

PART A: EXPLANATION NOTES AS PER FRS 134

A1 First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

These unaudited condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These unaudited condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position is set out in Note A1.1 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A1.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain freehold land and buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

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Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of the freehold land and buildings in 1995 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM1,016,000 (31 December 2011: RM981,000) was transferred to retained earnings on date of transition to MFRS.

(b) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM1,875,000 (31 December 2011: RM1,947,000) were adjusted to retained earnings.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 01/01/2011 RM'000	Property, plant and equipment RM'000	Foreign currency translation reserve RM'000	MFRS as at 01/01/2011 RM'000
Share Premium	1,687			1,687
Revaluation reserve	1,016	(1,016)		-
Translation reserve	(1,875)		1,875	-
Warrant reserve	3,862			3,862
Retained profits	80,843	1,016	(1,875)	79,984
Total Reserves	85,533			85,533

(ii) Reconciliation of equity as at 31 December 2011

	FRS as at 31/12/2011 RM'000	Property, plant and equipment RM'000	Foreign currency translation reserve RM'000	MFRS as at 31/12/2011 RM'000
Share Premium	1,687			1,687
Revaluation reserve	981	(981)		-
Translation reserve	(1,947)		1,875	(72)
Warrant reserve	-			-
Retained profits	91,079	981	(1,875)	90,185
Total Reserves	91,800			91,800

A1.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

		Effective for period beginning on or after
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
MFRS 9	Financial instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

A2 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.

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 31 December 2012.

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

A first and final dividend of 2.0% tax exempt amounting to 1.0 sen per share in respect of the financial year ended 31 December 2011 was paid on 6 September 2012.

A7 Segment Information for the current financial year to date

	<u>Trading</u>	<u>Manufacturing</u>	<u>Investment</u>	<u>Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Sales	143,356	442,538	1,781	-	587,675
Inter-segment revenue	4,824	55,315	10,561	(70,700)	-
Total Revenue	<u>148,180</u>	<u>497,853</u>	<u>12,342</u>	<u>(70,700)</u>	<u>587,675</u>
Segment Result	4,341	20,141	6,526	(7,938)	23,070
Profit from operations					23,070
Finance costs					(12,677)
Interest Income					194
Share of results of associates					88
Profit before tax					<u>10,675</u>

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

On 28 January 2013, Prestar Manufacturing Sdn. Bhd. ("PMSB") and Prestar Storage System Sdn. Bhd. ("PSSSB"), wholly-owned subsidiary companies of Prestar Resources Berhad ("PRB"), had incorporated a company in Indonesia, namely PT Prestar MHE. Consequently, PT Prestar MHE is a wholly-owned sub-subsidiary company of PRB.

The intended principal activity of PT Prestar MHE is the distribution of MHE products manufactured by PRB subsidiaries.

(refer: Announcement made on 4th Feb 2013)

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2011

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 31/12/2012
	RM'000
Property, plant and equipment	
Authorized and contracted for	260
Authorized and not contracted for	655

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**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 RM157.7 million and RM587.7 million, an improvement of 22.9% and 9.8% over the same period last year respectively. Profit for the quarter under review improved to RM4.38 million as compared to RM1.73 million last year in line with higher sales volume and margin as well as better efficiencies in supply chain management and on-going cost cutting efforts. Recognition of tax credit by certain subsidiaries available also contributed to the higher bottom line.

Nonetheless, YTD profit for the year was 18.2% lower than last YTD's performance. The decline in YTD bottom line performance was mainly due to lower margin on sales during the first half of the year.

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

Compared to the immediate preceding quarter, Group revenue for the quarter under review increased by 9.3% from RM144.3 million to RM157.7 million. Profit before tax for the quarter under review also improved from RM2.79 million in the immediate preceding quarter to RM3.55 million, this was mainly due to the higher sales volume, cost efficiencies and better margin during the quarter under review.

B3 Prospects

Financial year 2012, despite being lackluster for most parts of the year, ended with some light in the tunnel. The abatement of the Euro debt crisis and the resolution of the financial cliff in USA, had churned up the market sentiment, this coupled with the bottomed-up of China's economic slow down has moved up the iron-ore demand and prices as well as the steel material prices. Domestically, various economic measures and ETP initiatives taken by the government has also helped to boost up the business sentiments of the market, with these, steel industry is poised to experience better market demand.

On this backdrop, barring any unforeseen circumstances the Board expects the Group to generate better performance for the new financial year but will continue to adopt cautious approach as uncertainties remained, viz. US debt ceiling, Japan's new competitive policy, our own GE13 and etc.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 31/12/2012 RM'000	Current Year To Date 31/12/2012 RM'000
Current taxation	817	2,067
Deferred taxation	(1,650)	(1,240)
In respect of prior years	-	(39)
	(833)	788

The average effective tax rate of the Group for the current quarter and financial year to date is lower than the current statutory tax rate mainly due to availability of tax losses and unutilised capital allowance.

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.

Not applicable.

B7 Group bank borrowings:

Total group borrowings as at 31 December 2012 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	57,272	26,370
Unsecured	165,240	580
Denominated in US Dollar:		
Secured	2,800	-
Unsecured	-	-
Total Bank Borrowings	225,312	26,950

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

As at 21 February 2013, there were no changes in material litigation, including the status of pending material litigation since the last financial year ended 31 December 2011.

B9 Dividend

The Directors recommend a final dividend of 1.2% (0.6 sen per ordinary share), tax exempt, amounting to RM1,044,366 in respect of the financial year ended 31 December 2012, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

B10 Earnings per share

	Current Quarter Ended 31/12/2012
Basic	
Net profit attributable to ordinary shareholder (RM'000)	7,685
Number of ordinary shares as at 1 Jan 2010 after net off treasury shares	174,061
Effect of warrants exercised	-
Effect of shares repurchased	-
Weighted average number of ordinary shares in issue ('000)	<u>174,061</u>
Basic earnings per share (sen)	4.42

Diluted

The diluted earnings per share is not disclosed as it is not applicable.

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 31/12/2012 RM'000	As at Preceding Financial Year Ended 31/12/2011 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	96,672	91,679
- Unrealised	<u>(2,807)</u>	<u>(4,113)</u>
	93,865	87,566
Total retained profits / (accumulated losses) from associates companies:		
- Realised	25,142	25,187
- Unrealised	<u>(1,572)</u>	<u>(1,513)</u>
	117,435	111,240
Less: Consolidation adjustments	<u>(21,306)</u>	<u>(21,055)</u>
Total group retained profits as per consolidated accounts	<u>96,129</u>	<u>90,185</u>

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 31/12/2012 RM'000	Current Year To Date 31/12/2012 RM'000
(a) Interest income	46	194
(b) Other income	3,627	8,313
(c) Interest expense	(3,290)	(12,677)
(d) Depreciation and amortization	(2,435)	(9,424)
(e) Provision (for) and written off of receivables	(23)	(491)
(f) Provision (for) and written off of inventories	265	(192)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	1,394	1,394
(h) Impairment of assets	(2,985)	(2,985)
(i) Foreign exchange gain/(loss) - Realised and unrealised	66	524
(j) Gain / (loss) on derivatives	239	(150)
(k) Exceptional items	N/A	N/A