.30 million respectively. Though the revenue increased by 5.2% over the same quarter of last year, profit before taxation for the quarter under review has reduced slightly mainly due to lower selling price amid very competitive market conditions. Similar situation applied on YTD results for the current year. In order to maintain competitive position of the Group, on-going costs-control exercises and various plant efficiencies programs are being carried out persistently.

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 1.2% to RM155.62 million. However, profit before tax for the quarter under review increased slightly to RM6.30 million. The improvement was partly due to slightly improved contribution from the associate as well as on-going kaizen and cost control activities carried out within the Group.

B3 Prospects

The stronger-than-expected GDP growth (6.4% y-o-y) in the 2Q is putting pressure on the Central Bank to further smoothening its monetary policy maneuvering and some economists are expecting it to raise the Overnight Policy Rate (OPR) by another 25 basis points for the rest of this year thus may slow down the growth momentum of domestic economy during this period. Amid this, steel industry remained in the doldrums of stagnation with low margin pricing and overcapacities. Against this backdrop, the Board will continue to adopt cautious and pragmatic approach together with consistent and persistent improvement efforts to continue generating a satisfactory performance for the rest of the 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 June 2014

B5 Tax expenses

	Current Quarter 30/06/2014 RM'000	Current Year To Date 30/06/2014 RM'000
Current taxation	1,202	2,951
Deferred taxation	536	1,099
In respect of prior years	(243)	(243)
	1,495	3,807

The average effective tax rate of the Group for the current quarter and financial year to date is slightly 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.

On 20 September 2013, the Company had announced that it proposed to undertake the establishment of an employees' share option scheme of up to fifteen per centum (15%) of the issued and paid-up share capital of the Company ("**Proposed ESOS**").

On 17 December 2013, the Company had announced that the shareholders of Prestar had at the Extraordinary General Meeting ("EGM") held on that day, approved all the resolutions as set out in the Notice of EGM dated 29 November 2013 in relation to the Proposed ESOS.

On 25 April 2014, the Company announced the implementation of the ESOS with 21 April 2014 as the effective date .

B7 Group bank borrowings:

Total group borrowings as at 30 June 2014 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	69,367	21,163
Unsecured	187,536	-
Denominated in US Dollar:		
Secured	1,439	-
Unsecured	-	-
Total Bank Borrowings	258,342	21,163

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

Save as disclosed below, 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:

Tashin Steel Sdn Bhd ("Tashin"), Formula Naga Sdn Bhd ("FN") and Ta Yang Hardware Sdn Bhd ("TY ") ("Plaintiffs") vs. PDC Properties Sdn Bhd ("PDC") ("Defendant").

On 25 October, 2012, Tashin, a subsidiary of the Company together with the customers of PDC, FN and TY have filed a Civil Suit against PDC at the Penang High Court.

Tashin has initiated the said suit based on a Sale and Purchase Agreement dated 11 August 2011 entered into between Tashin and PDC for the purchase of a property located at Lot 2634HS(D) 15736, Mukim 13 Daerah Timur Laut by Tashin from PDC as the Vendor. Tashin contended that there was a material breach of representations and assurances by PDC on the said property with the announcement made by another developer, Ivory Properties Group Berhad on a new development adjoining and in front of the said property which may affect the value of the properties purchased earlier by the Plaintiffs. Tashin is claiming for the rescission of the said Sale and Purchase Agreement and special damages to be determined by the Court.

PDC has filed an application on 13 May 2013 to strike out the above suit and the Penang High Court has fixed the hearing on 12 September 2013. The matter was initially fixed for decision before Y.A. Dato' Varghese A/L George Varughese however the matter has now been transferred to be heard before the Learned Judicial Commissioner Tuan Wong Teck Meng and is fixed for case management on 19 November 2013, it was subsequently adjourned to 8 January 2014 for clarification and decision.

The matter is now adjourned to 13 March 2014 for hearing of the Defendant's application to strike out the Writ and Statement of Claim, and our application to amend the Statement of Claim to include a plea of fraud. This was postponed to 2 April 2014 for decision but subsequently adjourned to 5 May 2014 where the Learned Judicial Commissioner listened to brief submissions. The matter was adjourned to 21 May 2014 for clarification and decision. However, on 21st May 2014, after listening to the submissions by both parties, the case was further adjourned to 25th Jun 2014 for decision.

The Judicial Commissioner postponed the decision to 26th Jun 2014 and has allowed Plaintiffs' application to amend the suit from 'misrepresentation' to 'fraudulent misrepresentation' and dismissed PDC's application to strike out the suit.

On 22nd July 2014, the Defendant lodged an appeal against the decision to allow the amendment and dismiss the striking out application. The case is now pending full hearing at court of appeal with a date of hearing yet to be fixed.

The solicitors for the matter, Messrs. Teja Sing Penesar & Co ("TSP"), have opined that appeal should be in the favor of Tashin as the matter would be fixed for full hearing and parties will still be able to put forward full arguments on the merits of the matter. In any event, the potential liability of Tashin would be limited to costs only. The quantum of costs cannot be determined at this juncture.

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 30/06/2014	Preceding Quarter 30/06/2013	Current Year to date 30/06/2014	Preceding Year to date 30/06/2013
Net profit attributable to ordinary shareholders (RM'000)	4,216	4,152	7,081	7,289
Weighted average number of ordinary shares in issue ('000)	174,061	174,061	174,061	174,061
Basic earnings per share (sen)	2.42	2.39	4.07	4.19

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 30/06/2014	Preceding Quarter 30/06/2013	Current Year to date 30/06/2014	Preceding Year to date 30/06/2013
Net profit attributable to ordinary shareholders (RM'000)	4,216	4,152	7,081	7,289
Weighted average number of ordinary shares in issue ('000)	174,061	174,061	174,061	174,061
Effect of dilution – ESOS ('000)	1,604	-	1,604	-
Weighted average number of ordinary shares in issue ('000) – diluted	175,665	174,061	175,665	174,061
Diluted earnings per share (sen)	2.40	2.39	4.03	4.19

Prestar Resources Berhad (123066-A)
Notes to the Interim Financial Report for the period ended 30 June 2014

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 30/06/2014 RM'000	As at Preceding Financial Year Ended 31/12/2013 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	115,105	104,519
- Unrealised	(5,880)	(4,208)
	109,225	100,311
 Total retained profits / (accumulated losses) from associates companies:		
- Realised	26,079	26,393
- Unrealised	(1,269)	(1,854)
	134,035	124,850
 Less: Consolidation adjustments	(19,648)	(17,544)
Total group retained profits as per consolidated accounts	114,387	107,306

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 30/06/2014 RM'000	Current Year To Date 30/06/2014 RM'000
(a) Interest income	82	160
(b) Other income	1,453	2,491
(c) Interest expense	(3,565)	(6,988)
(d) Depreciation and amortization	(2,351)	(4,667)
(e) Provision (for) and written off of receivables	182	(251)
(f) Provision (for) and written off of inventories	889	249
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	N/A	N/A
(h) Impairment of assets	N/A	N/A
(i) Foreign exchange gain/(loss) - Realised and unrealised	76	37
(j) Gain / (loss) on derivatives	(33)	(286)
(k) Exceptional items	N/A	N/A