

PART A: EXPLANATION NOTES AS PER FRS 134

A1 Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and other FRS issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

These explanatory notes attached to the 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 2009.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2009.

The FRSs that are relevant to the Group’s operations and effective for the financial period beginning on or after January 2010 are as follows:

| | |
|-----------------------|---|
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements (revised) |
| FRS 123 | Borrowing Costs |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 8 | Operating Segment |
| Amendments to FRS 107 | Cash Flow Statements |
| Amendments to FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to FRS 110 | Event After Balance Sheet Date |
| Amendments to FRS 116 | Property, Plant and Equipment |
| Amendments to FRS 117 | Leases |
| Amendments to FRS 118 | Revenue |
| Amendments to FRS 119 | Employee Benefits |
| Amendments to FRS 131 | Interest in Joint Venture |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 134 | Interim Financial Reporting |
| Amendments to FRS 136 | Impairment of Assets |
| Amendments to FRS 138 | Intangible Assets |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement |
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | Group and Treasury Transactions |

The above FRSs, IC Interpretations and Amendments to FRS do not have significant impact on the financial reporting of the Group except for FRS 139. The adoption of FRS 139 has resulted in changes to accounting policies and the new accounting policies are as follows:

❖ ***Investment in equity securities***

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries, were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries, are now categorized and measured as fair value through profit or loss, or as available-for-sale investments.

❖ ***Derivatives***

Prior to the adoption of FRS 139, derivative contracts were recognized in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorized as fair value through profit or loss and measured at their fair value with the gain or loss recognized in the profit or loss.

❖ ***Impairment of trade and other receivables***

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognized for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

A2 Seasonal or cyclical 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.

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 2010.

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

A First and Final Dividend of 3.0% tax exempt amounting to 1.5 sen per share in respect of the financial year ended 31 December 2009 was paid on 18 August 2010.

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 | 81,293 | 336,622 | 1,358 | - | 419,273 |
| Inter-segment revenue | 254 | 60,484 | 12,371 | (73,109) | - |
| Total Revenue | 81,547 | 397,106 | 13,729 | (73,109) | 419,273 |
| Segment Result | 3,141 | 22,811 | 9,924 | (11,276) | 24,600 |
| Profit from operations | | | | | 24,600 |
| Finance costs | | | | | (8,852) |
| Interest Income | | | | | 184 |
| Share of results of associates | | | | | 2,195 |
| Profit before tax | | | | | 18,127 |

FRS 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group's chief operating decision maker relies on internal reports which are similar to those currently disclosed externally.

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

- i. Further to the announcement made on 11 May 2010 on the proposed liquidation through members' voluntary liquidation of Prestar Venture Sdn Bhd, a wholly owned subsidiary of the Company, the liquidation process of the said company is currently on-going.
- ii. Prestar Steel Pipes Sdn Bhd (PSPSB), a wholly owned subsidiary of the Company and Prestar Precision Tube Sdn Bhd (PPTSB), a subsidiary of the Company, had on 26 August 2010 undergone an internal restructuring exercise involving acquisition by the Company 1,500,000 ordinary shares of RM1.00 each in PPTSB held by PSPSB. As result, PPTSB has become a wholly owned subsidiary of the Company. Ensuring this, PSPSB and PPTSB had on 1 September 2010 undergone a transfer of business from PSPSB to PPTSB (refer announcement on 26 August 2010 and 1 September 2010).

The Internal Restructuring will not have any material effect on the share capital, net assets per shares, gearing, earning per share and substantial shareholding of the Company.

A11 Changes in contingent liabilities or contingent assets since the last annual balance sheet date

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 30/09/2010 |
|-----------------------------------|-------------------------|
| | RM'000 |
| Property, plant and equipment | |
| Authorized and contracted for | 587 |
| Authorized and not contracted for | 703 |

**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 RM 142.5 million and RM 419.3 million, an improvement of 12.1% and 28.3% over the same period last year respectively. Profit before taxation for the quarter under review were only RM 0.8 million as compared to RM 16.9 million last year, nonetheless YTD profit before tax for the year were RM 18.1 million, 58.6% higher than last YTD's performance. The significant decline in current quarter's earnings was mainly due to the sluggish demand and continued fall in steel prices amidst slower export growth and softer domestic demand of our economy. Continued losses of certain subsidiaries also contributed to the less favorable performance of the Group.

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

Group revenue for the current quarter was slightly higher than the immediate preceding quarter's RM139.3 million. However, profit before tax reduced substantially from the immediate preceding quarter's RM 7.6 million to RM 0.8 million for the quarter under review, this was mainly due to the softening of steel prices and slow market demand during the quarter under review.

B3 Prospects

The condition of softening steel prices and market demand persisted through out the quarter under review, the sluggish situation is expected to prolong in the near term. In line with the unfavorable development, the Board reckoned that the business conditions for the rest of the year to remain volatile and challenging.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

| RM'000 | Current Quarter 30/092010 | Current Year To Date 30/092010 |
|---------------------------|---------------------------------|--------------------------------------|
| Current taxation | 3 | 4,409 |
| Deferred taxation | (178) | 519 |
| In respect of prior years | 59 | 59 |
| | <u>(116)</u> | <u>4,987</u> |

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 as well as non transferability of losses of some subsidiaries under the group.

B6 Profit / (Losses) on sale of unquoted investments and/or properties

There is no sale of unquoted investments or properties for the current quarter and financial year to date.

B7 Quoted securities

- (a) Total purchases consideration and sale proceeds of available-for-sale investments in quoted securities for the current quarter and financial year to date and profit/loss arising there from are as follows:

| | Current Quarter 30/09/10 RM'000 | Year To date 30/09/10 RM'000 |
|-----------------------|---------------------------------------|------------------------------------|
| Total Purchases | - | - |
| Total Sale Proceeds | - | 2 |
| Total Profit / (Loss) | - | - |

- (b) The available-for-sale investments in quoted securities as at 30 September 2010 are as follows:-

| | RM'000 |
|-----------------------|--------|
| (i) At cost | - |
| (ii) At book value | - |
| (iii) At market value | - |

- B8 (a) 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.**

- (b) Where applicable, a brief explanation of the status of utilization of proceeds raised from any corporate proposal.**

(a) and (b) not applicable.

B9 Group bank borrowings:

Total group borrowings as at 30 September 2010 are as follows:-

| | Short Term Borrowing | Long Term Borrowing |
|---|----------------------|---------------------|
| | RM'000 | RM'000 |
| Denominated in Ringgit Malaysia: | | |
| Secured | 84,900 | 1,958 |
| Unsecured | 122,638 | 5,280 |
| | | |
| Denominated in US Dollar: | | |
| Secured | 24,401 | 6,626 |
| | | |
| Denominated in Vietnam VND: | | |
| Secured | 13,312 | 606 |
| Total Bank Borrowings | 245,251 | 14,470 |

B10 Disclosure of derivatives

With the adoption of FRS 139, there are currently no off balance sheet financial instruments. The list of outstanding derivatives as at 30 September 2010 is as follows:

| Type of Derivatives | Notional Value | Fair Value |
|-----------------------------------|-------------------------|-------------------------|
| Forward Foreign currency contract | Ringgit Malaysia ('000) | Ringgit Malaysia ('000) |
| Bank buy : | | |
| - Less than 1 year | 1,815 | 1,769 |
| Bank sell : | | |
| - Less than 1 year | 22,351 | 21,591 |

The above foreign currency contracts were executed with creditworthy financial institutions and hence the likelihood of non performance is remote.

B11 Material litigation since the last annual balance sheet date which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report

As at 18 November 2010, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2009.

B12 Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

B13 Earnings per share

| | Current Quarter Ended 30/09/2010 |
|--|---|
| Basic | |
| Net profit attributable to ordinary shareholder (RM'000) | 7,538 |
| Number of ordinary shares as at 1 Jan 2010 after net off treasury shares | 174,061 |
| Effect of ESOS exercised | - |
| Effect of warrants exercised | - |
| Effect of shares repurchased | - |
| Weighted average number of ordinary shares in issue ('000) | 174,061 |
| Basic earnings per share (sen) | 4.33 |

Diluted

The diluted earnings per ordinary share is not presented for the current quarter as there is an anti-dilutive effect on the conversion of Warrants to ordinary shares.

B14 Report of auditors

The audit report of the most recent annual financial statement for the year ended 31 December 2009 was not qualified.