



PERWAJA HOLDINGS BERHAD
Company No.: 798513-D

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2012

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2012**

	Unaudited Quarter and year-to-date ended	
	31.03.2012	31.03.2011
	RM'000	RM'000
Revenue	406,121	426,105
Operating expenditure	(371,850)	(429,964)
Other income	1,090	930
Finance costs	(19,142)	(21,353)
Profit/(Loss) before taxation (Note 19)	16,219	(24,282)
Taxation	-	-
Profit/(Loss) after taxation	16,219	(24,282)
Other comprehensive income, net of tax		
Available-for-sale (AFS) investment's fair value movements	-	66
Total comprehensive income/(expense)	<u>16,219</u>	<u>(24,216)</u>
Total comprehensive income/(expense) attributable to:		
Equity holders of the parent	16,219	(24,216)
Non controlling interest	-	-
	<u>16,219</u>	<u>(24,216)</u>
Earnings/(Loss) per share (Note 25) :		
- Basic EPS/(LPS) (sen)	2.90	(5.15)
- Diluted EPS (sen)	<u>2.29</u>	<u>N/A</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 MARCH 2012**

	Unaudited As at 31.03.2012 RM'000	Audited As at 31.12.2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,397,000	1,406,326
Intangible assets	1,293	1,293
Deferred tax assets	160,000	160,000
	<u>1,558,293</u>	<u>1,567,619</u>
Current assets		
Inventories	757,082	614,727
Receivables	148,449	134,043
Tax recoverable	103	103
Deposits with licensed banks	7,375	7,375
Cash and bank balances	963	14,811
	<u>913,972</u>	<u>771,059</u>
TOTAL ASSETS	<u>2,472,265</u>	<u>2,338,678</u>
EQUITY AND LIABILITIES		
Share capital	560,000	560,000
Irredeemable Convertible Unsecured Loan Stocks	10,748	10,748
Redeemable Convertible Unsecured Loan Stocks	2,798	-
Reserves	71,374	55,155
Total equity	<u>644,920</u>	<u>625,903</u>
Non-current liabilities		
Deferred taxation	932	-
Loan and borrowings (Note 21)	535,971	259,722
	<u>536,903</u>	<u>259,722</u>
Current liabilities		
Trade and other payables	624,406	797,804
Provision for taxation	25	25
Overdrafts and short term borrowings (Note 21)	666,011	655,224
	<u>1,290,442</u>	<u>1,453,053</u>
Total liabilities	<u>1,827,345</u>	<u>1,712,775</u>
TOTAL EQUITY AND LIABILITIES	<u>2,472,265</u>	<u>2,338,678</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.15</u>	<u>1.12</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 2011 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 YEAR-TO-DATE ENDED 31 MARCH 2012**

	Attributable to Equity Holders of the Company							Total Equity RM'000
	←	Non-distributable			→		Distributable	
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Fair Value Reserve RM'000	ICULS RM'000	RCULS RM'000	Accumulated Losses RM'000	
Balance at 1 January 2012	560,000	101,502	287,776	-	10,748	-	(334,123)	625,903
Comprehensive income for the period	-	-	-	-	-	-	16,219	16,219
Issuance of RCULS (Equity component)	-	-	-	-	-	2,798	-	2,798
Balance at 31 March 2012	560,000	101,502	287,776	-	10,748	2,798	(317,904)	644,920
Balance at 1 January 2011	560,000	101,502	287,776	(266)	10,748	-	(72,453)	887,307
Comprehensive expense for the period	-	-	-	-	-	-	(24,282)	(24,282)
Other comprehensive income for the period	-	-	-	66	-	-	-	66
Balance at 31 March 2011	560,000	101,502	287,776	(200)	10,748	-	(96,735)	863,091

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 2011 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 YEAR-TO-DATE ENDED 31 MARCH 2012**

	Unaudited	
	Year-to-date ended	
	31.03.2012	31.03.2011
	RM'000	RM'000
Cash Flows (For)/From Operating Activities		
Profit/(Loss) before taxation	16,219	(24,282)
Adjustments for non-cash flow :		
Depreciation	19,692	19,357
Interest income	(3)	(11)
Interest expense	19,142	21,353
Operating profit before working capital changes	55,050	16,417
(Increase)/Decrease in inventories	(142,355)	30,110
(Increase)/Decrease in receivables	(14,406)	55,377
Decrease in payables	(173,398)	(44,290)
	(275,109)	57,614
Interest paid	(19,142)	(18,161)
Interest received	3	11
Net cash (for)/from operating activities	(294,248)	39,464
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(9,590)	(22,960)
Net cash for investing activities	(9,590)	(22,960)
Cash Flows From/(For) Financing Activities		
Repayment of short term borrowings	11,554	(6,641)
Proceeds from issuance of RCULS	280,000	-
Repayment of government loan	-	(600)
Repayment of hire purchase obligations	(1,369)	(970)
Net cash from/(for) financing activities	290,185	(8,211)
Net (decrease)/increase in cash and cash equivalents	(13,653)	8,293
Cash and cash equivalents at beginning of period	18,080	12,221
Cash and cash equivalents at end of period	4,427	20,514
Composition of cash and cash equivalents		
Deposits with licensed banks	7,375	9,500
Cash and bank balances	(2,948)	11,014
Cash and cash equivalents at end of period	4,427	20,514

The above condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2012

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 statement should be read in conjunction with the audited financial statements for the year ended 31 December 2011. 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 2011.

These are the Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosures of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

2. Auditors' report

The preceding audited annual financial statements were 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

1) On 4 January 2012, the Company had provisionally allotted RM280 million nominal value of RCULS to the immediate holding company, Kinsteel Bhd ("Kinsteel") at 100% of its nominal value. The Restricted Issue was deemed completed upon issuance of the RCULS to the Kinsteel on 26 March 2012 and the entitled shareholders under ROS on 30 March 2012 following the listing of and quotation for the RCULS to the Official List of Main Market of Bursa Securities.

2) On 28 February 2012, the Company allotted 280 million Free Warrants to the entitled shareholders. The Free Warrants issue was completed on 2 March 2012 following the listing and quotation for the Free Warrants.

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 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 RM177.9 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 23, 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, the Group reported a lower revenue of RM406.1 million as compared to the RM426.1 million or 4.7% recorded in the preceding year corresponding quarter (1Q11). The Group recorded a pre-tax profit of RM16.2 million as compared to a pre-tax loss of RM24.3 million reported in 1Q11.

The slight decrease in revenue was mainly driven by slight drop in sales volume. However, the lower cost of raw materials and higher steel price have resulted in profit during the current quarter.

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

The Group's revenue for the current quarter decreased by RM33.7 million to RM 406.1 million from RM439.8 million in the immediate preceding quarter due to decrease in sales volume and lower selling price for the steel products. However, as the cost of raw material has decreased in tandem with the selling price in current quarter and there is no requirement to write down further the inventory value, the Group recorded a pre-tax profit of RM16.2 million as compared to the preceding quarter's pre-tax loss of RM123.5 million.

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 is 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 Before Tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
Interest income	3	11	3	11
Interest expense	19,142	21,353	19,142	21,353
Depreciation of property, plant and equipment	19,692	19,357	19,692	19,357

20 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 RCUSL. On 4 January, the Company has provisionally allotted RM280 million nominal value of RCUSL to Kinsteel at 100% of its nominal value. The Restricted Issue will be deemed completed upon the issuance of the RCUSL to Kinsteel and the Entitled Shareholders under the ROS.

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

The Free Warrants was allotted on 28 February 2012 to the entitled shareholders whose names appear in the Company's Record of Depositors on the Entitlement Date. The Free Warrants issue was completed on 2 March 2012 following the listing and quotation for the 280 million Free Warrants.

On 26 March 2012, the Restricted Issue was completed following the issuance of RM280 million nominal value of RCUSL by the Company.

The ROS was completed on 30 March 2012 following the admission of RM280 million nominal value of the RCUSL to the Official List of Bursa Securities, and the listing of and quotation for the aforesaid securities on the Main Market of Bursa Securities.

The status of utilisation of proceeds from the RCUSL as at the end of the financial period is as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance Unutilised RM'000	Intended time frame for utilisation
Working capital	276,500	276,500	-	Within 12 months from the date of completion of the Proposed Restricted Issue
Expenses for the Proposals and proposed RCS	3,500	2,179	1,321	Within 6 months from the date of completion of the Proposals and Proposed ROS
	280,000	278,679	1,321	

21. Group borrowings and debt securities

The Group's borrowings as at 31 March 2012 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	3,911	-	3,911
Trade Financing	510,617	-	510,617
Hire Purchases	3,826	-	3,826
Term Loan	50,000	40,000	90,000
ICULS	-	4,864	4,864
Related Party Loan	-	21,910	21,910
Government Loan	-	30,883	30,883
	<u>568,354</u>	<u>97,657</u>	<u>666,011</u>
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Term Loan	110,000	29,527	139,527
Hire Purchase	2,624	-	2,624
Related Party Loan	-	48,737	48,737
Government Loan	-	68,813	68,813
	<u>112,624</u>	<u>423,347</u>	<u>535,971</u>
Total	<u>680,978</u>	<u>521,004</u>	<u>1,201,982</u>

22. Derivative Financial Instruments

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

23. Material Litigation

Save as disclosed below, as at 31 March 2012, 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.

24. Proposed Dividend

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

25. Earnings Per Share ("EPS")

The basic EPS is calculated based on the Group's net profits 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 profit attributable to ordinary shareholders of the company	16,219	16,219
Weighted average number of ordinary shares in issue	560,000	560,000
Basic EPS (sen)	<u>2.90 sen</u>	<u>2.90 sen</u>
	Current quarter RM'000	Year-to-date RM'000
Net profit attributable to ordinary shareholders of the company	16,219	16,219
Interest saving on full exercise of ICULS, RCULS and warrants	156	156
Adjusted net profit attributable to ordinary shareholders of the company	16,375	16,375
Adjusted weighted average number of ordinary shares in issue and issuable	716,123	716,123
Fully Diluted EPS (sen)	<u>2.29 sen</u>	<u>2.29 sen</u>

26. Realised and Unrealised Profits/Losses Disclosure

The accumulated losses as at 31 March 2012 and 31 December 2011 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(476,972)	(494,123)
- Unrealised profit	<u>159,068</u>	<u>160,000</u>
Total group accumulated losses as per consolidated financial statements	<u>(317,904)</u>	<u>(334,123)</u>

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 15 May 2012