

**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.

As at the date of authorization of this report, the following MFRSs have been issued with effective dates that have not been adopted by the Group:

	Effective Date
Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions	1 July 2014
Amendments to MFRSs Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014

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Amendments to MFRSs Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

**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.

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**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 September 2014.

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

A final single-tier dividend of 4.0% (2.0 sen per ordinary share) , amounting to RM3,500,557 in respect of the financial year ended 31 December 2013 was paid on 18 September 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
<b>Revenue</b>					
External Sales	114,017	358,718	983	-	473,718
Inter-segment revenue	569	62,947	4,438	(67,954)	-
Total Revenue	<b>114,586</b>	<b>421,665</b>	<b>5,421</b>	<b>(67,954)</b>	<b>473,718</b>
<b>Segment Result</b>	<b>3,877</b>	<b>25,725</b>	<b>1,506</b>	<b>(2,119)</b>	<b>28,989</b>
<b>Profit from operations</b>					<b>28,989</b>
Finance costs					(10,596)
Interest Income					274
Share of results of associates					(523)
<b>Profit before tax</b>					<b>18,144</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.

**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 30/09/2014
	RM'000
Property, plant and equipment	
Authorized and contracted for	2,072
Authorized and not contracted for	195

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**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 for the current quarter and year-to-date were RM160.6 million and RM 473.7 million respectively, about 8.4% and 5.3% higher than the same period last year. Profit before tax for the current quarter increased from RM3.3 million last year to RM 5.7 million this year while YTD Profit before tax were higher at RM 18.1 million as compared to RM 15.8 million of the same period last year. The improvement in both the current quarter and YTD performance was mainly due to better sales margin obtained on export sales as well as having lower losses from a loss-making subsidiary this 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 3.2% to RM160.6 million. However, profit before tax for the quarter under review reduced to RM 5.7 million as compared to RM 6.3 million of the preceding quarter mainly due to decline in steel prices and extremely competitive market conditions which dampened the selling price and margin of our products.

**B3 Prospects**

Amid moderate pace of global economic recovery on the back of persistent weakness in the Eurozone and Chinese economies, the Japanese economy is also struggling to regain traction. Domestically, our real economic growth for the 3Q 2014 moderated to 5.6% y-o-y after strong growth recorded in the first half of the year. On this backdrop, local steel industry continues to face uncertainties and challenges with softened international steel prices as a result of oversupply in China, thus depressing selling price and sales margin.

Going forward, the Board will continue to step up its supply chain management and operational efficiencies and productivity in order to continue generating a satisfactory performance for the financial year under review.

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

Not applicable.

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**B5 Tax expenses**

	Current Quarter 30/09/2014 RM'000	Current Year To Date 30/09/2014 RM'000
Current taxation	1,665	4,616
Deferred taxation	635	1,734
In respect of prior years	(215)	(458)
	2,085	5,892

The average effective tax rate of the Group for the current quarter and 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) Proposed employees' share option scheme ("ESOS") of up to fifteen per centum (15%) of the issued and paid-up share capital of the Company, announced on 29<sup>th</sup> September 2013 and successfully implemented on 21<sup>st</sup> April 2014
- ii) On 29<sup>th</sup> Aug 2014, the Company announced the proposed acquisition of 900,000 ordinary shares of RM1.00 each in the capital of Dai Dong Steel Sdn. Bhd. ("DDSB"), a 70% owned subsidiary of the Company, representing 30% of the issued and paid-up share capital of DDSB at a total purchase consideration of RM4,501,380.00. The proposed acquisition was completed on 1st Oct 2014 and DDSB has become a 100% owned subsidiary.

**B7 Group bank borrowings:**

**Total group borrowings as at 30 September 2014 are as follows:-**

	<b>Short Term Borrowing</b>	<b>Long Term Borrowing</b>
	RM'000	RM'000
<b>Denominated in Ringgit Malaysia:</b>		
Secured	70,389	22,699
Unsecured	186,677	-
<b>Denominated in US Dollar:</b>		
Secured	1,185	-
Unsecured	-	-
<b>Total Bank Borrowings</b>	<b>258,251</b>	<b>22,699</b>

**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 21<sup>st</sup> May 2014, after listening to the submissions by both parties, the case was further adjourned to 25<sup>th</sup> Jun 2014 for decision.

The Judicial Commissioner postponed the decision to 26<sup>th</sup> 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 22<sup>nd</sup> 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 on 12<sup>th</sup> Feb 2015.

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.

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**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 30/09/2014	Preceding Quarter 30/09/2013	Current Year to date 30/09/2014	Preceding Year to date 30/09/2013
Net profit attributable to ordinary shareholders (RM'000)	3,026	2,130	10,107	9,419
Weighted average number of ordinary shares in issue ('000)	174,703	174,061	174,277	174,061
Basic earnings per share (sen)	1.73	1.22	5.80	5.41

**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 30/09/2014	Preceding Quarter 30/09/2013	Current Year to date 30/09/2014	Preceding Year to date 30/09/2013
Net profit attributable to ordinary shareholders (RM'000)	3,026	2,130	10,107	9,419
Weighted average number of ordinary shares in issue ('000)	174,703	174,061	174,277	174,061
Effect of dilution – ESOS ('000)	2,948	-	2,948	-
Weighted average number of ordinary shares in issue ('000) – diluted	177,651	174,061	177,225	174,061
Diluted earnings per share (sen)	1.70	1.22	5.70	5.41



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

	As at Current Financial Period Ended 30/09/2014 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	116,066	104,519
- Unrealised	<u>(6,511)</u>	<u>(4,208)</u>
	109,555	100,311
 Total retained profits / (accumulated losses) from associates companies:		
- Realised	26,227	26,393
- Unrealised	<u>(2,349)</u>	<u>(1,854)</u>
	133,433	124,850
 Less: Consolidation adjustments	<u>(19,521)</u>	<u>(17,544)</u>
Total group retained profits as per consolidated accounts	<u>113,912</u>	<u>107,306</u>

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

Net profit is arrived at after take in the following items:	<b>Current Quarter 30/09/2014 RM'000</b>	<b>Current Year To Date 30/09/2014 RM'000</b>
(a) Interest income	114	274
(b) Other income	1,755	4,246
(c) Interest expense	(3,608)	(10,596)
(d) Depreciation and amortization	(2,409)	(7,076)
(e) Provision (for) and written off of receivables	483	232
(f) Provision (for) and written off of inventories	237	486
(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 unrealized	(58)	(21)
(j) Gain / (loss) on derivatives	8	(278)
(k) Exceptional items	N/A	N/A