



PERWAJA HOLDINGS BERHAD

Company No.: 798513-D

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

	Unaudited		Unaudited	
	3 months ended		9 months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	356,226	271,272	1,164,803	1,110,206
Operating expenditure	(353,476)	(288,776)	(1,191,740)	(1,059,122)
Other income	827	786	31,684	3,493
Finance costs	(19,602)	(21,107)	(59,684)	(59,474)
Loss before taxation	(16,025)	(37,825)	(54,937)	(4,897)
Taxation	-	-	-	-
Loss after taxation	(16,025)	(37,825)	(54,937)	(4,897)
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	66	62	198	186
Total comprehensive loss	(15,959)	(37,763)	(54,739)	(4,711)
Total comprehensive loss attributable to:				
Equity holders of the parent	(15,959)	(37,763)	(54,739)	(4,711)
Minority interests	-	-	-	-
	(15,959)	(37,763)	(54,739)	(4,711)
Loss per share (Note 26) :	(2.86)	(6.75)	(9.81)	(0.87)

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 SEPTEMBER 2011**

	Unaudited As at 30.09.2011 RM'000	Audited As at 31.12.2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,397,765	1,405,373
Intangible assets	1,293	1,293
Other investment	3,932	3,734
Deferred tax assets	165,000	165,000
	<u>1,567,990</u>	<u>1,575,400</u>
Current assets		
Inventories	822,182	834,049
Receivables	86,801	144,386
Deposits with licensed banks	9,500	9,500
Cash and bank balances	1,714	6,589
	<u>920,197</u>	<u>994,524</u>
TOTAL ASSETS	<u><u>2,488,187</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	261,820	316,559
Total equity	<u>832,568</u>	<u>887,307</u>
Non-current liabilities		
Borrowings (Note 22)	265,456	286,267
Current liabilities		
Trade and other payables	770,597	739,341
Overdrafts and short term borrowings (Note 22)	619,566	657,009
	<u>1,390,163</u>	<u>1,396,350</u>
Total liabilities	<u>1,655,619</u>	<u>1,682,617</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,488,187</u></u>	<u><u>2,569,924</u></u>
Net assets per share attributable to equity holders of the parent (RM)		
	<u>1.49</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.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 01.01.2011	560,000	101,502	287,776	(266)	10,748	(72,453)	887,307
Comprehensive loss for the period	-	-	-	-	-	(54,937)	(54,937)
Other comprehensive income for the period	-	-	-	198	-	-	198
Balance at 30.09.2011	560,000	101,502	287,776	(68)	10,748	(127,390)	832,568
Balance at 01.01.2010	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 01.01.2010, as restated	560,000	101,502	287,776	(515)	10,748	(2,835)	956,676
Comprehensive income for the period	-	-	-	-	-	(4,897)	(4,897)
Other comprehensive income for the period	-	-	-	186	-	-	186
Balance at 30.09.2010	560,000	101,502	287,776	(329)	10,748	(7,732)	951,965

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 NINE MONTHS ENDED 30 SEPTEMBER 2011**

	Unaudited	
	Year-to-date ended	
	30.09.2011	30.09.2010
	RM'000	RM'000
Cash Flows From/(For) Operating Activities		
Loss before taxation	(54,937)	(4,897)
Adjustments for non-cash flow :		
Depreciation	58,411	55,830
Non-cash items	32,334	58,130
Operating profit before working capital changes	<u>35,808</u>	<u>109,063</u>
Changes in working capital	97,444	(167,898)
	<u>133,252</u>	<u>(58,835)</u>
Interest paid	(46,695)	(51,872)
Interest received	18	345
Net cash from/(for) operating activities	<u>86,575</u>	<u>(110,362)</u>
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(47,890)	(9,341)
Net cash for investing activities	<u>(47,890)</u>	<u>(9,341)</u>
Cash Flows (For)/From Financing Activities		
Drawdown of short term borrowings	8,510	166,658
Repayment of government loan	(800)	(900)
Repayment of murabahah medium term loan	(50,000)	(50,000)
Repayment of hire purchase obligations	(2,771)	(3,075)
Net cash (for)/from financing activities	<u>(45,061)</u>	<u>112,683</u>
Net decrease in cash and cash equivalents	(6,376)	(7,020)
Cash and cash equivalents at beginning of period	<u>12,221</u>	<u>15,377</u>
Cash and cash equivalents at end of period	<u>5,845</u>	<u>8,357</u>
Composition of cash and cash equivalents		
Bank overdraft	(5,369)	-
Deposits with licensed banks	9,500	-
Cash and bank balances	1,714	8,357
Cash and cash equivalents at end of period	<u>5,845</u>	<u>8,357</u>

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 NINE MONTHS ENDED 30 SEPTEMBER 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

During the quarter under review, Perwaja Steel Sdn Bhd has redeemed the third tranche of its Murabahah Medium Term Notes facility of RM50.0 million on 25 September 2011.

Save for the disclosure above, 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 RM186.9 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 quarter under review (3Q11), the Group recorded a 31.3% increase in revenue of RM356.2 million as compared to RM271.3 million recorded in the previous corresponding quarter (3Q10) largely due to increase in steel prices. On the back of revenue improvement, pre-tax loss was reduced to RM16.0 million as compared to a pre-tax loss of RM37.8 million in 3Q 2010.

For the period ended 30 September 2011 ("9M11"), revenue was higher by 4.9% at RM1,164.8m, as compared to RM1,110.2m for the previous corresponding period ("9M10"). Despite a smaller pre-tax loss in 3Q11 as compared to 3Q10, pre-tax loss for 9M11 was higher at RM54.9m versus RM4.9m in 9M10. This was due to increase in the raw material prices in the first half of 2011.

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 RM16.0 million as compared to the preceding quarter's pre-tax loss of RM14.6 million. The Group's 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 its prospects for the 2011 financial year. While the rise in construction activity should help sustain steel prices for the rest of the year, the price of iron ore has also increased and this is expected to affect the overall performance of the Group. Nevertheless, the Group will continue to find ways to reduce exposure to raw material price volatility to minimize the impact of the volatile steel market.

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, and hence enable it to position itself more competitively going forward.

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 ("Proposed Restricted Issue"); 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 ("Proposed Free Warrants").

(Collectively "the Proposals")

Upon completion of the Proposed Restricted Issue, Kinsteel will undertake a renounceable restricted offer ("ROS") for sale 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.

On 9 August 2011, Bank Negara Malaysia has granted its approval on the proposed issue of free warrants to non-resident shareholders of the Company.

On 26 August 2011, Securities Commission has granted its approval on the proposed issue of RCULS under the PDS Guidelines while the Proposed ROS is not subject to SC's approval.

On 25 October 2011, Bursa Securities has granted its approval for the admission of the RCULS and Free Warrants to the Official List of Bursa Securities and the listing of and quotation for the RCULS, Free Warrants and the new PHB Shares to be issued arising from the conversion of the RCULS and exercise of the Free Warrants on the Main Market of Bursa Securities.

On 4 November 2011, the Company has dispatched the Circular to our shareholders informing on the EGM to be held on 22 November 2011 to vote on the Proposals. At the EGM held on 22 November 2011, the shareholders of the Company have approved the resolutions for the Proposals.

Barring unforeseen circumstances, subject to all requisite approvals being obtained, the Proposals are expected to be completed in end December 2011 while the Proposed ROS is expected to be completed in January 2012.

22. Group borrowings and debt securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank Overdrafts	5,369	-	5,369
Trade Financing	480,099	-	480,099
Hire Purchase	4,548	-	4,548
Short Term Loans	-	19,486	19,486
Term Loans	50,000	40,000	90,000
ICULS	-	4,864	4,864
Related Party Loan	-	504	504
Government Loan	-	14,696	14,696
	<u>540,016</u>	<u>79,550</u>	<u>619,566</u>
<u>Long Term borrowings:-</u>			
Term Loans	110,000	-	110,000
Hire Purchase	3,678	-	3,678
Related Party Loan	-	68,748	68,748
Government Loan	-	83,030	83,030
	<u>113,678</u>	<u>151,778</u>	<u>265,456</u>
Total	<u>653,694</u>	<u>231,328</u>	<u>885,022</u>

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 September 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 ("PSSB's Counter-claim").

Both parties had on 27 October 2011 reached a settlement and a Settlement Agreement was subsequently entered into by the parties on 28 October 2011 where Megasteel shall withdraw from Megasteel's Claim while PSSB shall withdraw from PSSB's Counter-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.

After numerous rounds of mediation, the parties had on 14 October 2011 reached a settlement through a consent order where the parties shall withdraw from their respective claims with no liberty to file afresh.

The parties are now awaiting the extraction of the fair consent order from the court.

**(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	16,025	54,937
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>2.86 sen</u>	<u>9.81 sen</u>

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 September 2011 and 30 June 2011 are analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(292,390)	(276,365)
- Unrealised profit	<u>165,000</u>	<u>165,000</u>
Total group accumulated losses as per consolidated financial statements	<u>(127,390)</u>	<u>(111,365)</u>

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 25 November 2011