

1 Accounting policies and methods of computation

The interim financial statement has been prepared in accordance with FRS 134 Interim Financial Reporting and Chapter 9 of the BMSB Listing Requirements. The preparation of quarterly financial statement was based on accounting policies and methods of computation consistent with those adopted in the annual financial statement for the year ended 31 Dec 2004.

2 Qualified audit report

The audit report of the most recent annual financial statement for the year ended 31 December 2004 was not qualified.

3 Seasonal or cyclicity factors

The Group faces minor seasonal and cyclical fluctuations during the major festive seasons such as Hari Raya Aidil Fitri and Chinese New Year celebrations.

4 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 items in the quarterly financial statement under review.

5 Changes in estimates

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

6 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 RM87 662 000 to RM88 800 800 as a result of the exercise of 2,277,600 option pursuant to the Company ESOS.

ii) Share Buy-Back

Details of share buy-back for the financial year to date as below:

Month	(^) Price per share (RM)			(^) No. of shares repurchase	Total paid	No of shares held as treasury share
	Lowest	Highest	Average			
Balance b/f	---	---	---	1,074,200	RM'000 1,305	1,074,200
Jan 05	0.94	1.00	0.96	1,439,800	1,391	1,439,800
Balance c/f				2,514,000	2,696	2,514,000

(^) The figures was restated upon the completion of Share Split of each ordinary share of RM1.00 each into 2 new ordinary shares of RM0.50 each on 14.3.2005.

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities other than as disclosed above.

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

An interim dividend of 2% less tax totalling RM1,260,631 in respect of financial year ended 31 December 2005 was paid on 3 October 2005.

Notes to the Interim Financial Report for the period ended 31 December 2005**8 Segment Information for the current financial year to date**

	Trading RM'000	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Total RM'000
Revenue					
External Sales	90,862	442,762	12	0	533,636
Inter-segment revenue	1,459	48,480	9,468	-59,407	0
Total Revenue	<u>92,321</u>	<u>491,242</u>	<u>9,480</u>	<u>-59,407</u>	<u>533,636</u>
Segment Result	1,897	24,340	6,614	-5,945	26,906
Operating Profit					<u>26,906</u>
Finance Cost					-10,361
Interest Income					28
Share of profit/(loss) of associate					-23
Profit before taxation					<u>16,550</u>

No analysis by geographical area has been presented as the Group operates principally within Malaysia.

9 Valuations of property, plant and equipment

The valuation of land & buildings have been brought forward, without amendment from the previous annual financial statement.

10 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

In the opinion of the Directors, no item, transaction or event of a material nature has arisen during the period from the end of the reporting period to 23 February 2006, which is likely to affect substantially the results of the operations of the Group for the financial period ended 31 December 2005.

11 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.

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

The contingent liabilities of the Company are as follows:

	As at 31.12.2005 RM'000	As at 31.12.2004 RM'000
Guarantees to financial institutions for credit facilities granted to subsidiaries - unsecured	308,050	239,089
	<u>308,050</u>	<u>239,089</u>

Notes to the Interim Financial Report for the period ended 31 December 2005**13 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 127.4 million and RM 533.6 million respectively, an increase of 15.2% and 17.4% over the same period last year. However, net profit for the financial year-to-date reduced to RM 5.6 million after the current quarter posted a loss of RM 1.5 million. The reduction in profits for the period under review were mainly due to depressed selling prices as a result of falling steel prices globally since the second quarter of 2005. Besides, the rising costs of operations ensuing the rising petroleum prices and softening domestic market conditions also contributed to the poorer performance this year.

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

Group revenue reduced marginally by 2 % from the immediate preceding quarter's RM 130.3 million to RM 127.4 million as a result of slower sales in line with depressed selling prices. Profit before taxation for the quarter were also affected and recorded a loss of RM 1.6 million as compared to RM 0.5 million loss of the immediate preceding quarter.

15 Prospects for the current financial year.

Domestically, Malaysia economy is projected to grow at a rate of 5.5 % in 2006 during the Budget announcement. Some financial institutions even projected the economic growth rate to be 6.5% in view of the implementation of 9th Malaysian Plan(2006 - 2010). Internationally, the steel prices are showing stabilising trend after the 2005 price-fall scenario. Therefore, barring unforeseen circumstances, the Board expects the performance for 2006 to be better notwithstanding the possibility of further rise in interest rates and Ringgit value.

16 Variance of actual profit from forecast profit / profit guarantee

Not Applicable.

17 Tax expenses

	Current Quarter 31/12/2005	Current Year To date 31/12/2005
RM'000		
- current taxation	-806	5,106
- deferred taxation	507	467
- in respect of prior years	-237	-373
	<u>-536</u>	<u>5,200</u>

The average effective tax rate of the Group for the current quarter and financial year to date is higher than the statutory tax rate as the tax losses of some subsidiaries cannot be set-off against the taxable profits of other subsidiaries.

18 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.

19 Quoted securities

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

	Current Quarter 31/12/2005 RM'000	Year To date 31/12/2005 RM'000
Total Purchases	<u>0</u>	<u>0</u>
Total Sale Proceeds	<u>0</u>	<u>0</u>
Total Profit/(Loss)	<u>0</u>	<u>0</u>

(b) Investments in quoted securities as at 31 Dec 2005 are as follows :-

	RM'000
(i) At cost	750
(ii) At book value	<u>431</u>
(iii) At market value	<u>451</u>

20 (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.

On 13 Sep 2004, the Board announced that the Company proposed to undertake renouciable rights issue of up to 95 721 500 Warrants in Prestar at an issue price of RM 0.05 per Warrant on the basis of 1 Warrant for every 2 existing shares held in Prestar after the proposed Share Split to be implemented by Prestar, as announced on 22 Mar 2004. Bank Negara Malaysia and Securities Commission has approved the proposal on 17 Dec 2004 and 27 Dec 2004 respectively. Shareholders' approval was obtained in an EGM held on 4 February 2005. Subsequent on 13 May 2005, Securities Commission has approved the Company's application for extension of time of one month to 26 July 2005 to complete the Proposed Rights Issue of Warrants.

Share Split was completed on 14 March 2005 and Proposed Rights Issue of Warrants completed on 19 July 2005.

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

The proceeds raised during the Rights Issue of Warrants were approved for the following activities and the funds was fully utilised as at 30.9.2005, which summarised as follows:

<u>Utilisation</u>	<u>Approved Utilisation RM'000</u>	<u>Amount Utilised RM'000</u>
Working capital for Prestar Group	3,577	3,862
Defrayment of expenses incidental to the Rights Issue of Warrants	800	515
Total	<u>4,377</u>	<u>4,377</u>

21 Group bank borrowings :

Total group borrowings as at 31 December 2005 are as follows :-

<u>Long term bank loans - Secured</u>	<u>31.12.2005 RM'000</u>
Total outstanding balances	4,775
Repayments due within the next 12 months	<u>-3,282</u>
Total - Long Term Bank Loans - Secured	1,493
<u>Short term bank borrowings</u>	
Secured :-	
Bank overdrafts	0
Revolving credits	0
Bankers' acceptance & trust receipts & commercial paper	63,395
Current portion of long term loan	<u>3,282</u>
Sub-total	<u>66,677</u>
Unsecured :-	
Bank overdrafts	2,911
Revolving credits	0
Bankers' acceptance & trust receipts	<u>116,892</u>
Sub-total	<u>119,803</u>
 Total - Short Term Bank Borrowings	 <u>186,480</u>

22 Financial instruments with off balance sheet risk at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.**Foreign currency contracts**

As at 23 February 2006, the Group had the following outstanding foreign currency contracts to hedge its committed purchases and sales in foreign currencies.

	Contract Amount ('000)	Equivalency amount in Ringgit Malaysia ('000)	Expiry Dates
Bank Buy :			
USD	3,973	14,753	27.2.06 to 31.10.06
SGD	103	232	31.3.06 to 31.5.06
Bank Sell :			
USD	219	823	9.3.06

There is minimal credit risk because these contracts were entered into with reputable banks. All gains and losses arising from forward foreign exchange contracts are dealt with through the Income Statement upon maturity.

23 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.**i) Posmmit Steel Centre Sdn Bhd (PSC) vs Mikuni Steel (M) Sdn Bhd (Mikuni)****Changes since last annual report date**

PSC has filed a Summons in Chambers for Summary Judgement on 13 August 2002 and the Kuala Lumpur High Court has granted their application for summary judgement on 28 Feb 2003. Mikuni filed an appeal against the decision of the Court to grant summary judgement to PSC on 6 March 2003 and the hearing date was fixed on 21 May 2003 and subsequently postponed to 3 Sep 2003. The defendant's notice for Pre-Trial Case Management was dismissed on 9 Feb 2004 while PSC's application to strike out the defendant's counter-claim was fixed for hearing on 1 Mar 2004. The Court then allowed the application and duly granted order on 1 Mar 2004.

The appeal by Mikuni was dismissed with cost by the High Court on 3 Sept 2003 and the hearing date for Originating Summons in respect of the foreclosure of the land assigned to PSC was fixed on 28 Oct 2003 and subsequently postponed to 12 February 2004. The High Court has granted the order to auction the land and fixed the date of auction on 12 May 2004. The case was later postponed and was heard on 15 July 2004 whereby order was granted and the reserve price for auction was fixed at RM545,000. The Court further appointed an auctioneer to auction the property on 20 Sep 2004.

The property was successfully auctioned off at a price of RM 580,000 and the proceeds from the auctioned property was fully received on 24 Jan 2005. As Mikuni had been wound up pursuant to a winding-up order dated 2 November 2004, PSC has on 8 August 2005 filed its proof of debt with the official receiver to recover the balance of the debt.

ii) Prestar Engineering Sdn Bhd (PESB) vs Timer Steel Fab (M) Sdn Bhd (TSF)**Changes since last annual report date**

On 31 Mar 2003, the Court dismissed PESB's application for the appointment of an arbitrator. Upon the advice of Skrine, PESB has re-filed in the application for the appointment of an arbitrator on 29 July 2003 and the hearing was fixed on 3 Dec 2003 and subsequently postponed for two times. The new hearing date on PESB's application is now fixed for hearing before the Judge on 29 Mar 2004 but subsequently adjourned until 26 Oct 2004.

In the meantime, TSF has filed an application to strike out PESB's application for appointment of an arbitrator, the Court has fixed 22 Mar 2004 as the date for hearing before the Registrar. However, the hearing was adjourned to 15 June 2004 and was dismissed by Senior Assistant Registrar.

Subsequently, on 26 Oct 2004, the Court allowed PESB's application for the appointment of an arbitrator. PESB has appointed an arbitrator on 26 Oct 2004 and arbitration has been fixed to be held from 20 March 2006 to 24 March 2006.

On 30 Aug 2005, PESB obtained an Allocator against TSF in the High Court at Kuala Lumpur in the sum of RM35,704.00 inclusive of allocator fee of RM2,650.30. PESB has served a demand dated 7 November 2005 on TSF to pay the aforesaid sum. However, more than three weeks had lapsed since PESB served the demand, TSF failed to pay the aforesaid sum. PESB via its solicitors had on 12 December 2005, filed a Winding-Up Petition on TSF at the High Court at Kuala Lumpur and the hearing date has been fixed on 15 March 2006. PESB has on 23rd and 25th January 2006 advertised the Winding Up Petition in two local newspapers.

24 Dividend

The Directors recommend a final dividend of 3% tax exempt amounting to RM2,626,314 in respect of the year ended 31 December 2005, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

25 Earnings per share

	Current Quarter ended 31.12.2005
Basic	
Net profit attributable to ordinary shareholders (RM'000)	<u>-1,467</u>
Number of ordinary shares as at 1 Jan 2005 after net off treasury shares	174,250
Effect of ESOS exercised	1,893
Effect of warrants exercised	0
Effect of shares repurchased	<u>-1,351</u>
Weighted average number of ordinary shares in issue	<u>174,792</u>
Basic earnings per share (sen)	<u><u>-0.84</u></u>
Diluted	
Net profit attributable to ordinary shareholders (RM'000)	<u>-1,467</u>
Weighted average number of ordinary shares as above	174,792
Effect of share option -ESOS	0
Effect of warrants exercised	0
Weighted average number of ordinary shares (diluted)	<u>174,792</u>
Diluted earnings per share (sen)	<u><u>-0.84</u></u>

26 Capital commitments

	As at 31.12.2005
	RM'000
Property, plant and equipment	
Authorised and contracted for	<u>11,339</u>
Authorised and not contracted for	<u>7,550</u>

Prestar Resources Berhad (123066-A)**Notes to the Interim Financial Report for the period ended 31 December 2005****24 Dividend**

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