

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 cyclicity factors

The Group faces minor seasonal fluctuations during the major festive seasons such as Hari Raya Aidilfitri and Chinese New Year 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

Setting up of Employees Benefits Plan, by the Group during the quarter under review. The plan adopted is reported according to accounting standard MFRS 119. The one-off past service cost has been recognised as defined benefit obligation in the financial year under review, which amounted to RM 3.5 million.

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 RM93,115,175 to RM103,411,006 as a result of the exercise of 18,395,680 options pursuant to the Company ESOS as at 31 December 2017.

(ii) Shares buy-back

During the current financial year, the Company repurchased 19,200 of its issued share capital from the open market at an average price of RM0.98 per share including transaction cost. The total consideration paid was RM18,861. 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 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.

An interim single-tier dividend of 2.0 sen per ordinary share, amounting to RM3,952,886.60 in respect of the financial year ended 31 December 2017 was paid on 17 November 2017.

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	179,166	561,082	1,607	-	741,855
Inter-segment revenue	4,521	102,646	10,156	(117,323)	-
Total Revenue	183,687	663,728	11,763	(117,323)	741,855
Segment Result	11,572	61,681	15,743	(14,064)	74,932
Profit from operations					74,932
Finance costs					(13,506)
Interest Income					1,208
Share of results of associates					5,182
Profit before tax					67,816

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 2017	: 75%
Equity held at 19 May 2017	: 100% (acquisition of 25% equity)

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 31/12/2017

RM'000

Property, plant and equipment	
Authorized and contracted for	875
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

	Individual Period (4 th quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year to- date	Preceding Year Corresponding Period	
	01.10.2017 to 31.12.2017	01.10.2016 to 31.12.2016		01.01.2017 to 31.12.2017	01.01.2016 to 31.12.2016	
Revenue	196,272	171,915	24,357 / 14.2	741,855	621,484	120,371 / 19.4
Profit from operations	12,417	15,873	(3,456) / (21.8)	74,932	48,007	26,925 / 56.1
Profit Before Tax	11,959	14,153	(2,194) / (15.5)	67,816	39,832	27,984 / 70.3
Profit for the period	8,532	10,350	(1,818) / (17.6)	50,729	30,686	20,043 / 65.3

Group revenue for the current quarter and year-to-date were RM196.3 million and RM 741.8 million respectively, about 14.2 % and 19.4 % higher than the same period last year. Indeed, 2017 year-to-date revenue performance is highest record ever achieved by the Group. Profit for the quarter under review were lower at RM 11.9 million as compared to RM14.2 million last year mainly due to inclusion of one off set-up past service costs (RM 3.5 million) of Employees benefits scheme which were introduced in the financial year under review.

Notwithstanding that, YTD profit for the year was 65.3% higher than last YTD's performance and is the best record ever achieved by the Group. Substantial improvement in YTD bottom line performance was mainly the cumulated results of the strong performance achieved during the first three quarters of the year coupled with gain on oversea property disposal as well as some gain in foreign exchange on liquidation of the foreign subsidiary.

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

	Current Year Quarter 01.10.2017 to 31.12.2017	Immediate Preceding Quarter 01.07.2017 to 30.09.2017	Changes (Amount/%)
Revenue	196,272	201,038	(4,766)/(2.4)
Profit from operations	12,417	16,247	(3,830)/(23.6)
Profit Before Tax	11,959	13,657	(1,698)/(12.4)
Profit for the period	8,532	9,659	(1,127)/(11.7)

Compared to the immediate preceding quarter, Group revenue for the quarter under review reduced slightly by 2.4 % from RM 201.0 million to RM196.3 million. Profit before tax for the quarter under review also reduced to RM 11.9 million as compared to RM 13.7 million of the immediate preceding quarter mainly due to lower sales margin on slightly weaker demand and stiff competition. Besides, this quarter under review also absorbed the initial set-up past service costs of Employee benefits as mentioned above.

B3 Prospects

Malaysia real GDP for 4Q 2017 grew by 5.9% y-o-y basis , though a bit lower than the previous quarter of 6.2 % , was still a remarkable performance achieved on the back of strong exports and improved domestic demand. Nevertheless, despite robust achievement for the last quarter of the year and coupled with the recovery of ringgit for the past few months, economists' estimate for 2018 economic growth will be moderate and slower than current year.

On the local front of supply side, some steel players are seeking measures to prevent dumping of cold rolled coil from Vietnam, South Korea, Japan and India, as the petition is yet to be approved and implemented, the full effect is yet to be determined. Meanwhile, steel raw material prices are stabilizing though some fluctuations are experienced in line with the stronger Ringgit amid slower market demand. Overall, local business environment remain challenging with sentiments of rising inflationary pressure and keen competition.

Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in order to remain competitive and generating better performance for the next 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 31 December 2017

B5 Tax expenses

	Current Quarter 31/12/17 RM'000	Current Year To Date 31/12/17 RM'000
Current taxation	3,702	17,355
Deferred taxation	(275)	86
In respect of prior years	-	(354)
	<u>3,427</u>	<u>17,087</u>

Higher tax rate for the current quarter under review mainly due to inclusion of the provision for one-off past service costs of the Employees Benefits scheme.

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 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.
- (ii) On 15 November 2017, the Company announced that Prestar Industries (Vietnam) Co., Ltd. ("PIVCL"), a wholly-owned subsidiary of PRB incorporated in Vietnam had submitted the relevant application to the Investment Board of Binh Duong Industrial Zone Authority of Vietnam for commencement of the liquidation process. PIVCL subsequently received notification on the dissolution of the business on 12 December 2017 and PIVCL was then officially liquidated.

B7 Group bank borrowings:

Total group borrowings as at 31 December 2017 are as follows:-

	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia:		
Secured	60,372	4,154
Unsecured	171,555	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	231,927	4,154

Prestar Resources Berhad (123066-A)**Notes to the Interim Financial Report for the period ended 31 December 2017****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 Directors recommend a final single-tier dividend of 3.0 sen per ordinary share, amounting to RM5,931,867.90 in respect of the financial year ended 31 December 2017, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company

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 31/12/2017	Preceding Quarter 31/12/2016	Current Year to date 31/12/2017	Preceding Year to date 31/12/2016
Net profit/(loss) attributable to ordinary shareholders (RM'000)	8,070	8,455	43,126	24,340
Weighted average number of ordinary shares in issue ('000)	197,301	176,089	192,879	175,959
Basic earnings per share (sen)	4.09	4.80	22.36	13.83

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 31/12/2017	Preceding Quarter 31/12/2016	Current Year to date 31/12/2017	Preceding Year to date 31/12/2016
Net profit attributable to ordinary shareholders (RM'000)	8,070	8,455	43,126	24,340
Weighted average number of ordinary shares in issue ('000)	197,301	176,089	192,879	175,959
Effect of dilution – ESOS ('000)	666	6,627	666	6,627
Weighted average number of ordinary shares in issue ('000) – diluted	197,967	182,716	193,545	182,586
Diluted earnings per share (sen)	4.08	4.63	22.28	13.33

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 31/12/2017 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	223,512	172,138
- Unrealised	<u>(16,952)</u>	<u>(11,581)</u>
	206,560	160,557
Total retained profits / (accumulated losses) from associates companies:		
- Realised	28,659	23,874
- Unrealised	<u>(1,168)</u>	<u>(1,115)</u>
	234,051	183,316
Less: Consolidation adjustments	<u>(57,454)</u>	<u>(41,998)</u>
Total group retained profits as per consolidated accounts	<u>176,597</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 31/12/2017 RM'000	Current Year To Date 31/12/2017 RM'000
(a) Interest income	355	1,208
(b) Other income	7,798	24,978
(c) Interest expense	(3,139)	(13,506)
(d) Depreciation and amortization	(3,000)	(11,325)
(e) Provision (for) and written off of receivables	(311)	85
(f) Provision (for) and written off of inventories	162	887
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	8,600 *
(h) Impairment of assets	-	(106)
(i) Foreign exchange gain/(loss) - Realised and unrealized	153	93
(j) Gain / (loss) on derivatives	48	(485)
(k) Exceptional items	N/A	N/A

* included in (b)