



PERWAJA HOLDINGS BERHAD

Company No.: 798513-D

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2013**

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2013**

	Unaudited		Unaudited	
	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Revenue	361,776	622,253	663,194	1,028,374
Operating expenditure	(408,560)	(600,739)	(705,004)	(972,589)
Other income	3,241	309	3,734	1,399
Finance costs	(30,583)	(19,548)	(54,568)	(38,690)
(Loss)/Profit before taxation	(74,126)	2,275	(92,644)	18,494
Taxation	-	-	-	-
(Loss)/Profit after taxation	(74,126)	2,275	(92,644)	18,494
Other comprehensive income, net of tax	-	-	-	-
Available-for-sale (AFS) investment's fair value movements	-	-	-	-
Total comprehensive (expense)/income	(74,126)	2,275	(92,644)	18,494
Total comprehensive (expense)/income attributable to:				
Equity holders of the parent	(74,126)	2,275	(92,644)	18,494
Minority interests	-	-	-	-
	(74,126)	2,275	(92,644)	18,494
(Loss)/Earnings per share (Note 26) :				
- Basic (LPS)/EPS (sen)	(13.24)	0.41	(16.54)	3.30
- Diluted EPS (sen)	N/A	0.31	N/A	2.39

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 JUNE 2013**

	Unaudited As at 30.06.2013 RM'000	Audited As at 31.12.2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,637,699	1,448,733
Intangible assets	1,293	1,293
Deferred tax assets	120,000	120,000
	<u>1,758,992</u>	<u>1,570,026</u>
Current assets		
Inventories (Note 21)	694,487	984,377
Receivables	78,242	113,831
Amount owing by related companies	102,849	59,363
Tax recoverable	103	103
Deposits with licensed banks	5,160	5,255
Cash and bank balances	1,757	25,628
	<u>882,598</u>	<u>1,188,557</u>
TOTAL ASSETS	<u><u>2,641,590</u></u>	<u><u>2,758,583</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	2,798
Reserves	(269,739)	(177,095)
Total equity	<u>303,807</u>	<u>396,451</u>
Non-current liabilities		
Deferred taxation	932	932
Loan and borrowings (Note 22)	337,530	338,467
	<u>338,462</u>	<u>339,399</u>
Current liabilities		
Trade and other payables	1,026,888	1,105,905
Provision for taxation	21	21
Overdrafts and short term borrowings (Note 22)	972,412	916,807
	<u>1,999,321</u>	<u>2,022,733</u>
Total liabilities	<u>2,337,783</u>	<u>2,362,132</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,641,590</u></u>	<u><u>2,758,583</u></u>
Net assets per share attributable to equity holders of the parent (RM)		
	<u>0.54</u>	<u>0.71</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 2012 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 JUNE 2013**

	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	ICULS RM'000	RCULS RM'000	Accumulated Losses RM'000	
Balance at 1 January 2013	560,000	101,502	287,776	10,748	2,798	(566,373)	396,451
Comprehensive expense for the period	-	-	-	-	-	(92,644)	(92,644)
Balance at 30 June 2013	560,000	101,502	287,776	10,748	2,798	(659,017)	303,807
Balance at 1 January 2012	560,000	101,502	287,776	10,748	-	(334,123)	625,903
Comprehensive income for the period	-	-	-	-	-	18,494	18,494
Issuance of RCULS (Equity component)	-	-	-	-	2,798	-	2,798
Balance at 30 June 2012	560,000	101,502	287,776	10,748	2,798	(315,629)	647,195

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 2012 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 SIX MONTHS ENDED 30 JUNE 2013**

	Unaudited	
	Year-to-date ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
Cash Flows From/(For) Operating Activities		
(Loss)/Profit before taxation	(92,644)	18,494
Adjustments for non-cash flow :		
Depreciation	39,990	39,486
Interest income	(26)	(6)
Interest expense	54,568	38,690
Operating profit before working capital changes	1,888	96,664
Decrease in inventories	189,890	30,946
(Increase)/Decrease in receivables	(7,897)	12,738
Decrease in payables	(104,876)	(386,712)
	79,005	(246,364)
Interest paid	(28,709)	(38,690)
Interest received	26	6
Net cash from/(for) operating activities	50,322	(285,048)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(128,956)	(31,576)
Net cash for investing activities	(128,956)	(31,576)
Cash Flows From Financing Activities		
Drawdown of short term borrowings	55,731	83,138
Proceeds from issuance of RCULS	-	280,000
Repayment of Collateralised Loan	-	(40,000)
Repayment of hire purchase obligations	(2,026)	(2,592)
Net cash from financing activities	53,705	320,546
Net (decrease)/increase in cash and cash equivalents	(24,929)	3,922
Cash and cash equivalents at beginning of period	27,839	18,080
Cash and cash equivalents at end of period	2,910	22,002
Composition of cash and cash equivalents		
Deposits with licensed banks	5,160	7,375
Cash and bank balances	(2,250)	14,627
Cash and cash equivalents at end of period	2,910	22,002

The above condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 30 JUNE 2013

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 2012. 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 2012.

The significant accounting policies adopted are in consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new Amendments to FRSs and Interpretations with effect from 1 January 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (as amended in June 2011)
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement to MFRSs 2009 – 2011 Cycle	

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group.

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

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosure
Amendments to MFRS 10, MFRS12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

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

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 RM77.0 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 current quarter under review (2Q13), the Group reported a lower revenue of RM361.8 million or 41.9% lower as compared to the RM622.3 million recorded in the preceding year corresponding quarter (2Q12). The Group recorded a pre-tax loss of RM74.1 million as compared to a pre-tax profit of RM2.3 million reported in 2Q12.

The decrease in revenue in the quarter under review was mainly driven by the drop in sales volume as well as lower selling price of steel products as compared to 2Q12. Further, PSSB has undertaken its yearly shut-down for maintenance during the quarter under review, leading to a higher cost of production and maintenance cost, resulting on the Group having a pre-tax loss.

Revenue and pre-tax loss for the six months ended 30 June 2013 were lower at RM663.2 million and RM92.6 million as compared to revenue and pre-tax profit of RM1,028.4 million and RM18.5 million recorded in the corresponding financial period of 2012.

The financial performance for the six months period under review compared to the previous first half year's results was lower due to a significant decrease in production level and margin.

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 RM74.1 million as compared to the preceding quarter's pre-tax loss of RM18.5 million. The higher loss registered was mainly due to yearly shut-down undertaken by PSSB for maintenance during the quarter under review that resulted in a higher cost of production and maintenance cost, coupled with lower sales volume and margin.

16. Prospects for the financial year 2013

Whilst uncertainties surrounding the recovery of global economy and commodities market lingers, the Group remains cautiously optimistic on the global iron and steel industry for the remainder of 2013. Meanwhile in the domestic market, the Group expects demand for steel to be supported by on-going government mega projects under the Economic Transformation Programme.

The Group is looking forward to enhance its performance with the completion of its concentration and pelletizing plant, which is expected to provide the Group with a good hedge against the volatile fluctuations of raw material prices and lead to an improvement in earnings. The Group expects the concentration plant to be fully commissioned in the fourth quarter of 2013, while the pelletizing plant is estimated to be commissioned six months after the commissioning of the concentration plant.

The group is currently proposing a restructuring exercise, and has been engaging with its financial lenders and major creditors.

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	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Interest income	4	3	26	6
Interest expense	30,583	19,548	54,568	38,690
Depreciation of property, plant and equipment	19,996	19,794	39,990	39,486

20. Status of Corporate Proposal

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

21. Inventories

Included in inventories of the Group are amounts of RM321.2 million which are related to the product financing included in trade and other payables.

22. Group borrowings and debt securities

The Group's borrowings as at 30 June 2013 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	4,007	-	4,007
Trade Financing	545,335	-	545,335
Hire Purchases	1,698	-	1,698
Term Loan	233,663	-	233,663
ICULS	-	4,864	4,864
Related Party Loan	-	76,070	76,070
Government Loan	-	106,775	106,775
	784,703	187,709	972,412
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Term Loan	60,000	-	60,000
Hire Purchase	1,259	-	1,259
	61,259	276,270	337,529
Total	845,962	463,979	1,309,941

23. Derivative Financial Instruments

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

24. Material Litigation

Save as disclosed below, 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 Petroleum Nasional Berhad (“Petronas”) vs PSSB

PSSB was served with a writ of summons by Petronas claiming the sum of RM146,138,690.52 together with a claim for interest of RM10,313,397.45 on 16 January 2013 with reference to the total amount invoiced for the supply of dry gas by Petronas to PSSB. In another writ of summons and Statement of Claims Petronas on 22 July 2013 claiming the sum of RM91,659,109.71 and RM2,912,318.97 for the supply of dry gas by Petronas to PSSB and interest respectively.

For the former, Petronas filed an application for summary judgment and the hearing was fixed on 13 June 2013. PSSB filed an application for an interim injunction against the suspension of gas supply from Petronas and the hearing was fixed on 13 June 2013. On 13 June 2013, the Court has allowed the summary judgment in favour of Petronas and dismissed PSSB’s application for the interim injunction. PSSB filed 2 separate appeals to the Court of Appeal against the summary judgment application and the dismissal of the interim injunction application. The two appeals have been fixed for hearing on 12 September 2013.

As for the later, the case management is on the 3 September 2013. PSSB is actively seeking amicable settlement with the party.

(ii) Kuala Lumpur High Court Tenaga Nasional Berhad (“TNB”) vs PSSB

On 29 August 2013, PSSB received a writ of summons by TNB claiming the sum of RM44,730,801.56 as debt due and owing for electricity supplied, together with a claim for surcharge and KWTBB (Kumpulan Wang Tenaga Boleh Baharu) charge of RM8,302,926.99 and RM285,855.07 respectively and interest at the rate of 8% per annum on the sum of RM53,319,583.62 till full settlement. The matter has been fixed for case management on 5 September 2013.

On various dates, TNB has served PSSB writ of summons claiming on the same nature as mentioned above but the amount of the claims has been amended to RM21,675,580.48, RM32,450,331.00 and RM38,657,757.74 respectively. The trial date was fixed on 17 September 2013, 7 October 2013 and 11 October 2013 for respective claims.

PSSB is actively seeking amicable settlement with the party.

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 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	(74,126)	(92,644)
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>13.24 sen</u>	<u>16.54 sen</u>

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

27. Realised and Unrealised Profits/Losses Disclosure

The accumulated losses as at 30 June 2013 and 31 March 2013 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(779,017)	(704,891)
- Unrealised profit	<u>120,000</u>	<u>120,000</u>
Total group accumulated losses as per consolidated financial statements	<u>(659,017)</u>	<u>(584,891)</u>

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 30 August 2013