



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

**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2011**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2011**

	Unaudited		Unaudited	
	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	439,771	325,868	1,604,574	1,436,074
Operating expenditure	(544,168)	(373,346)	(1,735,908)	(1,432,468)
Other income	1,658	3,201	33,342	6,694
Finance costs	(20,743)	(20,407)	(80,427)	(79,881)
Loss before taxation	(123,482)	(64,684)	(178,419)	(69,581)
Taxation	(60,000)	(37)	(60,000)	(37)
Loss after taxation	(183,482)	(64,721)	(238,419)	(69,618)
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	68	63	266	249
Total comprehensive loss	(183,414)	(64,658)	(238,153)	(69,369)
Total comprehensive loss attributable to:				
Equity holders of the parent	(183,414)	(64,658)	(238,153)	(69,369)
Minority interests	-	-	-	-
	(183,414)	(64,658)	(238,153)	(69,369)
Loss per share (Note 26) :	(32.76)	(11.56)	(42.57)	(12.43)

*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 31 DECEMBER 2011**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,392,387	1,405,373
Intangible assets	1,293	1,293
Other investment	4,000	3,734
Deferred tax assets	105,000	165,000
	<u>1,502,680</u>	<u>1,575,400</u>
<b>Current assets</b>		
Inventories	780,326	834,049
Receivables	174,194	144,386
Deposits with licensed banks	7,375	9,500
Cash and bank balances	1,606	6,589
	<u>963,501</u>	<u>994,524</u>
<b>TOTAL ASSETS</b>	<u><u>2,466,181</u></u>	<u><u>2,569,924</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	560,000	560,000
Irredeemable Convertible Unsecured Loan Stocks	10,748	10,748
Reserves	78,406	316,559
<b>Total equity</b>	<u>649,154</u>	<u>887,307</u>
<b>Non-current liabilities</b>		
Borrowings (Note 22)	254,087	286,267
<b>Current liabilities</b>		
Trade and other payables	903,988	739,341
Overdrafts and short term borrowings (Note 22)	658,952	657,009
	<u>1,562,940</u>	<u>1,396,350</u>
<b>Total liabilities</b>	<u>1,817,027</u>	<u>1,682,617</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,466,181</u></u>	<u><u>2,569,924</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>		
	<u>1.16</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)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 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	-	-	-	-	-	(238,419)	(238,419)
Other comprehensive income for the period	-	-	-	266	-	-	266
<b>Balance at 31.12.2011</b>	<b>560,000</b>	<b>101,502</b>	<b>287,776</b>	<b>-</b>	<b>10,748</b>	<b>(310,872)</b>	<b>649,154</b>
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	-	-	-	-	-	(69,618)	(69,618)
Other comprehensive income for the period	-	-	-	249	-	-	249
<b>Balance at 31.12.2010</b>	<b>560,000</b>	<b>101,502</b>	<b>287,776</b>	<b>(266)</b>	<b>10,748</b>	<b>(72,453)</b>	<b>887,307</b>

*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)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011**

	<b>Unaudited</b>	
	<b>Year-to-date ended</b>	
	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From/(For) Operating Activities</b>		
Loss before taxation	(178,419)	(69,581)
<b>Adjustments for non-cash flow :</b>		
Depreciation	78,972	77,051
Non-cash items	146,343	88,093
Operating profit before working capital changes	<u>46,896</u>	<u>95,563</u>
Changes in working capital	81,394	(33,425)
	<u>128,290</u>	<u>62,138</u>
Interest paid	(61,052)	(67,028)
Taxation paid	-	(11)
Interest received	971	430
Net cash from/(for) operating activities	<u>68,209</u>	<u>(4,471)</u>
<b>Cash Flows For Investing Activities</b>		
Purchase of property, plant and equipment	(63,073)	(40,611)
Purchase of intangible assets	-	-
Net cash for investing activities	<u>(63,073)</u>	<u>(40,611)</u>
<b>Cash Flows (For)/From Financing Activities</b>		
Drawdown of short term borrowings	11,117	103,755
Drawdown of term loan	29,527	-
Repayment of government loan	(464)	(464)
Repayment to related parties	(336)	(5,738)
Repayment of murabahah medium term loan	(50,000)	(50,000)
Repayment of hire purchase obligations	(3,954)	(4,011)
Net cash (for)/from financing activities	<u>(14,110)</u>	<u>43,542</u>
Net decrease in cash and cash equivalents	(8,974)	(1,540)
Effect of exchange rate changes	-	(1,616)
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>3,247</u>	<u>12,221</u>
<b>Composition of cash and cash equivalents</b>		
Bank overdraft	(5,734)	(3,868)
Deposits with licensed banks	7,375	9,500
Cash and bank balances	<u>1,606</u>	<u>6,589</u>
Cash and cash equivalents at end of period	<u>3,247</u>	<u>12,221</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.*

**PERWAJA HOLDINGS BERHAD (798513-D)**  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND  
TWELVE MONTHS ENDED 31 DECEMBER 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**

Except for a write down to net realisable value in value of inventories amounting to RM94.2 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. Debt and equity securities**

During the financial year, Perwaja Steel Sdn Bhd has redeemed the third tranche of its Murabahah Medium Term Notes (MMTN) 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 RM197.9 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.

**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**

During the quarter under review, the Group recorded revenue of RM439.8 million, an increase of RM113.9 million or 35.0% as compared to RM325.9 million for the corresponding quarter of the preceding year. Revenue for the financial year ended 31 December 2011 increased by 11.7% to RM1,604.6 million compared to RM1,436.1 million in the previous corresponding financial year. The increase in revenue was mainly attributable to higher selling price while the demand remained stable.

The Group recorded higher pre-tax loss of RM123.5 million for the current quarter as compared to a pre-tax loss of RM64.7 million for the corresponding quarter of the preceding year. For the financial year ended 31 December 2011, the Group recorded pre-tax loss of RM178.4 million as compared to pre-tax loss of RM69.6 million for the corresponding financial year. The lower profitability was mainly due to write down to net realizable value in inventory of RM94.2 million in the current quarter and financial year.

**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 RM123.5 million as compared to the preceding quarter's pre-tax loss of RM16.0 million. The lower profitability was mainly due to write down to net realizable value in inventory of RM94.2 million in the current quarter.

**16. Prospects for the financial year 2012**

The Group remains cautiously optimistic on the iron and steel industry for 2012. The outlook for the global steel industry is still promising with growth in global demand but the downside risk remain, including further rises in steel raw materials prices, continuing sluggish growth in advanced economies and higher oil prices, assuming the market response to the European debt crisis does not result in increased volatility in the global financial system. Meanwhile in the domestic market, the demand for steel will be supported by various government mega projects to be rolled out under the ETP.

Therefore, as iron ore prices are expected to remain high, the Group will have to closely monitor the price fluctuations and adopt a prudent purchasing and inventory management strategy. We, being one of the larger players in the market, are confident in our ability to capitalise on any turnaround in the market conditions as the Malaysian Government rolls out major projects.

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 higher than the prevailing statutory tax rate of 25%, mainly due to reversal of deferred tax assets 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 million 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 4 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.

On 4 January 2012 and 9 February 2012, Kinsteel has paid the full subscription price of RM280 million for the RCULS. On 4 January 2012, the Company has provisionally allotted RM280 million nominal value of RCULS to Kinsteel at 100% of its nominal value. The Restricted Issue will be deemed completed upon the issuance of the RCULS to Kinsteel and the Entitled Shareholders under the ROS.

On 10 February 2012, the Company has announced the Entitlement Date which falls on 24 February 2012. On the Entitlement Date, the Entitled Shareholders will be provisionally offered the Offer RCULS based on their respective shareholdings in the Company. The Free Warrants will also be issued to the Company's shareholders whose names appear in the Record of Depositors on the Entitlement Date.

Kinsteel is now carrying out the ROS of RM175,450,000 nominal value of RCULS held by it to the Entitled Shareholders, on the basis of RM1.00 nominal value of RCULS for every two (2) existing shares of the Company held on the Entitlement Date.

Barring unforeseen circumstances, the Proposed ROS is expected to be completed in March 2012.

## 22. Group borrowings and debt securities

The Group's borrowings as at 31 December 2011 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank Overdrafts	5,734	-	5,734
Trade Financing	502,192	-	502,192
Hire Purchase	4,170	-	4,170
Term Loans	50,000	40,000	90,000
ICULS	-	4,864	4,864
Related Party Loan	-	21,574	21,574
Government Loan	-	30,418	30,418
	<u>562,096</u>	<u>96,856</u>	<u>658,952</u>
<u>Long Term borrowings:-</u>			
Term Loans	110,000	29,527	139,527
Hire Purchase	2,873	-	2,873
Related Party Loan	-	46,317	46,317
Government Loan	-	65,370	65,370
	<u>112,873</u>	<u>141,214</u>	<u>254,087</u>
Total	<u>674,969</u>	<u>238,070</u>	<u>913,039</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 31 December 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) 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 filed an appeal against the decision but was dismissed with cost on 25 January 2012.

PSSB’s claim shall now be subject to arbitration proceedings under the arbitration rules of the Dubai International Arbitration Centre. Both parties have yet to commence the arbitration proceedings. The solicitors for PSSB believe that, based on the documents provided by PSSB, PSSB has a good chance of claiming back the sum due and owing by Star Steel.

**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	183,482	238,419
Weighted average number of ordinary shares in issue	560,000	560,000
<b>Basic LPS (sen)</b>	<b><u>32.76 sen</u></b>	<b><u>42.57 sen</u></b>

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 31 December 2011 and 30 September 2011 are analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(415,872)	(292,390)
- Unrealised profit	<u>105,000</u>	<u>165,000</u>
Total group accumulated losses as per consolidated financial statements	<u>(310,872)</u>	<u>(127,390)</u>

By order of the Board,

Dato' Henry Pheng Chin Guan  
Chief Executive Officer  
Date: 29 February 2012