



**PERWAJA HOLDINGS BERHAD**  
Company No.: 798513-D

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2009**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE QUARTER AND SIX MONTH ENDED 30 JUNE 2009**

	Unaudited		Unaudited	
	3 months ended	30.06.2008	6 months ended	30.06.2008
	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	RM'000	RM'000	RM'000	RM'000
Revenue	432,328	665,170	750,800	1,135,642
Cost of goods sold	<u>(472,811)</u>	<u>(482,556)</u>	<u>(814,462)</u>	<u>(851,160)</u>
Gross (loss)/profit	(40,483)	182,614	(63,662)	284,482
Other operating income	<u>270</u>	<u>471</u>	<u>1,224</u>	<u>1,500</u>
	(40,213)	183,085	(62,438)	285,982
Selling and distribution expenses	(5,253)	(3,199)	(9,147)	(7,038)
Administrative expenses	(23,009)	(14,432)	(44,488)	(26,019)
Finance costs	<u>(26,387)</u>	<u>(18,052)</u>	<u>(52,169)</u>	<u>(30,303)</u>
(Loss)/Profit before taxation	(94,862)	147,402	(168,242)	222,622
Taxation	<u>9,954</u>	<u>-</u>	<u>26,889</u>	<u>-</u>
(Loss)/Profit for the period attributable to equity holders of the Company	<u>(84,908)</u>	<u>147,402</u>	<u>(141,353)</u>	<u>222,622</u>
(Loss)/Earning per share (Note 26) :				
- Basic EPS (sen)	<u>(15.16)</u>	<u>29.48</u>	<u>(25.24)</u>	<u>44.52</u>

*The above condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2009**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2009</b>	<b>31.12.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,427,968	1,414,459
Prepaid lease payments	27,094	27,460
Intangible assets	1,293	-
Other investment	4,000	4,000
Deferred tax assets	165,000	138,000
	<u>1,625,355</u>	<u>1,583,919</u>
<b>Current assets</b>		
Inventories	447,669	662,015
Receivables	143,903	153,538
Tax recoverable	103	103
Deposits with licensed banks	38,500	63,050
Cash and bank balances	16,878	1,957
	<u>647,053</u>	<u>880,663</u>
<b>TOTAL ASSETS</b>	<u><u>2,272,408</u></u>	<u><u>2,464,582</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	560,000	560,000
Irredeemable Convertible Unsecured Loan Stocks	10,748	10,748
Reserves	338,022	479,375
<b>Total equity</b>	<u>908,770</u>	<u>1,050,123</u>
<b>Non-current liabilities</b>		
Borrowings	498,717	515,298
<b>Current liabilities</b>		
Trade and other payables	460,659	502,138
Overdrafts and short term borrowings (Note 22)	404,262	397,023
	<u>864,921</u>	<u>899,161</u>
<b>Total liabilities</b>	<u>1,363,638</u>	<u>1,414,459</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,272,408</u></u>	<u><u>2,464,582</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	<u>1.62</u>	<u>1.88</u>

*The above condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Attributable to Equity Holders of the Company					
	← Non-distributable →			Distributable (Accumulated Losses)/		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	ICULS RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>Balance at 01.01.09</b>	560,000	101,502	287,776	10,748	90,097	1,050,123
<b>Loss for the period</b>	-	-	-	-	(141,353)	(141,353)
<b>Balance at 30.06.2009</b>	560,000	101,502	287,776	10,748	(51,256)	908,770
Balance at 01.01.2008 (n1)	**	-	-	-	-	-
Effect arising from merger (n2)	500,000	-	287,776	-	-	787,776
As Restated	500,000	-	287,776	-	-	787,776
Profit for the period	-	-	-	-	222,622	222,622
Balance at 30.06.08	500,000	-	287,776	-	222,622	1,010,398

(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 six months ended 30 June 2008 comprised the results of PHB and its subsidiaries as if the merger had been effected throughout the current and previous financial periods.

*The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited</b>	
	<b>6 months ended</b>	
	<b>30.06.2009</b>	<b>30.06.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit before tax</b>	<b>(168,242)</b>	222,622
<b>Adjustments for non -cash flow :</b>		
<b>Depreciation</b>	<b>36,709</b>	34,819
<b>Non-cash items</b>	<b>34,128</b>	36,597
<b>Operating profit before working capital changes</b>	<b>(97,405)</b>	294,038
<b>Changes in working capital</b>	<b>175,764</b>	(232,614)
	<b>78,359</b>	61,424
Interest paid	<b>(27,845)</b>	(22,724)
Interest received	<b>344</b>	295
<b>Net cash from/(for) operating activities</b>	<b>50,858</b>	38,995
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(49,702)</b>	(24,658)
Purchase of intangible assets	<b>(1,293)</b>	-
<b>Net cash for investing activities</b>	<b>(50,995)</b>	(24,658)
<b>Financing activities</b>		
(Repayment)/drawdown of short term borrowings	<b>(2,661)</b>	(184)
Repayment of government loan	<b>(400)</b>	(14,000)
Hire purchase/lease liabilities repayment	<b>(2,236)</b>	(1,835)
<b>Net cash flows for financing activities</b>	<b>(5,297)</b>	(16,019)
<b>Net decrease in cash and cash equivalents</b>	<b>(5,434)</b>	(1,682)
<b>Cash and cash equivalents at beginning of the period</b>	<b>60,812</b>	43,147
<b>Cash and cash equivalents at end of the period</b>	<b>55,378</b>	41,465

*The above condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.*

# PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2009

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

#### 1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of Financial Reporting Standards 134 (FRS134): “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008. 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 year ended 31 December 2008.

As at 30 June 2009, the following FRSs and Issues Committee (“IC”) Interpretations were in issue but not yet effective and have not been applied by the Group:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The Group is exempted from disclosing the possible impact, if any, to the financial statement upon the initial application of the above mentioned FRSs and IC Interpretations.

#### 2. Auditors’ report

The preceding financial period’s audit report was not qualified.

#### 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

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during 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. Debt and equity securities**

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

**7. Dividends paid**

No dividend was paid during the financial 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 RM34.7 million.

**11. Subsequent event**

There was no material event subsequent to the current quarter.

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

There were no changes in the composition of the Group during the financial year-to-date.

**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)**

(Incorporated in Malaysia)

### **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 RM432.3 million and a pre-tax loss of RM94.9 million as compared to revenue of RM665.2 million and pre-tax profit of RM147.4 million respectively in the preceding year corresponding quarter.

The decrease in revenue was mainly due to the lower steel prices, continuation since third quarter of preceding year which has adversely affected the Group's profit margin, resulting in loss for the Group during the current quarter.

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

The Group's revenue for current quarter increased by RM113.8 million from RM318.5 million in the immediate preceding quarter due to improved demand for steel products. However, the Group recorded a higher pre-tax loss of RM94.9 million as compared to preceding quarter loss of RM73.4 million due to higher production costs.

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

Perwaja is cautiously optimistic for the prospects in financial year 2009 despite the uncertainties in the current economic climate as implementation of the Malaysian government's spending under the stimulus package commences. Improvement in steel demand will depend on, amongst others, the effects of government stimulus packages, continuous stabilization of financial systems and return of consumer's confidence.

Whilst the operating climate is likely to remain challenging for the next quarter, there are signs of improvement in the market recently that has led to modest improvement in steel demand and expected to augur 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**

	Current quarter 30.06.2009 RM	Current year-to-date 30.06.2009 RM'000
Current income taxation	(46)	(111)
Deferred taxation	10,000	27,000
	<u>9,954</u>	<u>26,889</u>

The statutory tax rate was reduced to 25 percent from the previous year's rate of 26 percent effect in the current year of assessment. The statutory tax rate remains as 25 percent in subsequent year.

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

There were no disposal of unquoted investments and/or 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**

There were no corporate proposals announced but not completed as at the reporting date.

**22. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2009 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Trade Financing	334,940	-	334,940
Hire Purchases	3,996	-	3,996
Term Loan	50,000	-	50,000
Related Party Loan	-	420	420
Government Loan	-	14,906	14,906
	<u>388,936</u>	<u>15,326</u>	<u>404,262</u>
<u>Long Term borrowings:-</u>			
Term Loan	260,000	40,000	300,000
Hire Purchase	9,806	-	9,806
Related Party Loan	-	85,326	85,326
Government Loan	-	103,585	103,585
	<u>269,806</u>	<u>228,911</u>	<u>498,717</u>
Total	<u>658,742</u>	<u>244,237</u>	<u>902,979</u>

**23. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the reporting date.

## 24. Material Litigation

Save as disclosed below, as at 30 June 2009, 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 (approximate total claim is RM4,151,858.54 based on relevant conversion rate in year 2002) with interest calculated at the rate of 8% per annum from 1 July 1996 until date of judgment.

Nesaga has also filed an application under Order 27 Rule 3 of the Rules of High Court 1980 on 4 March 2005 for judgment on admission and was subsequently being struck off. PSSB has filed an application to amend its Defence and to include a Counter-claim which application was allowed on 10 December 2008. Nesaga has filed an appeal on 16 December 2008 against the Order dated 10 December 2008. This court has fixed 1 September 2009 for hearing of Nesaga’s said appeal and for mention of case management.

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 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 13 October 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 complete.

**(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 filed a Counter-Claim against Megasteel on 17 December 2007 for *inter-alia*, the outstanding sum of RM3,390,509.03 ("Outstanding Sum") as at 6 November 2007 for the DRI supplied to Megasteel. PSSB has also filed a summary judgment on admission of the Outstanding Sum, the hearing of which is fixed on 30 July 2009. The Court has also fixed the matter for mention of case management on 27 August 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.

**(iv) Kuala Lumpur High Court Suit No. D22-788-2009  
Petroleum National Berhad ("Petronas") vs PSSB**

On 12 May 2009, PSSB was served with a writ of summons, dated 27 April 2009, taken out by Petronas claiming the sum of RM85,795,957.50 being the alleged balance of the unpaid purchase price for the supply of gas to PSSB together with interest on various bases. The present state of the proceedings against PSSB is that both Petronas and PSSB have exchanged their respective pleadings. PSSB is disputing the claim.

By its Defence and Counterclaim dated 15.06.09, PSSB is defending the Claim and is counterclaiming for either a sum of RM105,258,714.45 or alternatively RM99,831,484.28, depending the rate applicable. As the pre-trial steps have not been completed yet, there is no date for trial of the suit.

As at present advised PSSB's solicitors, the Board is of the opinion that PSSB has reasonable prospects of success. Nevertheless, it is still open to both parties to reach a negotiated settlement of this dispute.

**25. Proposed Dividend**

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

**26. Loss Per Share (“LPS”)**

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

	Current Quarter RM'000	Current Year-to-date RM'000
Net loss attributable to ordinary shareholders of the company	(84,908)	(141,353)
Weighted average number of ordinary shares in issue	560,000	560,000
<b>Basic LPS (sen)</b>	<b><u>(15.16) sen</u></b>	<b><u>(25.24) 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: 19 August 2009