

**PERWAJA HOLDINGS BERHAD (798513-D)****(Formerly known as Vertical Winners Sdn Bhd)****(Incorporated in Malaysia)****CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2008**

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	<b>221,278</b>	N/A	<b>2,334,873</b>	N/A
Operating expenses	<b>(405,944)</b>	N/A	<b>(2,161,024)</b>	N/A
Other operating income	<b>3,747</b>	N/A	<b>6,944</b>	N/A
Finance cost	<b>(31,900)</b>	N/A	<b>(90,645)</b>	N/A
(Loss)/Profit before taxation	<b>(212,819)</b>	N/A	<b>90,148</b>	N/A
Taxation	-	N/A	-	N/A
(Loss)/Profit for the period	<b>(212,819)</b>	N/A	<b>90,148</b>	N/A
Attributable to:				
Equity holders of the parent	<b>(212,819)</b>	N/A	<b>90,148</b>	N/A
Earning per share (Note 26) :				
- Basic (sen)	<b>(38.00)</b>	N/A	<b>17.34</b>	N/A
- Diluted (sen)	-	N/A	<b>15.80</b>	N/A

A) The condensed consolidated income statement should be read in conjunction with the audited pro-forma consolidated financial information and the accountants' report for the financial period ended 30 April 2008 as disclosed in the Prospectus of the Company dated 21 July 2008 and the accompanying explanatory notes attached to the interim financial report.

B) This is the third interim financial report on the consolidated results for the fourth quarter ended 31 December 2008 announced by the Company in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). As this is the first financial report being drawn up, there are no comparative figures for the preceding year's corresponding quarter.

**PERWAJA HOLDINGS BERHAD (798513-D)**

(Formerly known as Vertical Winners Sdn Bhd)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET****AS AT 31 DECEMBER 2008**

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,414,459	N/A
Prepaid lease payments	27,460	N/A
Other investment	4,000	N/A
Deferred tax assets	110,000	N/A
	<u>1,555,919</u>	<u>N/A</u>
<b>Current assets</b>		
Inventories	694,360	N/A
Receivables	165,247	N/A
Tax recoverable	103	N/A
Deposits with licensed banks	63,469	N/A
Cash and bank balances	5,597	N/A
	<u>928,776</u>	<u>N/A</u>
<b>TOTAL ASSETS</b>	<u><u>2,484,695</u></u>	<u><u>N/A</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	560,000	N/A
Irredeemable Convertible Unsecured Loan Stocks	10,748	N/A
Reserves	479,424	N/A
<b>Total equity</b>	<u>1,050,172</u>	<u>N/A</u>
<b>Non-current liabilities</b>		
Borrowings	453,844	N/A
<b>Current liabilities</b>		
Trade and other payables	521,847	N/A
Overdrafts and short term borrowings (Note 22)	458,832	N/A
	<u>980,679</u>	<u>N/A</u>
<b>Total liabilities</b>	<u>1,434,523</u>	<u>N/A</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,484,695</u></u>	<u><u>N/A</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	1.88	N/A

The condensed consolidated balance sheet should be read in conjunction with the audited pro-forma consolidated financial information and the accountants' report for the financial period ended 30 April 2008 as disclosed in the Prospectus of the Company dated 21 July 2008 and the accompanying explanatory notes attached to the interim financial report.

**PERWAJA HOLDINGS BERHAD (798513-D)****(Formerly known as Vertical Winners Sdn Bhd)****(Incorporated in Malaysia)****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008**

	Attributable to Equity Holders of the Company					Total Equity RM'000
	Share Capital RM'000	ICULS (Equity component) RM'000	Merger Reserve RM'000	Share Premium RM'000	Retained Profits RM'000	
Balance at 6.12.2007 (n1)	**	-	-	-	-	-
Effect arising from merger (n2)	500,000	-	287,774	-	-	787,774
As Restated	500,000	-	287,774	-	-	787,774
Share issued pursuant to Listing Exercise	60,000	-	-	113,511	-	173,511
Issuance of ICULS (equity component)	-	10,748	-	-	-	10,748
Listing expenses set-off against share premium	-	-	-	(12,009)	-	(12,009)
Retained profit for the period	-	-	-	-	90,148	90,148
<b>Balance at 31.12.2008</b>	<b>560,000</b>	<b>10,748</b>	<b>287,774</b>	<b>101,502</b>	<b>90,148</b>	<b>1,050,172</b>

(n1) Denotes RM2

(n2) The Group has adopted merger method of accounting in respect of acquisition of subsidiary under common control, acquisition of which was completed on 24 June 2008. The Group's consolidated results for the twelve months ended 31 December 2008 comprise the results of PHB and its subsidiaries as if the merger had been effected throughout the current and previous financial periods.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited pro-forma consolidated financial information and the accountants' report for the financial period ended 30 April 2008 as disclosed in the Prospectus of the Company dated 21 July 2008 and the accompanying explanatory notes attached to the interim financial report.

**PERWAJA HOLDINGS BERHAD (798513-D)****(Formerly known as Vertical Winners Sdn Bhd)****(Incorporated in Malaysia)****CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008**

	12 months ended	
	31.12.2008	31.12.2007
	RM'000	RM'000
<b>Profit before tax</b>	<b>90,148</b>	<b>N/A</b>
<b>Adjustments for non -cash flow :</b>		
<b>Depreciation</b>	<b>70,812</b>	<b>N/A</b>
<b>Non-cash items</b>	<b>403,814</b>	<b>N/A</b>
<b>Operating profit before working capital changes</b>	<b>564,774</b>	<b>N/A</b>
<b>Changes in working capital</b>	<b>(649,547)</b>	<b>N/A</b>
	<b>(84,773)</b>	<b>N/A</b>
Interest paid	<b>(49,069)</b>	<b>N/A</b>
Interest received	<b>2,117</b>	<b>N/A</b>
<b>Net cash flows from operating activities</b>	<b>(131,725)</b>	<b>N/A</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(35,874)</b>	<b>N/A</b>
	<b>(35,874)</b>	<b>N/A</b>
<b>Financing activities</b>		
Proceeds from Issuance of shares	<b>173,511</b>	<b>N/A</b>
Listing expenses	<b>(12,009)</b>	<b>N/A</b>
Proceeds from Issuance of ICULS	<b>15,612</b>	<b>N/A</b>
Short term borrowings	<b>67,542</b>	<b>N/A</b>
Repayment of government loan	<b>(50,793)</b>	<b>N/A</b>
Hire purchase/lease liabilities repayment	<b>(4,241)</b>	<b>N/A</b>
	<b>189,622</b>	<b>N/A</b>
<b>Net change in cash and cash equivalents</b>	<b>22,023</b>	<b>N/A</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>43,147</b>	<b>N/A</b>
<b>Cash and cash equivalents at end of the period</b>	<b>65,170</b>	<b>N/A</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited pro-forma consolidated financial information and the accountants' report for the financial period ended 30 April 2008 as disclosed in the Prospectus of the Company dated 21 July 2008 and the accompanying explanatory notes attached to the interim financial report.

# **PERWAJA HOLDINGS BERHAD (798513-D)**

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(Incorporated in Malaysia)

## **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008**

### **PART A – EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **1. Basis of reporting preparation**

The interim financial statements is unaudited and has been prepared in accordance with the Financial Reporting Standards 134 (FRS134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This is the third interim financial report on the consolidated results for the fourth quarter ended 31 December 2008 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

The accounting policies and methods of computation adopted by the Group in this interim financial report are in compliance with the new and revised Financial Reporting Standards issued by the MASB.

The interim financial statement should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial period ended 30 April 2008 as disclosed in the Prospectus of the Company dated 21 July 2008 and the accompanying explanatory notes attached to this interim financial report.

#### **2. Auditors' report**

There was no qualification on the audited financial statements of the Company for the financial period ended 30 April 2008.

#### **3. Seasonal or cyclical factors**

The business operation of the Group is generally affected by the demand in construction sector, commodities market condition and global economy, as well as the fourth quarter and first quarter festive seasons.

#### **4. Items of unusual nature and amount**

Except for a write down to net realisable value in value of inventories amounting to RM225.8 million being made during the current quarter under review, there were no items affecting assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date.

#### **5. Material changes in estimates**

There were no changes in the estimates of amount relating to the prior financial years that have a material effect in the current quarter under review.

**6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities**

(1) Pursuant to the Initial Public Offering (IPO) of Perwaja Holdings Berhad (PHB), The Securities Commission (SC) requires PHB to address its accumulated losses (from its subsidiary, i.e Perwaja Steel Sdn Bhd) before end of financial year ending 31 December 2008. In this respect, Perwaja Steel Sdn Bhd (PSSB) has made the necessary application to the Court and on 23 July 2008, the Court has granted its order to PSSB to exercise the capital reduction scheme to address its accumulated losses as follow:

(i) The cancellation of PSSB's entire audited share premium account of RM121.6 million as at 31 December 2007 and

(ii) The reduction of PSSB's issued and paid-up share capital from RM1,216.2 million comprising 1,216.2 million PSSB Share to RM787.8 million comprising 787.8 million PSSB Share by cancellation of 428.4 million PSSB Share,

whereby the total credit arising amounting to RM550.0 million will be utilized to eliminate PSSB's accumulated losses in its entirety as at 31 December 2007.

(2) On 24 June 2008, the Company issued 499,999,998 new ordinary shares of RM1.00 each for the acquisition of the entire equity interest in PSSB as disclosed in Note 12 in this interim financial report.

(3) After the acquisition of PSSB, the Company has placed out 156,123,000 ICULS to Kinsteel Bhd at an issue price of RM0.10 per ICULS. The conversion price of the ICULS is RM2.90 per share and with maturity date of 10 years from the date of issuance of ICULS. The ICULS will not be listed on any stock exchange.

Save for the above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current period and year to date.

**7. Dividends paid**

No dividends have been paid by the Company in the current period and year to date.

**8. Segmental information**

Segmental information is not provided as the Group's primary business segment is principally engaged in the manufacturing and trading in direct reduced iron, steel billets, beam blanks and blooms and its operation is principally located in Malaysia.

**9. Valuation of property, plant and equipment**

There was no valuation of the property, plant and equipment in the current period under review.

**10. Capital commitments**

The total capital commitments being approved and contracted for as at the end of current quarter and financial year to date are amounting to RM27.4 million.

**11. Material events subsequent to the end of period reported**

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

**12. Changes in the Composition of the Group**

Save as disclosed below, there were no changes in the current quarter and financial year-to-date in the composition of the Group:

(i) Acquisition of Perwaja Steel Sdn Bhd pursuant to the listing exercise.

Acquisition of the entire issued and paid-up share capital of PSSB comprising 1,216,180,704 ordinary shares of RM1.00 each for a purchase consideration of RM966,253,600 to be satisfied by the issuance of 499,999,998 new ordinary shares of RM1.00 each at an issue price of RM1.93 per ordinary share. The acquisition of PSSB was completed on 24 June 2008.

(ii) Acquisition of Esteem Score Sdn Bhd

Acquisition of the entire issued and paid-up share capital of Esteem Score Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2.00. The acquisition was completed on 10 September 2008.

**13. Contingent Liabilities and Contingent Assets**

Save as disclosed in Note 24, there were no contingent liabilities or contingent assets, which upon becoming enforceable, may have a material effect on the Net Assets, profits or financial position of our Group.

## **PERWAJA HOLDINGS BERHAD (798513-D)**

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### **PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

#### **14. Review of performance of the Company and its principal subsidiaries**

For the current quarter under review, the Group recorded revenue of RM221.3 million and a pre-tax loss of RM212.8 million. On the year to date basis, the Group recorded revenue of RM2.3 billion and a pre-tax profit of RM90.1 million.

In the opinion of the Directors, save for the write down to net realisable values in inventories of RM225.8 million in current quarter and financial year to date of RM346.1 million, the results for the current quarter and financial year to date have not been affected by any transactions or events of a material nature which have arisen between 31 December 2007 and the date of this report.

#### **15. Material changes in the quarterly results compared to the results of the preceding quarter**

The Group's revenue for current quarter was decreased by RM756.7 million from RM978.0 million in the immediate preceding quarter due to the international steel market slump and weakening global economy. The Group suffered a pre-tax loss of RM212.8 million as compared to last quarter's PBT of RM80.3 million as a result of lower sales in term of selling price and sales volume and the write down to net realisable value in inventories amounting to RM225.8 million.

#### **16. Prospects for the financial year 2009**

Perwaja's performance for the year ended 2008 was affected considerably by the slowdown of the world economy and the Malaysian economy in particular which took full effect in the last quarter of 2008.

Perwaja is cautiously optimistic for the financial year 2009 despite the uncertainties in the current economic climate as implementation of the Malaysian government's spending under the stimulus package commences.

Whilst the operating climate is likely to remain challenging for the first quarter, there are signs of improvement in the market recently which will augurs well for Perwaja.

#### **17. Variance between Actual Profit and Forecast Profit**

The Group did not issue any profit forecast in a public document during the current financial period.

#### **18. Taxation**

There is no tax payable due mainly to the utilization of deferred tax assets not recognized in prior years to offset current period taxation expenses.



**19. Profit from sale of unquoted investments and/ or properties**

There were no disposal of unquoted investment and properties for the current quarter and financial year-to-date.

**20. Quoted securities**

There were no purchase or disposal of quoted securities for the current quarter and financial year to date and the Group did not hold any quoted securities as at the end of the financial year to date.

**21. Status of Corporate Proposal**

In conjunction with the flotation exercise undertaken by the Company, the Company has, on 21 July 2008, issued a Prospectus in relation to the following:-

**(A) Public Issue**

The IPO comprising an offering of 90,000,000 IPO shares under the Offer for Sale and 60,000,000 IPO shares under the Public Issue and to be allocated in the following manner, all payable in full upon application:

1. 101,476,000 Restricted Shares are available for application by the Entitled Shareholders of Kinsteel Bhd at the Restricted Offer Price at RM2.23 each;
2. 26,124,000 IPO Shares are available for private placement to identified investors at IPO price of RM2.90
3. 11,200,000 IPO Shares are available for application by the eligible Directors and Employees of Kinsteel Group and the Group and persons who have contributed to the Group's success at IPO price of RM2.90.
4. 11,200,000 IPO Shares are available for application by the Malaysian public at IPO price of RM2.90.

**(B) Listing**

The admission to the official list and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities was successfully done on 20 August 2008.

**(C) Utilisation of proceeds**

	Proposed Utilisation RM'000	Actual Utilisation RM'000
Part repayment of bank borrowings	50,000	50,000
Working capital	112,511	111,502
Estimated listing expenses	11,000	12,009
	<u>173,511</u>	<u>173,511</u>

## 22. Group borrowings and debt securities

The Group's borrowings as at 31 December 2008 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank Overdraft	3,896	-	3,896
Trade Financing	338,387	-	338,387
Hire Purchases	15,756	-	15,756
Term Loan	50,000	-	50,000
Related Party Loan	-	21,070	21,070
Government Loan	-	29,723	29,723
	<u>408,039</u>	<u>50,793</u>	<u>458,832</u>
<u>Long Term borrowings:-</u>			
Term Loan	260,000	40,000	300,000
Related Party Loan	-	64,676	64,676
Government Loan	-	89,168	89,168
	<u>260,000</u>	<u>193,844</u>	<u>453,844</u>
Total	<u>668,039</u>	<u>244,637</u>	<u>912,676</u>

## 23. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk.

## 24. Material Litigation

Save as disclosed below, as at 31 December 2008, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company or our subsidiaries.

(i) **Shah Alam High Court Civil Suit No. MT4-22-204-2002  
Nesaga Technology Sdn Bhd ("Nesaga") vs.  
Perwaja Steel Sdn Bhd ("PSSB")**

PSSB is alleged to have failed to adhere to 4 maintenance agreements in 1996 whereby Nesaga was to provide various services to PSSB. PSSB had entered into a settlement dated 28 June 1996 with various terms and conditions and PSSB allegedly agreed to all the terms in the settlement via a letter dated 1 July 1996.

On 22 March 2002, Nesaga filed a Writ of Summons and Statement of Claim at the High Court of Malaya at Shah Alam against PSSB. The claim was for LIRE356,996,800.00, RM404,180.00 and USD826,117.40 with interest calculated at the rate of 8% per annum from 1 July 1996 until date of judgment.

Nesaga has filed an application under Order 27 Rule 3 of the Rules of High Court 1980 on 4 March 2005 for judgment on admission (Enclosure 10). Enclosure 10 is now fixed for mention on 18 March 2009. PSSB has filed an application to amend its

Defence and to include a counterclaim (Enclosure 31) which application was allowed on 10 December 2008. Nesaga has filed an appeal to the Judge in Chambers on 16 December 2008 against the Order dated 10 December 2008 in allowing PSSB application to amend its Defence and to include a Counterclaim. This matter is now fixed for decision/clarification of Enclosure 10 and also mention of case management on 31 March 2009.

PSSB's solicitors are of the view that PSSB stands a fair chance of defending the case.

**(ii) Kuala Lumpur High Court Civil Suit No. D1-22-785-2005  
PSSB vs. Arus Zaman Sdn Bhd (formerly known as MK Farlin  
Development Sdn Bhd) ("Arus Zaman")**

The claim was filed by PSSB in 2005 whereby PSSB is claiming a sum of RM15.5 million together with damages, interest calculated at the rate of 8% from 15 July 1999 to date of judgment and interest calculated at 8% from the date of judgment to the date of full and final realisation and costs for construction works done under an agreement dated 20 October 1998 for the Multimedia University Campus Development in Cyberjaya.

Arus Zaman has filed a Counter-Claim against PSSB for the sum of RM69,014.13 for overpayment together with interest at the rate of 8% per annum from date of judgment until full realisation and costs. On 18 January 2006, the court allowed Arus Zaman's application to amend their Defence and Counterclaim which the claim is amended to RM400,227.52 together with interest at the rate of 8% per annum from date of judgment until full realisation and costs. PSSB has since filed an application to amend their Reply and Defence to Counterclaim and the application was allowed on 19 November 2008. The matter is now fixed for mention of Case Management on 21 May 2009.

The solicitors of PSSB are of the view that since a substantial part of the documents for PSSB's claim, at first sight are not certified, PSSB may not have a strong claim against Arus Zaman, until and unless the necessary documents substantiating PSSB's claim are completed.

**(iii) Kuala Lumpur High Court Suit No. D8-22-1464-2007  
Kuala Lumpur High Court Suit No. D2-22-1594-2007 (consolidated by  
the Order of the Court of Appeal dated 17 January 2008)  
Megasteel Sdn Bhd ("Megasteel") vs PSSB**

Megasteel filed Writ of Summons and Statement of Claim for sum of RM36,079,860.33 ("Megasteel's Claim") as damages for an alleged breach of contract against PSSB. On 17 December 2007, PSSB in its defence argued, inter-alia, that Megasteel has continued to accept the delivery of the goods unconditionally after the alleged stipulated time, causing time to be at large hence time is no longer of the essence. In addition there were variations to the contract causing time to be at large as well.

PSSB has also filed a Counter-Claim against Megasteel for inter-alia the sum of RM3,390,509.03 ("Outstanding Sum") for the DRI supplied to Megasteel. Megasteel filed an application for summary judgment which was dismissed with costs on 14 January 2009. The matter is now fixed for mention of case management on 23 April 2009.

The solicitors of PSSB are of the opinion that PSSB stands a fair chance of success of defending Megasteel's claim and that Megasteel has no viable defence to the Outstanding Sum which Megasteel is seeking to set off the Outstanding Sum against Megasteel's Claim.

**25. Proposed Dividend**

There was no dividend proposed or declared for the current quarter and the financial year to date.

**26. (Loss)/Earnings per share**

The basic (loss)/earnings per share is calculated based on the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	3 months ended 31.12.2008 RM'000	12 months ended 31.12.2008 RM'000
Net (loss)/profit attributable to ordinary shareholders of the company	(212,819)	90,148
Weighted average number of ordinary shares in issue	560,000	520,000
<b>Basic (LPS)/EPS (sen)</b>	<b><u>(38.00) sen</u></b>	<b><u>17.34 sen</u></b>
Net profit attributable to ordinary shareholders of the company		90,148
Interest saving on ICULS		<u>208</u>
Adjusted net profit attributable to ordinary shareholders of the company		90,356
Adjusted weighted average number of ordinary shares in issue and issuable		572,041
<b>Fully Diluted EPS (sen)</b>	<b><u>-</u></b>	<b><u>15.80 sen</u></b>

Fully diluted LPS for current quarter has not been presented as the effect is anti-dilutive.

By order of the Board,

Dato' Henry Pheng Chin Guan  
Chief Executive Officer  
Date: 23 February 2009