



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

**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Unaudited 3 months ended		Unaudited 9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Revenue	236,014	372,047	899,208	1,400,421
Operating expenditure	(300,055)	(381,751)	(1,005,059)	(1,354,340)
Other income	635	1,646	4,369	3,045
Finance costs	(43,726)	(30,244)	(98,294)	(68,934)
Loss before taxation	(107,132)	(38,302)	(199,776)	(19,808)
Taxation	(120,000)	-	(120,000)	-
Loss after taxation	(227,132)	(38,302)	(319,776)	(19,808)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive expense	<u>(227,132)</u>	<u>(38,302)</u>	<u>(319,776)</u>	<u>(19,808)</u>
Total comprehensive expense attributable to:				
Equity holders of the parent	(227,132)	(38,302)	(319,776)	(19,808)
Minority interests	-	-	-	-
	<u>(227,132)</u>	<u>(38,302)</u>	<u>(319,776)</u>	<u>(19,808)</u>
Loss per share (Note 25) :				
- Basic LPS (sen)	<u>(40.56)</u>	<u>(6.84)</u>	<u>(57.10)</u>	<u>(3.54)</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 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 SEPTEMBER 2013**

	Unaudited As at 30.09.2013 RM'000	Audited As at 31.12.2012 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,852,995	1,448,733
Intangible assets	1,293	1,293
Deferred tax assets	-	120,000
	<u>1,854,288</u>	<u>1,570,026</u>
<b>Current assets</b>		
Inventories	175,102	984,377
Receivables	78,885	113,831
Amount owing by related companies	9,408	59,363
Tax recoverable	103	103
Deposits with licensed banks	-	5,255
Cash and bank balances (Note 21)	12,222	25,628
	<u>275,720</u>	<u>1,188,557</u>
<b>TOTAL ASSETS</b>	<u><u>2,130,008</u></u>	<u><u>2,758,583</u></u>
<b>EQUITY AND LIABILITIES</b>		
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	(496,871)	(177,095)
<b>Total equity</b>	<u>76,675</u>	<u>396,451</u>
<b>Non-current liabilities</b>		
Deferred taxation	932	932
Loan and borrowings (Note 21)	276,434	338,467
	<u>277,366</u>	<u>339,399</u>
<b>Current liabilities</b>		
Trade and other payables	693,115	1,105,905
Provision for taxation	-	21
Overdrafts and short term borrowings (Note 21)	1,082,852	916,807
	<u>1,775,967</u>	<u>2,022,733</u>
<b>Total liabilities</b>	<u>2,053,333</u>	<u>2,362,132</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,130,008</u></u>	<u><u>2,758,583</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>0.14</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 SEPTEMBER 2013**

	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	ICULS RM'000	RCULS RM'000	Distributable Accumulated Losses RM'000	
Balance at 01.01.2013	560,000	101,502	287,776	10,748	2,798	(566,373)	396,451
Comprehensive expense for the period	-	-	-	-	-	(319,776)	(319,776)
Balance at 30.09.2013	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>10,748</u>	<u>2,798</u>	<u>(886,149)</u>	<u>76,675</u>
Balance at 01.01.2012	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 30.09.2012	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>10,748</u>	<u>2,798</u>	<u>(353,931)</u>	<u>608,893</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 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 NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Unaudited	
	Year-to-date ended	
	30.09.2013	30.09.2012
	RM'000	RM'000
<b>Cash Flows From/(For) Operating Activities</b>		
Loss before taxation	(199,776)	(19,808)
<b>Adjustments for non-cash flow :</b>		
Depreciation	60,038	59,466
Impairment loss on receivables	-	21,875
Interest income	(29)	(11)
Interest expense	98,294	68,934
Operating (loss)/profit before working capital changes	(41,473)	130,456
Decrease/(increase) in inventories	649,883	(122,801)
Decrease/(increase) in receivables	84,901	(17,038)
Decrease in payables	(624,608)	(160,049)
	68,703	(169,432)
Interest paid	(35,288)	(61,696)
Interest received	29	11
<b>Net cash from/(for) operating activities</b>	<b>33,444</b>	<b>(231,117)</b>
<b>Cash Flows For Investing Activities</b>		
Purchase of property, plant and equipment	(138,392)	(90,823)
<b>Net cash for investing activities</b>	<b>(138,392)</b>	<b>(90,823)</b>
<b>Cash Flows From Financing Activities</b>		
(Repayment)/Drawdown of short term borrowings	(14,688)	73,251
Drawdown of term loan	101,750	51,984
Proceeds from issuance of RCULS	-	280,000
Repayment of Murabahah Medium Term Loan	-	(50,000)
Repayment of Collateralised Loan	-	(40,000)
Repayment of hire purchase obligations	(2,036)	(3,120)
<b>Net cash from financing activities</b>	<b>85,026</b>	<b>312,115</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,922)</b>	<b>(9,825)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27,839</b>	<b>18,080</b>
<b>Cash and cash equivalents at end of period</b>	<b>7,917</b>	<b>8,255</b>
<b>Composition of cash and cash equivalents</b>		
Cash and bank balances	7,917	8,255
<b>Cash and cash equivalents at end of period</b>	<b>7,917</b>	<b>8,255</b>

*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.*

# PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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**

On 26 September 2013, the Group obtained approval from Corporate Debt Restructuring Committee (CDRC) to mediate with the financial lenders of the Group for debt restructuring exercise.

Except for the above, 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 RM116.0 million.

**11. Subsequent event**

On 29 October 2013, the wholly owned subsidiary, Perwaja Steel Sdn Bhd (PSSB) was granted court approval on creditors protection under Section 176 of the Companies Act, 1965. PSSB will have 90 days to present a restructuring scheme and to convene creditors meeting to approve the restructuring scheme in 180 days from 29 October 2013.

Except for the above, 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 (3Q13), the Group reported a lower revenue of RM236.0 million as compared to the RM372.0 million or 36.6% lower as recorded in the preceding year corresponding quarter (3Q12). The Group recorded a pre-tax loss of RM107.1 million as compared to a pre-tax loss of RM38.3 million reported in 3Q12.

The decrease in revenue and increase in pre-tax loss in 3Q13 was mainly driven by dropped in production and sales volume as compared to 3Q12 as well as lower selling price of steel products. During the quarter under review, the operation of the Group was affected by the gas supply curtailment for 2 months with Petroleum National Berhad pending final settlement of outstanding liability.

Revenue and pre-tax loss for the 9 months ended 30 September 2013 were lower at RM899.2 million and RM199.8 million as compared to revenue and pre-tax loss of RM1,400.4 million and RM19.8 million recorded in the corresponding financial period of 2012.

The decrease in revenue and increase in pre-tax loss for the nine month period to date was mainly due to decrease in production level, sales volume and lower margin and the gas supply issue mentioned above.

**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 RM107.1 million as compared to the preceding quarter's pre-tax loss of RM74.1 million. The higher loss was mainly due to lower production and sales volume by PSSB during the quarter under review, resulting in higher cost of sales. The lower production was due to curtailment of gas as mentioned in Note 14 above.

**16. Prospects for the financial year 2013**

Whilst there are still a lot of uncertainties in the Global economy and the commodities market, the Group remains cautiously optimistic on the iron and steel industry for the remainder of 2013.

On 26 November 2013, the Company is designated an Affected Listed Issuer under Practice Note ("PN") 1 and PN 17 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("the MMLR"). Accordingly, the Company is required to inter alia submit a regularisation plan to the relevant authority within 12 months from the date of such announcement. The Company is currently in the process of formulating such regularisation plan.

The Group has undertaken a debt restructuring exercise to address its liquidity issue.

**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 3 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Interest income	3	5	29	11
Interest expense	43,726	30,244	98,294	68,934
Impairment loss on receivables	-	21,875	-	21,875
Depreciation of property, plant and equipment	20,048	19,975	60,038	59,466

## 20 Status of Corporate Proposal

### Corporate Debt Restructuring Committee (CDRC)

On 26 September 2013, the Group obtained approval from CDRC to mediate with the financial lenders of the Group for the purpose of debt restructuring exercise with the financial lenders.

### Restraining Order under Section 176 (10) of the Companies Act, 1965

On 29 October 2013, the wholly owned subsidiary, PSSB was granted court approval on creditors protection under Section 176 of the Companies Act, 1965. PSSB will have 90 days to present the creditors scheme of arrangement and to convene creditors meeting to approve the restructuring scheme within 180 days from 29 October 2013.

## 21. Group borrowings and debt securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	4,305	-	4,305
Trade Financing	562,506	-	562,506
Hire Purchases	2,783	-	2,783
Term Loan	307,823	-	307,823
ICULS	-	4,864	4,864
Related Party Loan	-	83,440	83,440
Government Loan	-	117,131	117,131
	877,417	205,435	1,082,852
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Hire Purchase	164	-	164
	164	276,270	276,434
Total	877,581	481,705	1,359,286

Included in cash and bank balances of the Group is an amount of RM10.96m being deposited into DSRA accounts for the term loans provided to the Group.

## **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 2013, 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. Petronas filed an application for summary judgment and the hearing was fixed on 13 June 2013.

Perwaja filed an application for an interim injunction against the suspension of service 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 Perwaja’s counterclaim and the application for an interim injunction.

On 14 June 2013, Perwaja 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 case management on 22 December 2013.

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

### **(ii) Kuala Lumpur High Court Suit No. 22NCVC-491-08/2013 Tenaga Nasional Berhad (“TNB”) vs PSSB**

PSSB has received a Writ of Summons and a statement of claim from Tenaga Nasional Berhad (“TNB”) for 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.

This above case is one of the cases by TNB. Other claims for the same nature which was filed earlier and of which the claims has been amended to RM21,675,580.48, RM32,450,331.00 and RM38,657,757.74 respectively. The trial date for these others claims were fixed on 17 September 2013, 30 October 2013 and 30 October 2013 respectively and judgment was given in favour of TNB.

On 31 October 2013, the Court was informed that a Restraining Order pursuant to Section 176 of the Companies Act 1965 has been obtained by PSSB. The Court fixed the matter for further case management on 11 February 2014 pending the outcome of the proposed restructuring scheme.

**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	(227,132)	(319,776)
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>40.56 sen</u>	<u>57.10 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 2013 and 30 June 2013 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(886,149)	(779,017)
- Unrealised profit	-	120,000
Total group accumulated losses as per consolidated financial statements	<u>(886,149)</u>	<u>(659,017)</u>

**27. Change of Financial Year End**

On 25 November 2013, the Board has approved to change the financial year end from 31 December to 30 June and the next audited financial statements shall be for a period of 18 months, made up from 1 January 2013 to 30 June 2014.

By order of the Board,

Dato' Henry Pheng Chin Guan  
Chief Executive Officer  
Date: 26 November 2013