

**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 cyclical 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 June 2018.

(ii) Shares buy-back

During the current financial quarter, the Company repurchased 1,157,000 of its issued share capital from the open market at an average price of RM0.866 per share. The total consideration paid was RM1,001,746.

During the current financial year to date, the Company repurchased 1,635,000 of its issued share capital from the open market at an average price of RM0.883 per share. The total consideration paid was RM1,444,066. 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
<b>Revenue</b>					
External Sales	86,266	291,885	803	-	378,954
Inter-segment revenue	2,801	62,251	2,601	(67,653)	-
<b>Total Revenue</b>	<b>89,067</b>	<b>354,136</b>	<b>3,404</b>	<b>(67,653)</b>	<b>378,954</b>
<b>Segment Result</b>	<b>3,759</b>	<b>19,232</b>	<b>1,144</b>	<b>(1,354)</b>	<b>22,781</b>
<b>Profit from operations</b>					<b>22,781</b>
Finance costs					(6,834)
Interest Income					411
Share of results of associates					1,947
<b>Profit before tax</b>					<b>18,305</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.

**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 June 2018**

**A13 Capital commitments**

As at 30/06/2018

RM'000

**Property, plant and equipment**

Authorized and contracted for	25,883
Authorized and not contracted for	5,794

**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 (2 <sup>nd</sup> quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year to-date	Preceding Year Corresponding Period	
	01.04.2018 to 30.06.2018	01.04.2017 to 30.06.2017		01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017	
Revenue	186,409	168,828	17,581 / 10.4	378,954	344,545	34,409 / 10.0
Profit from operations	10,974	26,997	(16,023) / (59.4)	22,781	46,268	(23,487) / (50.8)
Profit Before Tax	6,185	25,701	(19,516) / (75.9)	18,305	42,200	(23,895) / (56.6)
Profit for the period	3,918	20,267	(16,349) / (80.7)	12,931	32,538	(19,607) / (60.3)

Group revenue and Profit before taxation ("PBT") for the quarter under review were RM186.4million and RM6.2 million respectively. Though revenue increased by 10.4 % over the same quarter of last year, PBT for the quarter under review was substantially lower (-75.9%) mainly due to lower sales margin on higher costs of materials and very competitive selling on sluggish market conditions. In addition to that, the Group also taken in negative contribution (equity accounting) of the associate company during the quarter (RM1.4 million losses versus RM2.0 million gain last year). Another point to note on huge reduction in PBT is that there was a non-recurring gain on land and factory disposal recognized during the same quarter last year. YTD PBT was also lower by 56.6% when compared to the same period last year as a result of the effects mentioned above except that the associate company contributed positively during the previous quarter.

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

	<b>Current Year Quarter 01.04.2018 to 30.06.2018</b>	<b>Immediate Preceding Quarter 01.01.2018 to 31.03.2018</b>	<b>Changes (Amount/%)</b>
<b>Revenue</b>	<b>186,409</b>	<b>192,545</b>	<b>(6,136) / (3.2)</b>
<b>Profit from operations</b>	<b>10,974</b>	<b>11,807</b>	<b>(833) / (7.1)</b>
<b>Profit Before Tax</b>	<b>6,185</b>	<b>12,120</b>	<b>(5,935) / (49.0)</b>
<b>Profit for the period</b>	<b>3,918</b>	<b>9,013</b>	<b>(5,095) / (56.5)</b>

Compared with the immediate preceding quarter, Group revenue for the quarter under review reduced slightly by 3.2 % from RM192.5 million to RM186.4 million. Profit before tax for the quarter under review also reduced significantly to RM6.2 million as compared to RM12.1 million of the immediate preceding quarter. The weak performance was mainly due to squeezed sales margin as a result the sluggish market demand, losses reported by associate company and slowdown in economic activities during the quarter where there was a change of federal government after the general election.

**B3 Prospects**

Malaysia real GDP growth slowed to 4.5% during the quarter under review, yearly target has been revised downwards to 5.0%. Domestic demand remained sluggish though some sectors experiencing sudden surge in demand during the GST free period. Cancellation of certain major projects and changes in economic policies as announced by new federal government has also affected the market demand sentiment. In the meantime, steel prices remained stable with smaller fluctuations while MITI's intention to review anti-dumping on hot rolled coils will definitely bring forth positive effects.

Against this backdrop, the Board foresee the remaining period of the year to be very challenging with economic and political reforms going on domestically. Barring unforeseen circumstances, the Board will continue to adopt cautious and pragmatic approach in directing the business strategies and operations in order to generate a satisfactory financial performance for the financial year under review.

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

Not applicable.

**B5 Tax expenses**

	Current Quarter 30/06/18 RM'000	Current Year To Date 30/06/18 RM'000
Current taxation	2,514	5,327
Deferred taxation	(200)	94
In respect of prior years	(47)	(47)
	2,267	5,374

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) 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 June 2018 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
<b>Denominated in Ringgit Malaysia:</b>		
Secured	58,777	3,000
Unsecured	192,949	-
<b>Denominated in US Dollar:</b>		
Secured	-	-
Unsecured	-	-
<b>Total Bank Borrowings</b>	<b>251,726</b>	<b>3,000</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**

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 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 30/06/2018	Preceding Quarter 30/06/2017	Current Year to date 30/06/2018	Preceding Year to date 30/06/2017
Net profit/(loss) attributable to ordinary shareholders (RM'000)	3,076	18,038	10,118	27,327
Weighted average number of ordinary shares in issue ('000)	196,703	191,902	197,169	189,115
Basic earnings per share (sen)	1.56	9.40	5.13	14.45

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

**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 30/06/2018	Preceding Quarter 30/06/2017	Current Year to date 30/06/2018	Preceding Year to date 30/06/2017
Net profit attributable to ordinary shareholders (RM'000)	3,076	18,038	10,118	27,327
Weighted average number of ordinary shares in issue ('000)	196,703	191,902	197,169	189,115
Effect of dilution – ESOS ('000)	305	1,933	305	1,933
Weighted average number of ordinary shares in issue ('000) – diluted	197,008	193,835	197,474	191,048
Diluted earnings per share (sen)	1.56	9.31	5.12	14.30

**B11 Notes to Condensed Consolidated Statement of Comprehensive Income**

Net profit is arrived at after take in the following items:	Current Quarter 30/06/2018 RM'000	Current Year To Date 30/06/2018 RM'000
(a) Interest income	177	411
(b) Other income	1,792	3,429
(c) Interest expense	(3,511)	(6,834)
(d) Depreciation and amortization	(2,889)	(5,749)
(e) Provision (for) and written off of receivables	(854)	(1,034)
(f) Provision (for) and written off of inventories	(693)	(1,155)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	40	(128)
(j) Gain / (loss) on derivatives	(1)	(301)
(k) Exceptional items	N/A	N/A