



PERWAJA HOLDINGS BERHAD
Company No.: 798513-D

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2013**

PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2013**

	Unaudited 3 months ended		Unaudited 12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue	13,943	463,306	913,151	1,863,727
Operating expenditure	(79,929)	(599,038)	(1,084,988)	(1,953,378)
Other income	345	13,244	4,714	16,289
Finance costs	(35,514)	(49,930)	(133,808)	(118,864)
Loss before taxation	(101,155)	(172,418)	(300,931)	(192,226)
Taxation	-	(40,024)	(120,000)	(40,024)
Loss after taxation	(101,155)	(212,442)	(420,931)	(232,250)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive expense	(101,155)	(212,442)	(420,931)	(232,250)
Total comprehensive expense attributable to:				
Equity holders of the parent	(101,155)	(212,442)	(420,931)	(232,250)
Minority interests	-	-	-	-
	(101,155)	(212,442)	(420,931)	(232,250)
Loss per share (Note 25) :				
- Basic LPS (sen)	(18.06)	(37.94)	(75.17)	(41.47)

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 31 DECEMBER 2013**

	Unaudited As at 31.12.2013 RM'000	Audited As at 31.12.2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,871,742	1,448,733
Intangible assets	1,293	1,293
Deferred tax assets	-	120,000
	<u>1,873,035</u>	<u>1,570,026</u>
Current assets		
Inventories	162,292	984,377
Receivables	26,290	113,831
Amount owing by related companies	2,033	59,363
Tax recoverable	103	103
Deposits with licensed banks	-	5,255
Cash and bank balances (Note 21)	12,180	25,628
	<u>202,898</u>	<u>1,188,557</u>
TOTAL ASSETS	<u><u>2,075,933</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	(598,026)	(177,095)
Total equity	<u>(24,480)</u>	<u>396,451</u>
Non-current liabilities		
Deferred taxation	932	932
Loan and borrowings (Note 21)	276,428	338,467
	<u>277,360</u>	<u>339,399</u>
Current liabilities		
Trade and other payables	734,612	1,105,905
Provision for taxation	-	21
Overdrafts and short term borrowings (Note 21)	1,088,441	916,807
	<u>1,823,053</u>	<u>2,022,733</u>
Total liabilities	<u>2,100,413</u>	<u>2,362,132</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,075,933</u></u>	<u><u>2,758,583</u></u>
Net (liabilities)/assets per share attributable to equity holders of the parent (RM)	<u><u>(0.04)</u></u>	<u><u>0.71</u></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 31 DECEMBER 2013**

	Attributable to Equity Holders of the Company						Total Equity RM'000
	←	Share Premium	Non-distributable Merger Reserve	ICULS	RCULS	→	
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	ICULS RM'000	RCULS RM'000	Distributable Accumulated Losses RM'000	Total Equity 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	-	-	-	-	-	(420,931)	(420,931)
Balance at 31.12.2013	560,000	101,502	287,776	10,748	2,798	(987,304)	(24,480)
Balance at 01.01.2012	560,000	101,502	287,776	10,748	-	(334,123)	625,903
Comprehensive expense for the period	-	-	-	-	-	(232,250)	(232,250)
Issuance of RCULS (Equity component)	-	-	-	-	2,798	-	2,798
Balance at 31.12.2012	560,000	101,502	287,776	10,748	2,798	(566,373)	396,451

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 TWELVE MONTHS ENDED 31 DECEMBER 2013**

	Unaudited 31.12.2013 RM'000	Audited 31.12.2012 RM'000
Cash Flows From/(For) Operating Activities		
Loss before taxation	(300,931)	(192,226)
Adjustments for non-cash flow :		
Depreciation	79,872	79,940
Allowance for impairment loss	-	616
Bad debts written off	-	21,875
Inventories written down	-	90,564
Interest income	(29)	(236)
Interest expense	133,808	118,864
Operating (loss)/profit before working capital changes	(87,280)	119,397
Decrease/(increase) in inventories	662,693	(460,214)
Decrease/(increase) in receivables	112,931	(17,913)
(Decrease)/increase in payables	(597,578)	290,388
	90,766	(68,342)
Interest paid	(56,313)	(106,362)
Income tax paid	(21)	(28)
Net cash from/(for) operating activities	34,432	(174,732)
Cash Flows For Investing Activities		
Purchase of property, plant and equipment	(145,033)	(119,693)
Interest received	29	236
Net cash for investing activities	(145,004)	(119,457)
Cash Flows From Financing Activities		
(Repayment)/Drawdown of short term borrowings	(15,794)	78,131
Drawdown of term loan	108,071	66,547
Decrease/(Increase) in DSRA/FSRA accounts	5,255	(16,215)
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	(1,864)	(4,714)
Advances from related companies	-	16
Repayment to related parties	-	(26,032)
Net cash from financing activities	95,668	287,733
Net decrease in cash and cash equivalents	(14,904)	(6,456)
Cash and cash equivalents at beginning of period	11,624	18,080
Cash and cash equivalents at end of period	(3,280)	11,624
Composition of cash and cash equivalents		
Fixed deposits with financial institution	-	5,255
Cash and bank balances	12,180	25,628
Deposit in DSRA/FSRA accounts	(10,960)	(16,215)
Bank overdrafts	(4,500)	(3,044)
Cash and cash equivalents at end of period	(3,280)	11,624

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)

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 appropriateness of preparing the financial statements of the Group on a going concern basis is dependent upon the successful and timely formulation and implementation of a regularization plan, the successful negotiation and settlement of the Group’s bank borrowings and the continuing financial support from shareholders, creditors and lenders.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realizable values, and to provide further estimated liabilities that may arise, and to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements of the Group does not include any adjustments and classifications relating to the recorded assets and liabilities that may be necessary if the Group is unable to continue as going concern.

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.

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.

During the financial year-to-date, PSSB has made a full reversal of deferred tax assets amounting to RM120 million recognized in prior years.

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 27 January 2014, PSSB was granted court approval on the extension of creditors protection under Section 176 of the Companies Act, 1965. PSSB will have to present a restructuring scheme and to convene creditors meeting to approve the restructuring scheme within 180 days from 27 January 2014.

On 10 February 2014, PSSB has entered into settlement agreement with Petroleum Nasional Berhad ('Petronas') for full and final settlement of outstanding amount due to Petronas and the provision for the future supply of dry gas.

On 18 February 2014, PSSB has entered into settlement agreement with Tenaga Nasional Berhad ('TNB') for full and final settlement of outstanding amount due to TNB. PSSB also signed the supplemental agreement with TNB for the reconnection and future supply of electricity to PSSB's manufacturing facilities located at Kawasan Perindustrian Teluk Kalong, Kemaman, Terengganu.

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 (4Q13), the Group reported a lower revenue of RM13.9 million as compared to the RM463.3 million or 97% lower as recorded in the preceding year corresponding quarter (4Q12). The Group recorded a pre-tax loss of RM101.1 million as compared to a pre-tax loss of RM172.4 million reported in 4Q12.

The decrease in revenue and pre-tax loss in 4Q13 was mainly driven by zero production and low sales volume as compared to 4Q12. The zero production was affected by the gas and electricity supply curtailment by Petronas and TNB at the material time.

Revenue and pre-tax loss for the 12 months ended 31 December 2013 were lower at RM913.1 million and RM300.9 million as compared to revenue and pre-tax loss of RM1,863.7 million and RM192.2 million recorded in the corresponding financial period of 2012.

The decrease in revenue and increase in pre-tax loss for the 12 months period to date was mainly due to decrease in production level, sales volume and lower margin and the gas and electricity supply issues as 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 RM101.1 million as compared to the preceding quarter's pre-tax loss of RM107.1 million. There have been zero production since 3Q13 and lower sales volume by PSSB during the quarter under review, resulting in lower losses in the quarter. There was an one off adjustment to fair value of financial liabilities in 3Q13 amounting to RM17m.

16. Prospects for the financial year 2014

On 26 November 2013, the Company was 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 is undertaking a debt restructuring exercise to address its liquidity issue. The Group's prospect is highly dependent on successful:

- i) approval of the restructuring scheme by the scheme creditors;
- ii) negotiation with secured lenders and Government of Malaysia; and
- iii) implementation of the restructuring scheme.

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 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. Loss Before Taxation

Included in the loss before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Interest income	-	225	29	236
Interest expense	35,514	49,930	133,808	118,864
Impairment loss on receivables	-	-	-	21,875
Depreciation of property, plant and equipment	19,834	20,474	79,872	79,940

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, PSSB was granted court approval on creditors protection under Section 176 of the Companies Act, 1965. On 27 January 2014, PSSB was granted court approval on the extension of creditors protection to present the creditors scheme of arrangement and to convene creditors meeting to approve the restructuring scheme within 180 days from 27 January 2014.

21. Group borrowings and debt securities

The Group's borrowings as at 31 December 2013 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bank overdrafts	4,500	-	4,500
Trade Financing	561,400	-	561,400
Hire Purchases	2,962	-	2,962
Term Loan	314,144	-	314,144
ICULS	-	4,864	4,864
Related Party Loan	-	83,440	83,440
Government Loan	-	117,131	117,131
	883,006	205,435	1,088,441
<u>Long Term borrowings:-</u>			
RCULS	-	276,270	276,270
Hire Purchase	158	-	158
	158	276,270	276,428
Total	883,164	481,705	1,364,869

Included in cash and bank balances of the Group is an amount of RM10.96 m 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 31 December 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 Petrolia 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.

PSSB 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 PSSB’s counterclaim and the application for an interim injunction.

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

After numerous rounds of negotiation, the parties had reached an amicable settlement on 10 February 2014 for full and final settlement of outstanding amount due to Petronas.

(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 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.

Both parties had entered into settlement agreement on 18 February 2014 for full and final settlement of outstanding amount due to TNB.

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	101,155	420,931
Weighted average number of ordinary shares in issue	560,000	560,000
Basic LPS (sen)	<u>18.06</u>	<u>75.17</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 2013 and 30 September 2013 is analysed as follows:

	Current Quarter RM'000	Immediate Preceding Quarter RM'000
Total accumulated losses of the Company and subsidiaries:		
- Realised losses	(987,304)	(886,149)
- Unrealised profit	-	-
Total group accumulated losses as per consolidated financial statements	<u>(987,304)</u>	<u>(886,149)</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.

28. Comparatives

Certain comparative figures have been reclassified to conform with current year's presentation.

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 28 February 2014