



PERWAJA HOLDINGS BERHAD
Company No.: 798513-D

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2011

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2011**

	Unaudited		Unaudited	
	3 months ended	30.06.2010	6 months ended	30.06.2010
	30.06.2011	RM'000	30.06.2011	RM'000
Revenue	382,472	465,198	808,577	838,934
Operating expenditure	(408,300)	(435,375)	(838,264)	(770,346)
Other income	29,927	939	30,857	2,707
Finance costs	(18,729)	(20,497)	(40,082)	(38,367)
(Loss)/Profit before taxation	(14,630)	10,265	(38,912)	32,928
Taxation	-	-	-	-
(Loss)/Profit after taxation	(14,630)	10,265	(38,912)	32,928
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	66	62	132	124
Total comprehensive (loss)/income	(14,564)	10,327	(38,780)	33,052
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(14,564)	10,327	(38,780)	33,052
Minority interests	-	-	-	-
	(14,564)	10,327	(38,780)	33,052
(Loss)/Earning per share (Note 26) :				
- Basic (LPS)/EPS (sen)	(2.61)	1.83	(6.95)	5.88
- Diluted EPS (sen)	N/A	1.46	N/A	4.64

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Unaudited As at 30.06.2011 RM'000	Audited As at 31.12.2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,402,456	1,405,373
Intangible assets	1,293	1,293
Other investment	3,866	3,734
Deferred tax assets	165,000	165,000
	<u>1,572,615</u>	<u>1,575,400</u>
Current assets		
Inventories	745,514	834,049
Receivables	71,818	144,386
Deposits with licensed banks	34,500	9,500
Cash and bank balances	3,201	6,589
	<u>855,033</u>	<u>994,524</u>
TOTAL ASSETS	<u><u>2,427,648</u></u>	<u><u>2,569,924</u></u>
EQUITY AND LIABILITIES		
Share capital	560,000	560,000
Irredeemable Convertible Unsecured Loan Stocks	10,748	10,748
Reserves	277,779	316,559
Total equity	<u>848,527</u>	<u>887,307</u>
Non-current liabilities		
Borrowings (Note 22)	310,942	286,267
Current liabilities		
Trade and other payables	677,840	739,341
Overdrafts and short term borrowings (Note 22)	590,339	657,009
	<u>1,268,179</u>	<u>1,396,350</u>
Total liabilities	<u>1,579,121</u>	<u>1,682,617</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,427,648</u></u>	<u><u>2,569,924</u></u>
Net assets per share attributable to equity holders of the parent (RM)		
	<u>1.52</u>	<u>1.58</u>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PERWAJA HOLDINGS BERHAD (798513-D)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Attributable to Equity Holders of the Company						
	←	Non-distributable			→	Distributable (Accumulated Losses)/ Retained Profits	Total Equity
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Fair Value Reserve RM'000	ICULS RM'000	RM'000	RM'000
Balance at 1 January 2011	560,000	101,502	287,776	(266)	10,748	(72,453)	887,307
Comprehensive loss for the period	-	-	-	-	-	(38,912)	(38,912)
Other comprehensive income for the period	-	-	-	132	-	-	132
Balance at 30 June 2011	560,000	101,502	287,776	(134)	10,748	(111,365)	848,527
Balance at 1 January 2010	560,000	101,502	287,776	-	10,748	(26,493)	933,533
Effect arising from adoption of FRS 139	-	-	-	(515)	-	23,658	23,143
Balance at 1 January 2010, as restated	560,000	101,502	287,776	(515)	10,748	(2,835)	956,676
Comprehensive income for the period	-	-	-	-	-	32,928	32,928
Other comprehensive income for the period	-	-	-	124	-	-	124
Balance at 30 June 2010	560,000	101,502	287,776	(391)	10,748	30,093	989,728

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 2010 and the accompanying explanatory notes attached to the interim financial statements.

PERWAJA HOLDINGS BERHAD (798513-D)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Unaudited	
	Year-to-date ended	
	30.06.2011	30.06.2010
	RM'000	RM'000
Cash Flows From/(For) Operating Activities		
(Loss)/profit before taxation	(38,912)	32,928
Adjustments for non-cash flow :		
Depreciation	38,849	37,159
Non-cash items	12,735	37,701
Operating profit before working capital changes	12,672	107,788
Changes in working capital	99,602	(147,342)
	112,274	(39,554)
Interest paid	(33,656)	(33,350)
Interest received	15	-
Net cash from/(for) operating activities	78,633	(72,904)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(35,932)	(9,178)
Net cash for investing activities	(35,932)	(9,178)
Cash Flows (For)/From Financing Activities		
(Repayment)/drawdown of short term borrowings	(14,490)	108,814
Repayment of government loan	(800)	(600)
Repayment of hire purchase obligations	(1,931)	(1,894)
Net cash (for)/from financing activities	(17,221)	106,320
Net increase in cash and cash equivalents	25,480	24,238
Cash and cash equivalents at beginning of period	12,221	15,377
Cash and cash equivalents at end of period	37,701	39,615
Composition of cash and cash equivalents		
Deposits with licensed banks	34,500	36,525
Cash and bank balances	3,201	3,090
Cash and cash equivalents at end of period	37,701	39,615

The above condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2011

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. 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 2010.

The significant accounting policies adopted are in consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Amendments to FRSs and Interpretations with effect from 1 January 2011:

Amendments to FRS 1 (Revised)	Limited Exemptions from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transaction
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining Whether An Arrangement Contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRSs	Annual Improvements to FRS (2010)

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group.

2. Auditors’ report

The preceding audited annual financial statements were not qualified.

3. Seasonal or cyclical factors

The business operation of the Group is affected by the demand in construction sector, commodities market condition and outlook of the global economy, as well as the 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 of direct reduced iron, steel billets, beam blanks and blooms and our operations 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 amounted to RM202.6 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.

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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 (2Q11), the Group recorded a 17.8% decrease in revenue of RM382.5 million as compared to RM465.2 million recorded in the previous corresponding quarter (2Q10). Similarly, the Group recorded a pre-tax loss of RM14.6 million as compared to a pre-tax profit of RM10.3 million recorded in 2Q 2010.

Revenue and pre-tax loss for the 6 months ended 30 June 2011 were lower at RM808.6 million and RM38.9 million as compared to revenue and pre-tax profit of RM838.9 million and RM32.9 million recorded in the corresponding financial period of 2010.

The decrease in revenue for the quarter under review and the six month period to date was due to a slowdown in the overall steel market. Further, increase in raw material prices which impacted margins and resulted in a net loss during the current quarter and period under review.

15. Material changes in profit before tax for the current quarter results compared to the results of the preceding quarter

The Group recorded a pre-tax loss of RM14.6 million as compared to the preceding quarter's pre-tax loss of RM24.3 million. The Group cost management and containment strategies continue to cushion the effects of the rising cost of raw materials.

16. Prospects for the financial year 2011

Perwaja is cautious over the prospects in financial year 2011 even though domestic steel consumption is expected to improve in tandem with the construction activities from both the public and private sectors. However, the price of iron ore had increased significantly over the past year and is expected to continue its upward trend. The Group will continue to find ways to reduce exposure to raw material price volatility to minimize the impact of the volatile steel market. This includes exploring the opportunity to acquire iron ore mines and sourcing local iron ore for further pelletizing for own consumption.

The Group has embarked on the construction of a concentration and pelletizing plant which when completed, will reduce the Group's reliance on imported pellets and the exposure to raw material price fluctuations when it is fully operational. The Group believes that the concentration and pelletizing plant will significantly reduce the Group's production cost.

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

The Group's effective tax rate for the current quarter and financial year to date was lower than the prevailing statutory tax rate of 25%, mainly due to the utilization of deferred tax assets not recognized in prior years.

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

There were no disposals of unquoted investments and/or properties for the current quarter and financial year-to-date.

20. Quoted securities

There were no purchases or disposals 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

The Company has on 25 July 2011 announced that it is proposing to undertake the following proposals:

- i) Proposed restricted issue of RM280,000,000 nominal value of Redeemable Convertible Unsecured Loan Stocks ("RCULS") to Kinsteel Bhd ("Kinsteel") at 100% of its nominal value and
- ii) Proposed issue of 280,000,000 free warrants on the basis of one free warrant for every two existing PHB shares held by the entitled shareholders on the entitlement date.

Upon completion of the proposed restricted issue, Kinsteel will undertake a renounceable restricted offer for sale ("ROS") of such nominal value of RCULS held by it to the entitled shareholders for ROS on the basis of RM1.00 nominal value of RCULS for every two existing PHB shares held on the entitlement date. The nominal value of RCULS to be offered under the proposed ROS shall be determined after taking into consideration the shareholdings of Kinsteel in our Company on the entitlement date.

Bank Negara Malaysia had, vide its letter dated 04 August 2011, granted its approval on the proposed issue of free warrants to non-resident shareholders of the Company. The Company expects to complete the above proposals by fourth quarter of FY2011.

22. Group borrowings and debt securities

The Group's borrowings as at 30 June 2011 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowing:-			
Trade Financing	476,585	-	476,585
Hire Purchases	3,690	-	3,690
Term Loan	50,000	40,000	90,000
ICULS	-	4,864	4,864
Related Party Loan	-	504	504
Government Loan	-	14,696	14,696
	<hr/> 530,275	<hr/> 60,064	<hr/> 590,339
Long Term borrowings:-			
Term Loan	160,000	-	160,000
Hire Purchase	2,463	-	2,463
Related Party Loan	-	67,380	67,380
Government Loan	-	81,099	81,099
	<hr/> 162,463	<hr/> 148,479	<hr/> 310,942
Total	<hr/> 692,738	<hr/> 208,543	<hr/> 901,281

23. Derivative Financial Instruments

There were no derivative financial instruments as at the reporting date.

24. Material Litigation

Save as disclosed below, as at 30 June 2011, 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) **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 a Writ of Summons and Statement of Claim for the sum of RM36,079,860.33 ("Megasteel's Claim") as damages for an alleged breach of contract against PSSB in respect of the sale and purchase of 170,000 mt of DRI in 2007. 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 also filed a Counter-Claim against Megasteel on 17 December 2007 for *inter-alia*, the outstanding sum of RM3,390,509.03 inclusive of interest ("Outstanding Sum") as at 6 November 2007 for the DRI supplied to Megasteel.

Megasteel filed a summary judgment application on Megasteel's Claim on 27 March 2008 and the same was dismissed on 14 January 2009. PSSB filed an application for judgment on admission of the Outstanding Sum on 30 March 2009 of which was dismissed on 26 October 2009. PSSB filed an appeal to the Court of Appeal against the dismissal of the application for judgment on admission on 20 November 2009. The appeal is pending but in view of the accelerated trial at the High Court, the appeal will become academic.

The High Court suits have been fixed for trial on 14-16 March 2011 and continued trial on 13-15 September 2011 and 3-4 October 2011.

The solicitors of PSSB are of the opinion that PSSB has a fair chance of succeeding in its defence against 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.

(ii) **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. Both Petronas and PSSB have exchanged their respective pleadings. PSSB is disputing the claim.

By its Defence and Counterclaim dated 15 June 2009, PSSB is defending the claim and is counterclaiming for either a sum of RM105,258,714.45 or alternatively RM99,831,484.28, depending on the rate applicable. Petronas filed an application to strike out PSSB's Defence and Counterclaim on 24 December 2009 which was dismissed with costs by the Judge on 30 July 2010.

On 21 March 2011, the Judicial Commissioner ("JC") fixed 3 October 2011 to 7 October 2011 for trial. Parties are also required to file the relevant documents before the final case management date on 26 August 2011.

As advised by 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 for this dispute.

**(iii) Dubai Court of Cassation Appeal No.: 131/2011
PSSB v Star Steel International LLC ("Star Steel")**

On 13 June 2011, PSSB issued a legal notice to Star Steel (an associate of ETA ASCON STAR Group) to recover the outstanding payment for the steel products being USD9,375,000. Star Steel has yet to reply to the legal notice.

Besides the above claim, PSSB has filed a claim against Star Steel for a sum of USD5,625,000 being payment for goods sold and delivered on 27 July 2010. Judgment was granted in favour of PSSB. Subsequently, Star Steel successfully appealed against PSSB on grounds that the dispute was subject to arbitration. PSSB is presently appealing against the decision. PSSB's solicitors are of the opinion that PSSB has a good chance of succeeding against Star Steel.

PSSB is in the midst of negotiating with Starsteel with the view towards settlement for the above claims.

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 LPS is calculated based on the Group's net loss attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the current quarter and the financial year-to-date as follow:

	Current Quarter RM'000	Year-to-date RM'000
Net loss attributable to ordinary shareholders of the company	14,630	38,912
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	2.61 sen	6.95 sen

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

27. Realised and Unrealised Profits/Losses Disclosure

The accumulated losses as at 30 June 2011 and 31 March 2011 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(276,365)	(261,735)
- Unrealised profit	<u>165,000</u>	<u>165,000</u>
Total group accumulated losses as per consolidated financial statements	<u>(111,365)</u>	<u>(96,735)</u>

By Order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 24 August 2011