



PERWAJA HOLDINGS BERHAD
Company No.: 798513-D

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012**

	Unaudited		Unaudited	
	3 months ended		9 months ended	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	372,047	356,226	1,400,421	1,164,803
Operating expenditure	(381,751)	(353,476)	(1,354,340)	(1,191,740)
Other income	1,646	827	3,045	31,684
Finance costs	(30,244)	(19,602)	(68,934)	(59,684)
Loss before taxation	(38,302)	(16,025)	(19,808)	(54,937)
Taxation	-	-	-	-
Loss after taxation	(38,302)	(16,025)	(19,808)	(54,937)
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	-	66	-	198
Total comprehensive expense	<u>(38,302)</u>	<u>(15,959)</u>	<u>(19,808)</u>	<u>(54,739)</u>
Total comprehensive expense attributable to:				
Equity holders of the parent	(38,302)	(15,959)	(19,808)	(54,739)
Minority interests	-	-	-	-
	<u>(38,302)</u>	<u>(15,959)</u>	<u>(19,808)</u>	<u>(54,739)</u>
Loss per share (Note 25) :				
- Basic LPS (sen)	<u>(6.84)</u>	<u>(2.86)</u>	<u>(3.54)</u>	<u>(9.81)</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 30 SEPTEMBER 2012**

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,439,675	1,406,326
Intangible assets	1,293	1,293
Deferred tax assets	160,000	160,000
	<u>1,600,968</u>	<u>1,567,619</u>
Current assets		
Inventories	737,528	614,727
Receivables	129,206	134,043
Tax recoverable	103	103
Deposits with licensed banks	-	7,375
Cash and bank balances	13,540	14,811
	<u>880,377</u>	<u>771,059</u>
TOTAL ASSETS	<u>2,481,345</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	35,347	55,155
Total equity	<u>608,893</u>	<u>625,903</u>
Non-current liabilities		
Deferred taxation	932	-
Loan and borrowings (Note 21)	498,252	259,722
	<u>499,184</u>	<u>259,722</u>
Current liabilities		
Trade and other payables	644,993	797,804
Provision for taxation	25	25
Overdrafts and short term borrowings (Note 21)	728,250	655,224
	<u>1,373,268</u>	<u>1,453,053</u>
Total liabilities	<u>1,872,452</u>	<u>1,712,775</u>
TOTAL EQUITY AND LIABILITIES	<u>2,481,345</u>	<u>2,338,678</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.09</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 30 SEPTEMBER 2012**

	Attributable to Equity Holders of the Company							Total Equity RM'000
	←	Non-distributable				→		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Fair Value Reserve RM'000	ICULS RM'000	RCULS RM'000	Distributable Accumulated Losses RM'000	
Balance at 1 January 2012	560,000	101,502	287,776	-	10,748	-	(334,123)	625,903
Comprehensive expense for the period	-	-	-	-	-	-	(19,808)	(19,808)
Issuance of RCULS (Equity component)	-	-	-	-	-	2,798	-	2,798
Balance at 30 September 2012	560,000	101,502	287,776	-	10,748	2,798	(353,931)	608,893
Balance at 1 January 2011	560,000	101,502	287,776	(266)	10,748	-	(72,453)	887,307
Comprehensive expense for the period	-	-	-	-	-	-	(54,937)	(54,937)
Other comprehensive income for the period	-	-	-	198	-	-	-	198
Balance at 30 September 2011	560,000	101,502	287,776	(68)	10,748	-	(127,390)	832,568

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 NINE MONTHS ENDED 30 SEPTEMBER 2012**

	Unaudited	
	Year-to-date ended	
	30.09.2012	30.09.2011
	RM'000	RM'000
Cash Flows (For)/From Operating Activities		
Loss before taxation	(19,808)	(54,937)
Adjustments for non-cash flow :		
Depreciation	59,466	58,411
Impairment loss on receivables	21,875	-
Interest income	(11)	(27,350)
Interest expense	68,934	59,684
Operating profit before working capital changes	130,456	35,808
(Increase)/Decrease in inventories	(122,801)	11,867
(Increase)/Decrease in receivables	(17,038)	57,585
(Decrease)/Increase in payables	(160,049)	27,992
	(169,432)	133,252
Interest paid	(61,696)	(46,695)
Interest received	11	18
Net cash (for)/from operating activities	(231,117)	86,575
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(90,823)	(47,890)
Net cash for investing activities	(90,823)	(47,890)
Cash Flows From/(For) Financing Activities		
Drawdown of short term borrowings	73,251	8,510
Drawdown of term loan	51,984	-
Proceeds from issuance of RCULS	280,000	-
Repayment of Collateralised Loan	(40,000)	-
Repayment of Murabahah Medium Term Loan	(50,000)	(50,000)
Repayment of government loan	-	(800)
Repayment of hire purchase obligations	(3,120)	(2,771)
Net cash from/(for) financing activities	312,115	(45,061)
Net decrease in cash and cash equivalents	(9,825)	(6,376)
Cash and cash equivalents at beginning of period	18,080	12,221
Cash and cash equivalents at end of period	8,255	5,845
Composition of cash and cash equivalents		
Deposits with licensed banks	-	9,500
Cash and bank balances	8,255	(3,655)
Cash and cash equivalents at end of period	8,255	5,845

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.

PERWAJA HOLDINGS BERHAD (798513-D)

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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

On 25 September 2012, the Group had redeemed the fourth tranche of its Murabahah Medium Term Notes facility of RM50.0 million.

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 RM181.7 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 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 (3Q12), the Group reported a higher revenue of RM372.0 million, an increase of 4.4% as compared to RM356.2 million recorded in the preceding year corresponding quarter (3Q11). The Group recorded a pre-tax loss of RM38.3 million as compared to a pre-tax loss of RM16.0 million reported in 3Q11.

The slight increase in revenue in 3Q12 was mainly driven by improvement in DRI sales volume as compared to 3Q11. The increase in pre-tax loss is due to an impairment loss on receivables of RM21.9 million was made during the quarter under review.

Revenue for the 9 months ended 30 September 2012 was higher at RM1,400.4 million and per-tax loss was lower at RM19.8 million as compared to revenue and pre-tax loss of RM1,164.8 million and RM54.9 million recorded in the corresponding financial period of 2011.

The increase in revenue and lower losses for the 9 month period to date was due to improved production level, margin and improved DRI market.

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

The Group recorded pre-tax loss of RM38.3 million as compared to pre-tax profit of RM2.3 million in the preceding quarter. This was mainly due to lower billets production and sales recorded during the quarter under review. The lower billets production volume has resulted in higher cost of production for billets. In additions, an impairment loss on receivables of RM21.9 million was made during the quarter under review.

16. Prospects for the financial year 2012

Whilst there are still a lot of uncertainties in the Global economy and the commodities industry, the Group remains cautiously optimistic on the iron and steel industry for the remainder of 2012 due to the rollout of the ETP projects. Meanwhile in the domestic market, the demand for steel will be supported by various government mega projects to be rolled out under the ETP.

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 expects its mining operation to contribute in the forthcoming quarters. 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 9 months ended	
	30.09.2012 RM'000	30.09.2011 RM'000	30.09.2012 RM'000	30.09.2011 RM'000
Interest income	5	3	11	27,350
Interest expense	30,244	19,602	68,934	59,684
Impairment loss on receivables	21,875	-	21,875	-
Depreciation of property, plant and equipment	19,975	19,562	59,466	58,411

20 Status of Corporate Proposal

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

21. Group borrowings and debt securities

The Group's borrowings as at 30 September 2012 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	5,285	-	5,285
Trade Financing	572,315	-	572,315
Hire Purchases	3,393	-	3,393
Term Loan	75,000	-	75,000
ICULS	-	4,864	4,864
Related Party Loan	-	22,162	22,162
Government Loan	-	45,231	45,231
	<u>655,993</u>	<u>72,257</u>	<u>728,250</u>
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Term Loan	116,510	-	116,510
Hire Purchase	2,521	-	2,521
Related Party Loan	-	48,486	48,486
Government Loan	-	54,465	54,465
	<u>119,031</u>	<u>379,221</u>	<u>498,252</u>
Total	<u>775,024</u>	<u>451,478</u>	<u>1,226,502</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 30 September 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.

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.

The management has met with representatives of Star Steel but unfortunately without any progress on recovery. Negotiations to extract other forms of compensation will continue. In the meantime, the Board is of the view that we should provide fully for this amount and have a closure to this matter.

24. Proposed Dividend

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

25. Loss Per Share (LPS)

The basic LPS is calculated based on the Group's net losses 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	(38,302)	(19,808)
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>(6.84) sen</u>	<u>(3.54) sen</u>

Fully diluted LPS for current quarter and financial year-to-date have not been presented as the effect is anti-dilutive.

26. Realised and Unrealised Profits/Losses Disclosure

The accumulated losses as at 30 September 2012 and 30 June 2012 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(512,999)	(474,697)
- Unrealised profit	159,068	159,068
	<hr/>	<hr/>
Total group accumulated losses as per consolidated financial statements	(353,931)	(315,629)

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 30 November 2012