

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 31 December 2018.

(ii) Shares buy-back

During the current financial quarter, the Company repurchased 250,000 of its issued share capital from the open market at an average price of RM0.682 per share. The total consideration paid was RM170,508.

During the current financial year to date, the Company repurchased 2,187,700 of its issued share capital from the open market at an average price of RM0.844 per share. The total consideration paid was RM1,847,040. 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.

An interim single-tier dividend of 1.0 sen per ordinary share, amounting to RM1,957,037.30 in respect of the financial year ended 31 December 2018 was paid on 30 January 2019.

A8 Segment Information for the current financial year to date

	<u>Trading</u>	<u>Manufacturing</u>	<u>Investment</u>	<u>Elimination</u>	<u>Total continuing operations</u>	<u>Operations of disposal group (Tashin enroute IPO)</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
Total Revenue	176,886	400,525	9,050	-	586,461	312,333	898,794
Inter-segment revenue	(7,314)	(63,580)	(7,443)	(78,337)	(78,337)	(51,788)	(130,125)
External Sales	169,572	336,945	1,607	-	508,124	260,545	768,669
Segment Result	5,368	14,586	4,267	(4,669)	19,552	17,672	37,224
Finance costs					(10,838)	(2,889)	(13,727)
Interest Income					518	190	708
Share of results of associates					1,437	-	1,437
Profit before tax					10,669	14,973	25,642

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.

A13 Capital commitments

As at 31/12/2018

RM'000

Property, plant and equipment

Authorized and contracted for

26,790

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")

Note : The figures stated below has been restated "in line with the requirements of MFRS 5"

Continuing Operations (Operations excluding Tashin group)

	Individual Period (4 th quarter)		Increase / (Decrease)		Cummulative Period		Increase / (Decrease)	
	Current Year Quarter 01.10.2018 to 31.12.2018 RM'000	Preceding Year Corresponding Quarter 01.10.2017 to 31.12.2017 RM'000	RM'000	%	Current Year to- date 01.01.2018 to 31.12.2018 RM'000	Preceding Year Corresponding Period 01.01.2017 to 31.12.2017 RM'000	RM'000	%
Revenue	125,377	133,438	(8,061)	(6.0)	508,124	484,154	23,970	5.0
Profit from operations	2,473	10,014	(7,541)	(75.3)	19,552	51,174	(31,622)	(61.8)
Profit / (Loss) Before Tax	(729)	10,038	(10,767)	(107.3)	10,669	46,123	(35,454)	(76.9)
Profit / (Loss) for the period	(1,170)	7,555	(8,725)	(115.5)	6,686	34,992	(28,306)	(80.9)

**Operations of disposal group
(Tashin enroute IPO)**

	Individual Period (4 th quarter)		Increase / (Decrease)		Cummulative Period		Increase / (Decrease)	
	Current Year Quarter 01.10.2018 to 31.12.2018 RM'000	Preceding Year Corresponding Quarter 01.10.2017 to 31.12.2017 RM'000	RM'000	%	Current Year to- date 01.01.2018 to 31.12.2018 RM'000	Preceding Year Corresponding Period 01.01.2017 to 31.12.2017 RM'000	RM'000	%
Revenue	57,393	62,834	(5,441)	(8.7)	260,545	257,701	2,844	1.1
Profit from operations	4,147	2,403	1,744	72.6	17,672	23,758	(6,086)	(25.6)
Profit Before Tax	3,962	1,921	2,041	106.2	14,973	21,693	(6,720)	(31.0)
Profit for the period	2,902	977	1,925	197.0	11,223	15,737	(4,514)	(28.7)

Continuing Operations (Operations excluding Tashin group)

Group revenue and Profit before taxation (“PBT”) for the quarter under review were RM125.4 million and Loss of RM0.7 million respectively. Though revenue reduced by 6.0% over the same quarter of last year, the operations turned into losses mainly due to lower sales margin on higher costs of materials (steel material prices unexpectedly dropping fairly quickly during the period). Besides, losses reported by some subsidiaries and an associate company during the quarter has also caused the financial results to be much lower than the previous corresponding period.

Nevertheless, YTD revenue were 5% higher than the same period last while PBT were lower at RM 10.7 million compared to RM 46.1 million last year mainly due to substantial low sales margin this year as well as the absence of the various extraordinary gains last year.

Operations of disposal group (Tashin enroute IPO)

Tashin Group revenue and Profit before taxation (“PBT”) for the quarter under review were RM57.4 million and RM3.9 million respectively. Though revenue reduced by 8.7% over the same quarter of last year, PBT for the quarter under review was higher by 106.2%. The increase in PBT was mainly due to higher contribution from other operating income of RM3.6 million (out of which, RM3.2 million were amount refunded / waiver on import duty liabilities) compare with RM0.4 million same quarter last year.

Tashin Group revenue and Profit before taxation (“PBT”) for the financial year under review were RM260.6 million and RM14.9 million respectively. Revenue increased by 1.1% over preceding year mainly due to increased in sales volume, PBT for the financial year under review was lower by 31.0% mainly due to lower sales margin on higher costs of materials.

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

	Current Quarter			Preceding Quarter			Increase/(Decrease)	
	Continuing Operations	Operations of disposal group (Tashin enroute IPO)	Total	Continuing Operations	Operations of disposal group (Tashin enroute IPO)	Total	Continuing Operations	Operations of disposal group (Tashin enroute IPO)
	01.10.2018 to 31.12.2018 RM'000	01.10.2018 to 31.12.2018 RM'000	01.10.2018 to 31.12.2018 RM'000	01.07.2018 to 30.09.2018 RM'000	01.07.2018 to 30.09.2018 RM'000	01.07.2018 to 30.09.2018 RM'000	RM'000	RM'000
Revenue	125,377	57,393	182,770	139,043	67,902	206,945	(13,666)	(10,509)
Profit from operations	2,473	4,147	6,620	4,292	3,531	7,823	(1,819)	616
Profit / (Loss) Before Tax	(729)	3,962	3,233	1,246	2,858	4,104	(1,975)	1,104
Profit / (Loss) for the period	(1,170)	2,902	1,732	955	2,291	3,246	(2,125)	611

Continuing Operations (Operations excluding Tashin group)

Compared with the immediate preceding quarter, Group revenue for the quarter under review reduced by 9.8% from RM139.0 million to RM125.4 million. Profit before tax for the quarter under review also reduced to losses of RM0.7 million as compared to RM1.2 million of the immediate preceding quarter. Weaker performance was mainly due to squeezed sales margin as a result the sluggish market demand, losses reported by associate company and some subsidiaries amid slowdown in economic activities during the quarter.

Operations of disposal group (Tashin enroute IPO)

Compared with the immediate preceding quarter, Tashin group revenue for the quarter under review reduced by 15.5% from RM67.9 million to RM57.4 million. However, the Profit before tax for the quarter under review increased to RM3.9 million as compared to RM2.9 million of the immediate preceding quarter. Better performance was mainly due to other operating income of RM3.6 million as compare to RM0.4 million in preceding quarter. Sales margin for the quarter under review has decreased from preceding quarter as a result of sluggish market demand.

B3 Prospects

Market sentiment and steel prices remained weak amid slow domestic economic growth and the on-going trade war between the two top world economies. Lackluster demand for steel materials in the near term will impact company performance negatively. Nevertheless, the Board will continue to be cautious and pragmatic in directing the business strategies so as to generate a satisfactory financial results for the next financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 31/12/2018 RM'000	Current Year To Date 31/12/2018 RM'000
<u>Continuing operations</u>		
Current taxation	313	4,258
Deferred taxation	145	814
In respect of prior years	(17)	(1,089)
	441	3,983
 <u>Operations of disposal group (Tashin enroute IPO)</u>		
Current taxation	344	3,347
Deferred taxation	716	599
In respect of prior years	-	(196)
	1,060	3,750

The average effective tax rate of the Group for the 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 was completed on 9 January 2019.
- (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 and 20 Jun 2018.

On 13 Dec 2018 the Company announced that Bursa Securities had, vide its letter dated 12 December 2018, approved the submission listing of and quotation of the entire enlarged share capital of Tashin Holdings comprising 348,991,000 shares on ACE Market of Bursa Securities.

On 25 Feb 2019, the Company has called for an Extraordinary General Meeting to be held on 20 Mar 2019 to seek shareholders' approval on the proposed listing mentioned above.

- (iii) On 28 December 2018, Prestar Storage Systems Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with GMS Purnamax (M) Sdn. Bhd. (formerly known as GMS Purnaimpex Sdn. Bhd.) for the acquisition of all that piece of freehold land and building held under Individual Title Geran 86347, Lot No. 202, Seksyen 19, Bandar Rawang, Selangor, measuring approximately 8,093 square metres together with a three (3) storey building and a single storey warehouse, at a total purchase consideration of RM14,500,000 (Ringgit Malaysia: Fourteen Million and Five Hundred Thousand) only ("Proposed Acquisition"). The Proposed Acquisition is yet to be completed.

B7 Group bank borrowings:

Total group borrowings as at 31 December 2018 are as follows:-

Continuing operations

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	37,199	2,571
Unsecured	174,340	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	211,539	2,571

Operations of disposal group (Tashin enroute IPO)

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	4,985	-
Unsecured	13,113	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	18,098	-

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 0.5 sen per ordinary share, amounting to RM 978,519.00 in respect of the financial year ended 31 December 2018, 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 31/12/2018	Preceding Quarter 31/12/2017	Current Year to date 31/12/2018	Preceding Year to date 31/12/2017
Net profit attributable to ordinary shareholders (RM'000)				
- Continuing operations	(1,129)	7,572	6,886	35,100
- Operations of disposal group (Tashin enroute IPO)	1,480	498	5,724	8,026
	351	8,070	12,610	43,126
Weighted average number of ordinary shares in issue ('000)	195,746	197,301	196,559	192,879
Basic earnings per share (sen)				
- Continuing operations	(0.58)	3.84	3.50	18.20
- Operations of disposal group (Tashin enroute IPO)	0.76	0.25	2.92	4.16
	0.18	4.09	6.42	22.36

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 31/12/2018	Preceding Quarter 31/12/2017	Current Year to date 31/12/2018	Preceding Year to date 31/12/2017
Net profit attributable to ordinary shareholders (RM'000)				
- Continuing operations	(1,129)	7,572	6,886	35,100
- Operations of disposal group (Tashin enroute IPO)	1,480	498	5,724	8,026
	351	8,070	12,610	43,126
Weighted average number of ordinary shares in issue ('000)	195,746	197,301	196,559	192,879
Effect of dilution – ESOS ('000)	-	666	-	666
Weighted average number of ordinary shares in issue ('000) – diluted	195,746	197,967	196,559	193,545
Diluted earnings per share (sen)				
- Continuing operations	(0.58)	3.83	3.50	18.13
- Operations of disposal group (Tashin enroute IPO)	0.76	0.25	2.92	4.15
	0.18	4.08	6.42	22.28

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B11 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter			Current Year To Date		
	31/12/2018			31/12/2018		
	Continuing operations	Operations of disposal group (Tashin enroute IPO)	Total	Continuing operations	Operations of disposal group (Tashin enroute IPO)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Interest income	107	55	162	518	190	708
(b) Other income	2,429	3,744	6,173	5,764	5,420	11,184
(c) Interest expense	(3,081)	(241)	(3,322)	(10,838)	(2,889)	(13,727)
(d) Depreciation and amortization	(1,954)	(959)	(2,913)	(7,767)	(3,670)	(11,437)
(e) Provision (for) and written off of receivables	(259)	496	237	(330)	82	(248)
(f) Provision (for) and written off of inventories	(668)	(275)	(943)	(817)	(1,525)	(2,342)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-	-	-	-	-
(h) Impairment of assets	-	-	-	-	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	219	(5)	214	38	12	50
(j) Gain / (loss) on derivatives	50	(84)	(34)	(238)	(93)	(331)
(k) Exceptional items	N/A	N/A	N/A	N/A	N/A	N/A

B12 Other – Judicial Review –Tashin Steel Sdn Bhd (51% owned Subsidiary)

Tashin Steel Sdn. Bhd. ("TSSB"), a 51%-owned subsidiary of Prestar Resources Berhad, had on 19 September 2018 appointed Messrs. Teja Singh Penesar & Co as solicitors of TSSB to commence judicial review proceedings to quash the final decision of the Ministry of Finance ("MOF") dated 10 July 2018 in refusing to grant a remission to the sum of RM1,299,907.00 imposed by the Royal Malaysian Customs Department ("RMCD") by way of import duty.

On 5 October 2018, TSSB had filed an application to obtain leave of Court to commence judicial review proceedings against the MOF and RMCD pursuant to Order 53 of the Rules of Court 2012.

TSSB had on 25 October 2018 obtained leave of court to commence judicial review proceedings against the MOF and RMCD for the following:

- (a) An Order of Certiorari to remove into the High Court for the purpose of it being quashed, part of the decision of MOF dated 10 July 2018 where the MOF refused to grant a remission to the sum of RM1,299,907.00 imposed by RMCD by way of import duty; and

- (b) An order to compel RMCD to account for and return the Input Tax Credit (“ITC”) in the sum of RM808,097.52 that was erroneously and arbitrarily withheld to off-set the import duty allegedly due and payable by TSSB together with interest accruing at the rate of 5% per annum calculated from the date of Judgement until full and final settlement.

The case management had been fixed on 19 November 2018 for the Attorney General’s chambers to file its affidavit in reply for the substantive hearing. At the case management, the Judicial Review Hearing date was fixed on 27 February 2019.

Thereafter, on 21 November 2018 TSSB has reached a settlement agreement and accordingly, TSSB withdrew the Judicial Review proceedings on 7 January 2019 with costs of RM1,000.00 to be paid to the Attorney General’s Chambers.

Background information

On 3 June 2011, TSSB entered into an agreement with Perusahaan Otomobil Nasional Sdn Bhd (“Proton”) to partake in a Material Delivered Duty Unpaid Scheme (“DDU Scheme”) wherein TSSB was appointed to import raw materials for and on behalf of Proton.

Under the DDU Scheme, Proton is required to obtain all regulatory approvals/permits for the exemption of import duties payable upon the importation of raw materials by TSSB and other steel processors for and on behalf of Proton (“Proton’s Exemption”).

The RMCD investigated TSSB for the alleged misuse of Proton’s Exemption and had on 25 February 2016 conducted a physical inspection at TSSB’s premise. On 24 May 2016, RMCD issued four (4) Bills of Demand to Proton and TSSB for a total of RM3.66 million, of which RM0.45 million had been paid via the deduction of Goods and Services Tax credit balance. The balance of RM3.21 million had been provided in the audited consolidated financial statements of TSSB for the financial year ended 31 December 2016. The provision made was recorded under accruals.

On 10 July 2018, the MOF had vide its letter to Proton informed that a portion of the waiver on the Bills of Demand had been approved. TSSB’s waiver amount is RM2,363,507.04, while the balance of RM1,299,907.00 was not waived.