



PERWAJA HOLDINGS BERHAD
Company No.: 798513-D

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2012

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2012**

	Unaudited 3 months ended		Unaudited 12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue	464,039	428,434	1,864,460	1,593,237
Operating expenditure	(579,245)	(602,568)	(1,933,585)	(1,794,308)
Other income	12,582	11,161	15,627	42,845
Finance costs	(39,697)	(38,736)	(108,631)	(98,420)
Loss before taxation	(142,321)	(201,709)	(162,129)	(256,646)
Taxation	(50,000)	(5,024)	(50,000)	(5,024)
Loss after taxation	(192,321)	(206,733)	(212,129)	(261,670)
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	-	68	-	266
Total comprehensive expense	<u>(192,321)</u>	<u>(206,665)</u>	<u>(212,129)</u>	<u>(261,404)</u>
Total comprehensive expense attributable to:				
Equity holders of the parent	(192,321)	(206,665)	(212,129)	(261,404)
Minority interests	-	-	-	-
	<u>(192,321)</u>	<u>(206,665)</u>	<u>(212,129)</u>	<u>(261,404)</u>
Loss per share (Note 25) :				
- Basic LPS (sen)	<u>(34.34)</u>	<u>(36.90)</u>	<u>(37.88)</u>	<u>(46.73)</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 DECEMBER 2012**

	Unaudited As at 31.12.2012 RM'000	Audited As at 31.12.2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,453,920	1,406,326
Intangible assets	1,293	1,293
Deferred tax assets	110,000	160,000
	<u>1,565,213</u>	<u>1,567,619</u>
Current assets		
Inventories	970,273	614,727
Receivables	157,784	134,043
Tax recoverable	103	103
Deposits with licensed banks	5,150	7,375
Cash and bank balances	17,941	14,811
	<u>1,151,251</u>	<u>771,059</u>
TOTAL ASSETS	<u><u>2,716,464</u></u>	<u><u>2,338,678</u></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	(156,974)	55,155
Total equity	<u>416,572</u>	<u>625,903</u>
Non-current liabilities		
Deferred taxation	932	-
Loan and borrowings (Note 21)	524,896	259,722
	<u>525,828</u>	<u>259,722</u>
Current liabilities		
Trade and other payables	1,060,341	797,804
Provision for taxation	25	25
Overdrafts and short term borrowings (Note 21)	713,698	655,224
	<u>1,774,064</u>	<u>1,453,053</u>
Total liabilities	<u>2,299,892</u>	<u>1,712,775</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,716,464</u></u>	<u><u>2,338,678</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.74</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 DECEMBER 2012**

	Attributable to Equity Holders of the Company							Total Equity RM'000
	Share Capital RM'000	← Share Premium RM'000	Non-distributable 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 year	-	-	-	-	-	-	(212,129)	(212,129)
Issuance of RCULS (Equity component)	-	-	-	-	-	2,798	-	2,798
Balance at 31 December 2012	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>-</u>	<u>10,748</u>	<u>2,798</u>	<u>(546,252)</u>	<u>416,572</u>
Balance at 1 January 2011	560,000	101,502	287,776	(266)	10,748	-	(72,453)	887,307
Comprehensive expense for the year	-	-	-	-	-	-	(261,670)	(261,670)
Other comprehensive income for the year	-	-	-	266	-	-	-	266
Balance at 31 December 2011	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>-</u>	<u>10,748</u>	<u>-</u>	<u>(334,123)</u>	<u>625,903</u>

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 TWELVE MONTHS ENDED 31 DECEMBER 2012**

	Unaudited	
	Year-to-date ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
Cash Flows (For)/From Operating Activities		
Loss before taxation	(162,129)	(256,646)
Adjustments for non-cash flow :		
Allowance for impairment loss	21,875	11,602
Depreciation	79,252	78,295
Inventories written down	90,000	122,046
Interest income	(22)	(30,831)
Interest expense	108,631	98,420
Unrealised gain on foreign exchange	-	(1,697)
Operating profit before working capital changes	137,607	21,189
(Increase)/Decrease in inventories	(445,546)	97,276
(Increase)/Decrease in receivables	(45,616)	8,056
Increase in payables	235,380	5,934
	(118,175)	132,455
Interest paid	(68,973)	(81,486)
Income tax paid	-	(25)
Net cash (for)/from operating activities	(187,148)	50,944
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(124,342)	(76,155)
Interest received	22	930
Net cash for investing activities	(124,320)	(75,225)
Cash Flows From Financing Activities		
Drawdown of short term borrowings	59,219	7,988
Drawdown of term loan	66,548	29,526
Proceeds from issuance of RCULS	280,000	-
Repayment of Collateralised Loan	(40,000)	-
Repayment of Murabahah Medium Term Loan	(50,000)	(50,000)
Advances from related companies	-	25,000
Advances from related parties	-	24,480
Repayment of government loan	-	(2,696)
Repayment of hire purchase obligations	(4,707)	(4,158)
Net cash from financing activities	311,060	30,140
Net (decrease)/increase in cash and cash equivalents	(408)	5,859
Cash and cash equivalents at beginning of year	18,080	12,221
Cash and cash equivalents at end of year	17,672	18,080
Composition of cash and cash equivalents		
Deposits with licensed banks	5,150	7,375
Cash and bank balances	17,941	14,811
Bank overdrafts	(5,419)	(4,106)
Cash and cash equivalents at end of year	17,672	18,080

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
31 DECEMBER 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

Except for inventories written down amounting to RM90.0 million being made during the current quarter under review, 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 financial year, PSSB has redeemed the fourth tranche of its Murabahah Medium Term Notes (MMTN) facility of RM50.0 million on 25 September 2012.

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 RM176.1 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 (4Q12), the Group reported a higher revenue of RM464.0 million, an increase of 8.3% as compared to RM428.4 million recorded in the preceding year corresponding quarter (4Q11). The Group recorded a pre-tax loss of RM142.3 million as compared to a pre-tax loss of RM201.7 million reported in 4Q11. The increase in revenue in 4Q12 was mainly driven by improvement in DRI sales as compared to 4Q11. The pre-tax loss during the quarter under review was due to inventories written down of RM90.0 million. In the corresponding quarter in 2011, a write down of RM122.0 million was made.

Revenue for the financial year ended 31 December 2012 was higher at RM1,864.5 million and per-tax loss was lower at RM162.1 million as compared to revenue and pre-tax loss of RM1,593.2 million and RM256.6 million recorded in the corresponding financial year of 2011. The increase in revenue and lower losses for the 12 month period to date was due to improved production level, margin and improved DRI market. The Group has made an inventories write down of RM90.0 million and an impairment loss on receivables of RM21.9 million during the financial year 2012 as compared to RM122.0 million in the corresponding 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 pre-tax loss of RM142.3 million as compared to pre-tax loss of RM38.3 million in the preceding quarter. The higher loss recorded in current quarter is mainly due to the inventories written down of RM90.0 million made in current quarter.

16. Prospects for the financial year 2013

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 2013. 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 believes that the mining operation, 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 Before Tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Allowance for impairment loss	-	11,578	21,875	11,578
Depreciation of property, plant and equipment	19,786	19,884	79,252	78,295
Equipment written off	-	24	-	24
Interest income	11	3,481	22	30,831
Interest expense	39,697	38,736	108,631	98,420
Inventories written down	90,000	122,046	90,000	122,046
Unrealised gain on foreign exchange	-	(1,697)	-	(1,697)

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 31 December 2012 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	5,419	-	5,419
Trade Financing	558,282	-	558,282
Hire Purchases	2,740	-	2,740
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>641,441</u>	<u>72,257</u>	<u>713,698</u>
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Term Loan	131,074	-	131,074
Hire Purchase	2,101	-	2,101
Related Party Loan	-	53,908	53,908
Government Loan	-	61,543	61,543
	<u>133,175</u>	<u>391,721</u>	<u>524,896</u>
Total	<u>774,616</u>	<u>463,978</u>	<u>1,238,594</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 December 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) Kuala Lumpur High Court Suit No. 22NCC-59-01/2013 Petroleum Nasional Berhad ("Petronas") vs PSSB

On 16 January 2013, PSSB was served with a writ of summons dated 14 January 2013, taken out by Petronas claiming the sum of RM146,138,690.52 together with a claim for interest of RM10,313,397.45 with reference to the total amount invoiced for the supply of dry gas by Petronas to PSSB.

On 13 February 2013, PSSB had entered into a defense via its solicitors due to disagreement in the credit terms. The Company does not expect any loss arising from the claim of RM146,138,690.52 and the Board wishes to inform that the Company has made sufficient provision to meet this claim. PSSB's solicitors are of the view that PSSB stands a fair chance of defending the case.

Nevertheless, it is still open to both parties to reach a negotiated settlement of this dispute.

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	(192,321)	(212,129)
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>(34.34) sen</u>	<u>(37.88) 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 31 December 2012 and 30 September 2012 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(655,320)	(512,999)
- Unrealised profit	<u>109,068</u>	<u>159,068</u>
Total group accumulated losses as per consolidated financial statements	<u>(546,252)</u>	<u>(353,931)</u>

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 28 February 2013