PERWAJA

PERWAJA HOLDINGS BERHAD

(Incorporated in Malaysia) Company No: 798513-D

ANNUAL REPORT 09

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NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of Perwaja Holdings Berhad will be held at Meranti II, Hyatt Regency Kuantan Resort, Telok Chempedak, 25050 Kuantan, Pahang Darul Makmur, Malaysia, on Thursday 17 June 2010 at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. **RESOLUTION 1**

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2009. **RESOLUTION 2**

3. To re-elect the following Directors retiring under Article 78 of the Company's Articles of Association:

   (a) Dato' Henry Pheng Chin Guan **RESOLUTION 3**
   (b) Dato' Abu Talib Bin Mohamed **RESOLUTION 4**
   (c) Tan Sri Mohd Bakri Bin Haji Omar **RESOLUTION 5**
   (d) Datuk Lim Chaing Cheah **RESOLUTION 6**

4. To re-elect the following Director retiring under Article 84 of the Company's Articles of Association:

   (a) Mr Amro F F A H Alkhadhra **RESOLUTION 7**

5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 8**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

   Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 9**

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

BY ORDER OF THE BOARD
CHAN LAI CHOON
Company Secretary

Kuala Lumpur
24 May 2010

NOTES:

1) A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy or not more than two (2) proxies, to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

2) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

4) The instrument appointing the proxy must be deposited at the Registered Office of the Company at Level 31, Maju Tower, 1001 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

5) Explanatory Note on Special Business to be transacted:

   The Ordinary Resolution 9 is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will empower the Directors of the Company from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued share capital of the Company for such purposes as the Directors deem fit and in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The general mandate sought is a renewal of the mandate that was approved by the shareholders at the last Annual General Meeting held on 03 June 2009. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abu Sahid Bin Mohamed
Executive Chairman

Tan Sri Dato' Pheng Yin Huah
Managing Director

Dato' Henry Pheng Chin Guan
Chief Executive Officer

Tan Sri Mohd Bakri Bin Haji Omar
Independent Non-Executive Director

Dato' Abu Talib Bin Mohamed
Non-Independent Non-Executive Director

Datuk Lim Chaing Cheah
Non-Independent Non-Executive Director

Dato' Md Sharif Bin Shamsuddin
Independent Non-Executive Director

Dato' Siew Mun Chuang
Independent Non-Executive Director

Encik Shamsudin @ Samad Bin Kassim
Independent Non-Executive Director

Mr Pheng Chin Huat
Non-Independent Non-Executive Director

Mr Pheng Chin Shiun
Non-Independent Non-Executive Director

Mr Amro F F A H Alkhadhra
Non-Independent Non-Executive Director
(appointed on 16.4.2010)

Dato' Nik Ezar Bin Nek Bolia
Alternate Director to
Tan Sri Abu Sahid Bin Mohamed
(appointed on 24.2.2010)

AUDIT COMMITTEE

Encik Shamsudin @ Samad Bin Kassim
Chairman

Tan Sri Mohd Bakri Bin Haji Omar
Member - Independent Non-Executive Director

Dato' Siew Mun Chuang
Member - Independent Non-Executive Director

Dato' Abu Talib Bin Mohamed
Member - Non-Independent Non-Executive Director

SECRETARY

Chan Lai Choon
MAICSA 0809269

REGISTERED OFFICE

Level 31 Maju Tower
1001 Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2772 8988
Fax : 03-2772 8973

REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388 / 2732 5399

AUDITORS

Crowe Horwath
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Kuwait Finance House (Malaysia) Berhad
Deutsche Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Market
(Stock Code: 5146)

HOMEPAGE

www.perwaja.com.my

PERWAJA

PERWAJA HOLDINGS BERHAD
(Incorporated in Malaysia) (Company No: 798513-D)

PERWAJA STEEL SDN BHD
(Company No: 187922-H)
100%

ESTEEM SCORE SDN BHD
(Company No: 826447-X)
100%

DEAR SHAREHOLDERS,

2009 was a challenging year for most businesses, as the economic crisis that began in late 2008 continued to unfold. In our second year of listing on the Main Market of Bursa Malaysia Securities Berhad, the steel industry, like many others, was not spared from far-reaching effects of this crisis.

The global steel industry experienced a sharp industrial slow down, which greatly affected steel mills and distributors around the world. Even though efforts were made by the Malaysian Government to forestall the detrimental consequences of the economic crisis, Perwaja was similarly impacted by soaring iron prices and reduced steel consumption.

FINANCIAL HIGHLIGHTS

The Group's revenue in the year in review declined by 32.3% to near pre-listing levels at RM1,571.2 million, from the RM2,319.5 million in the preceding year.

For most of the first half of 2009, steel demand remained weak with selling prices stabilising at significantly depressed levels. In addition to the weak demand, which drove capacity utilisation to an all time low, the Company had to deal with excess inventory from the previous year. The consequential mismatch between low selling prices and high cost of production thus resulted in net losses of about RM141.4 million in the first half of the year.

A light at the end of the tunnel was finally visible in the second half of 2009, in the form of improved demand and selling prices. Despite a profitable second half however, the severity of the first-half industry slump, compounded by a time lag on the shipment of cheaper materials, meant that we remained in the red on a full-year basis. As such, the Group recorded a full-year net loss of RM116.6 million, compared to a profit of RM90.1 million posted in the preceding year.

REVIEW OF OPERATIONS

To better manage the reduced demand and avoid a build up of excess inventory in the initial half of 2009, we implemented prudent measures, including easing production volume and bringing forward regular factory maintenance schedules. Nevertheless, helped by the pick up in product demand in the second half, the Group closed 2009 with a full-year direct reduced iron (DRI) and billet production volume, which improved 12% and 3% respectively to 899,106 metric tonnes (MT) and 920,170 MT, compared to 2008.

Starting out at a low capacity utilisation of about 50%, the Group was able to steadily improve this to near 100% by June 2009. This was on the back of a recovery in demand for upstream steel products from both domestic and overseas customers as they sought to replenish inventories following extensive de-stocking activities earlier on.

In line with its plan to further improve on operational efficiency, the Group acquired a cold briquette iron (CBI) plant for RM6.8 million in December 2009. This CBI plant will recycle the waste DRI fines generated by the direct reduction plant into cold briquette iron, which is one of the feed materials for steel making. We believe that conducting this process in-house will save cost.

PROSPECTS

Steel remains a fundamental commodity for manufacturing, and infrastructure development, which are key growth drivers for many economies. As business and countries take steps to recover from the economic crisis, the rebound in selling prices of steel and steel products gives us reason to be cautiously optimistic of our prospects for the current year.

Domestic steel consumption has been on the rise in tandem with the rebound in construction activities, both in the public and private sectors. The same trend can be seen regionally, particularly in Vietnam, which bodes well for the Group.

Our construction of a new electric arc furnace (EAF) is thus a timely move. Upon completion, the EAF will boost our billet production capacity by some 750,000 MT from our current capacity of 1.3 million MT.

While prices of both raw material and steel products have increased significantly since 2009, with the recent hike in iron ore price, we can expect steel prices to go higher. However, we are prudent and continually tracking the fluctuations in iron ore prices, and act accordingly in our stocking strategy.

ACKNOWLEDGEMENTS

On behalf of the Board, I am also pleased to welcome Dato' Nik Ezar Nek Bolia, as Alternate Director to myself, and Mr Amro F F A H Alkhadhra, as a Non-Independent & Non-Executive Director, on Board with us. Mr Amro replaces Dato' Mohamed Fuad bin Yon, who resigned from the Board in April 2010. Dato' Mohamed Fuad has served on the Board since June 2008, and I would like to thank him for his invaluable contribution to Perwaja throughout his two years of service.

As the Group continues to grow and expand its businesses, I am also fully aware that our success comes only with the contribution, commitment and support of all our stakeholders.

I would thus like to express my appreciation to all our customers, suppliers, business associates, government and relevant authorities, professionals in the financial community, investors, shareholders and stakeholders, members of the media and last but not least to our staff. Your continuous support will further strengthen us as we strive towards greater achievements in our business.

TAN SRI ABU SAHID BIN MOHAMED
Executive Chairman
24 May 2010

Tan Sri Abu Sahid Bin Mohamed
Executive Chairman
(Age 58, Malaysian)

Tan Sri Abu Sahid bin Mohamed was appointed to the Board on 25 June 2008.

Tan Sri Abu Sahid is presently the Group Executive Chairman of Maju Group of Companies.

In 1977, he started his first company, Maju Alat Ganti Sdn Bhd ("MAG") which was involved in the trading of motor spare parts. Subsequently, MAG became the biggest Malay spare parts company, dealing with both the private sector and the Government. He was Vice President of the Selangor and Federal Territory Engineering and Motor Parts Traders Association, a position he held from 1985 to 1987. He is now the Honorary President of the Association. Since then, Tan Sri Abu Sahid's business interests have broadened. The Group portfolio is well diversified and at present, its activities include construction and property development, manufacturing of steel products and furniture, trading and distribution of building materials, shipping, resorts as well as engineering and security services.

Tan Sri Abu Sahid is also currently the managing director of Maju Expressway Sdn Bhd, which has been given the Concession for the new highway directly linking Kuala Lumpur to Putrajaya and subsequently onwards to the Kuala Lumpur International Airport.

He is a major shareholder of Perwaja Holdings Berhad.

Other posts held are as Executive Chairman of Ipmuda Berhad and Bright Focus Berhad, Chairman of Kinsteel Bhd, a director of MTH Power Berhad and an alternate director in Pulai Springs Berhad. He is also a major shareholder of Kinsteel Bhd, Ipmuda Berhad and also Pulai Springs Berhad. Tan Sri Abu Sahid is also a director of various other private limited companies in Malaysia.

Tan Sri Abu Sahid is the father-in-law of Mr Amro F F A H Alkhadhra and is the younger brother of Dato' Abu Talib bin Mohamed.

Save as disclosed above, he does not have any family relationship with any other Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Tan Sri Dato' Pheng Yin Huah
Managing Director
(Age 61, Malaysian)

Tan Sri Dato' Pheng Yin Huah was appointed Managing Director on 25 June 2008.

He began his apprenticeship in the steel business in 1964 under the tutelage of his late father, Mr Hong Kim Kee, the founder of the Kin Kee group of companies. Through his leadership and guidance, the Kin Kee group of companies has transformed from collection of scrap iron into a conglomerate of integrated steel based companies involved in the trading and manufacturing of a wide variety of steel products. His involvement in the steel industry for the past 30 years has earned him the recognition and respect as one of the leading businessmen in the steel industry.

He was appointed as the Managing Director of PSSB on 07 September 2006. He is primarily responsible for charting out the Group's long-term business strategy, leveraging off his extensive steel industry knowledge to build our group into an industry leader. He provides the vision and experience to bring the Group forward. He is also responsible for overseeing the overall development of the Group.

He is also the Managing Director of Kinsteel Bhd, Kin Kee Hardware Sdn Bhd, Kin Kee Metal Sdn Bhd, Kin Kee Properties Sdn Bhd and Perniagaan Kin Kee Sdn Bhd, which are involved in trading of iron, metal and steel products and property development. He also sits on the board of several other private limited companies in Malaysia. He is also a representative of Kinsteel Bhd, a major shareholder of the Company.

In addition to the above, he is also actively involved in social work. He is currently the President of the Federation of Chinese Associations Malaysia (Hua Zong), the Executive Advisor of Malaysia Hardware, Machinery and Building Material Dealers' Association, Executive Advisor of Pahang Chinese Chamber of Commerce and Industries, Advisor of Persatuan Peniaga Logam Dan Jentera Pahang, Honorary Advisor of the Associated Chinese Chamber of Commerce and Industry of Malaysia, Vice-President of the Hokkien Association of Kuantan, Chairman of the Board of Governors of Sekolah Rendah Jenis Kebangsaan (C) Kuang Hwa, President of the Gabungan Persatuan-Persatuan Cina Pahang and President of the Yayasan Pendidikan Gabungan Persatuan Cina Pahang.

Tan Sri Dato' Pheng is the father of Dato' Henry Pheng Chin Guan, Pheng Chin Huat and Pheng Chin Shiun. He is the brother of Dato' Hong Thian Hock, a major shareholder of the Company.

He has no conflict of interest with the Company and has not been convicted for any offence within the past 10 years.

Dato' Henry Pheng Chin Guan
Chief Executive Officer
(Age 38, Malaysian)

Dato' Henry Pheng Chin Guan was appointed as the Chief Executive Officer on 25 June 2008. He is a member of the Risk Management Committee.

He graduated in 1993 with a Bachelor of Commerce degree from the University of Wollongong, Australia. He is a full member of the Certified Practising Accountants Australia and a chartered accountant with the Malaysian Institute of Accountants. He worked at a public accounting firm, Messrs, Coopers & Lybrand from 1994 to 1995. He was appointed as an Executive Director and Chief Executive Officer of Kinsteel Bhd on 05 February 1997 and has assumed the position since then. He was appointed as the Chief Executive Officer of Perwaja Steel Sdn Bhd on 07 September 2006. He is responsible for executing the Group's strategy and plays a pivotal role in developing the Group's business. He is also responsible for managing the Group's day-to-day operations. He is also a representative of Kinsteel Bhd, a major shareholder of the Company.

Dato' Henry Pheng Chin Guan is the son of Tan Sri Dato' Pheng Yin Huah who is the Managing Director and a major shareholder of the Company. He is the brother of Pheng Chin Huat and Pheng Chin Shiun.

He has no conflict of interest with the Company and has not been convicted for any offence within the past 10 years.

Tan Sri Mohd Bakri Bin Haji Omar
Independent Non-Executive Director
(Age 61, Malaysian)

Tan Sri Mohd Bakri bin Haji Omar was appointed to the Board on 25 June 2008. He is Chairman of the Nomination Committee and a Member of the Audit Committee and Remuneration Committee.

He holds a Bachelor of Arts Degree from the University of Malaya (1970) and Master of Arts in Political Science from the Ohio University, United States of America (1983). He also attended the Royal College of Defence Studies in London, United Kingdom (1995).

Tan Sri Mohd Bakri bin Haji Omar was previously the Inspector-General of Police, Royal Malaysia Police. He joined the Police Force on 1 January 1971 as a Cadet Assistant Superintendent of Police and thereafter served in several departments in the Police Force. He was the Officer In-Charge of several Police Districts including Mersing (Johor), Balik Pulau (Penang) and Petaling Jaya (Selangor). He has also served as the Chief Police Officer of Kedah and Kuala Lumpur and the Commissioner of Police Sabah.

In 1987, he held the post of Officer In-Charge of Criminal Investigation Department in Kuala Lumpur. In 1992, Tan Sri Mohd Bakri bin Haji Omar was seconded to Malaysia Airport Berhad as its General Manager - Security, Safety and Human Resource Management and later in 1998 to the Ministry of Home Affairs as the Director-General of the National Narcotics Agency. Upon his return to the Royal Malaysia Police Headquarters in October 1999, he assumed the post of Director of Management. On 10 March 2003, he was appointed the Deputy Inspector-General of Police of the Royal Malaysia Police and subsequently on 06 November 2003, he was appointed as Inspector-General of Police. He is also the Chairman of Percetakan Nasional Malaysia Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Dato' Abu Talib Bin Mohamed
Non-Independent
Non-Executive Director
(Age 61, Malaysian)

Dato' Abu Talib bin Mohamed was appointed to the Board on 25 June 2008. He is a Member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

He is a Fellow Member of the Chartered Institute of Management Accountants of United Kingdom and also a Member of the Malaysian Institute of Accountants. Dato' Abu Talib has extensive knowledge of the steel industry as he was formerly the Director of Operations for Perwaja Steel Sdn Bhd in Kemaman, prior to joining Maju Holdings Sdn Bhd ("Maju Holdings") as Group Executive Director in 1992. He has been the Group Managing Director of Maju Holdings since 1993 until his resignation as Group Managing Director and director in November 2009.

Dato' Abu Talib is the Deputy Chairman of Ipmuda Berhad. He is a director of Kinsteel Bhd, Mycron Steel Berhad, and Bright Focus Berhad as well as a director of various other private limited companies in Malaysia. He is a representative of Maju Holdings, a major shareholder of the Company.

Dato' Abu Talib is the brother of Tan Sri Abu Sahid bin Mohamed, who is also a Director and major shareholder of the Company.

Save as disclosed above, he does not have any family relationship with any other Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offences within the past 10 years.

Datuk Lim Chaing Cheah
Non-Independent
Non-Executive Director
(Age 60, Malaysian)

Datuk Lim Chaing Cheah was appointed to the Board on 25 June 2008. He is Chairman of the Risk Management Committee.

His professional qualification includes a fellowship in the Institute of Chartered Accountants in England and Wales ("ICAEW"), member of the British Institute of Management and the Corporate Finance Faculty of the ICAEW. He is also a Chartered Accountant with the Malaysian Institute of Accountants. His career began at A.T. Chenhalls and Company in the United Kingdom where he articled for 4 years before joining B. Fish and Partners in the United Kingdom as an Audit Senior for 2 years. He then joined Standard Telephones and Cables PLC as a Financial Analyst and within 4 years quickly rose to the position of Financial Planning Manager. After garnering over 10 years of working experience in the United Kingdom, he returned to Malaysia where he worked in the automotive industry for 6 years under the employment of industry leaders such as Dunlop Malaysia Industries Berhad, Tan Chong Motor Holdings Berhad and Edaran Otomobil Nasional Berhad. In 1987, he returned to his profession as a Partner in Lew and Company before taking up various directorships in public and private companies. He joined Perwaja Steel Sdn Bhd ("PSSB") as Director – Corporate from 01 June 1988 to 31 December 1994, joined Kanzen Berhad as Executive Director from 13 February 1995 to 31 July 1996. He subsequently joined Maju Holdings Sdn Bhd ("Maju Holdings") as Executive Director on 01 August 1996, and on 01 July 2002 he was appointed Chief Operating Officer of Maju Holdings. On 06 September 2006 he was appointed to the Board of PSSB as Director. He is a representative of Maju Holdings, a major shareholder of the Company.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Dato' Md Sharif Bin Shamsuddin

Independent Non-Executive Director

(Age 59, Malaysian)

Dato' Md Sharif bin Shamsuddin was appointed to the Board on 25 June 2008.

Dato' Md Sharif graduated from University of Malaya in 1973 with an honours degree in Anthropology and Sociology, a diploma in Public Administration in 1975 and a diploma in Marketing from the Chartered Institute of Marketing, United Kingdom in 1995. He has more than 20 years of experience in the public sector. He served as an Assistant Secretary at the Ministry of Housing and Local Government and the Ministry of Environment, Science and Technology from 1973 to 1975 and a Senior Project Officer and Lecturer at Institut Tadbiran Awam Negara ("INTAN"), Kuala Lumpur from 1975 to 1980, before joining the Kuantan Municipal Council in 1980 as Chief Administrator and in 1986 as Deputy President. In 1990, he was appointed the General Manager of Pahang State Foundation and held this position until 1995. He is the Deputy Chairman of Kinsteel Bhd and also sits on the board of several other private limited companies in Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Dato' Siew Mun Chuang

Independent Non-Executive Director

(Age 56, Malaysian)

Dato' Siew Mun Chuang was appointed to the Board on 25 June 2008. He is Chairman of the Remuneration Committee and a Member of the Audit Committee and Nomination Committee.

From 1973 to 1979, he was with Price Waterhouse & Co and from 1980, he took over Tai Thong Restoran Sdn Bhd, and expanded it into a diversified food and beverage group and subsequently listed it on the Second Board of Bursa Malaysia Securities Berhad on 18 August 1997 under TT Resources Bhd ("TTRB"). He was the Managing Director of TTRB until 31 August 2000 afterwhich he assumed a Non-Executive Director's post until his retirement on 13 March 2002. Thereafter, he started his own business in the food and beverage industry and he is currently the Managing Director of the Oriental Group of Restaurants. He is also a director of Kinsteel Bhd and Ipmuda Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Shamsudin @ Samad Bin Kassim
Independent Non-Executive Director
(Age 63, Malaysian)

Encik Shamsudin @ Samad bin Kassim was appointed to the Board on 25 June 2008. He is Chairman of the Audit Committee and a Member of the Nomination Committee and Remuneration Committee.

He graduated in 1970 with a Bachelor of Economics degree from University of Malaya and completed his Masters degree in Public and International Affairs ("MPIA") from University of Pittsburgh, United States of America in 1979. He has worked in the Government service for 31 years since 1970 of which 12 years was in the Ministry of International Trade and Industry ("MITI"). He was appointed Chief Executive Officer of Small and Medium Industry Development Corporation ("SMIDEC") in early 2000 until his retirement in September 2001. He sit on the board of Century Logistics Holdings Berhad, Ingress Corporation Berhad, Impressive Edge Group Berhad, Supermax Corporation Berhad, Kinsteel Bhd, BHS Industries Berhad, WinSun Technologies Berhad, Multi-Code Electronics Industries (M) Bhd and Homeritz Corporation Berhad and several other private limited companies in Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Pheng Chin Huat
Non-Independent
Non-Executive Director
(Age 37, Malaysian)

Pheng Chin Huat was appointed to the Board on 25 June 2008. He is a member of the Risk Management Committee.

He graduated with a Bachelor of Business Administration from University of Central Oklahoma, United States in 1996. After graduating, he joined Mutiara Besi Logam Sdn Bhd and MBL Trading Sdn Bhd, both of which are steel trading companies as Executive Director. He is a director of Kinsteel Bhd. He is also a representative of Kinsteel Bhd, a major shareholder of the Company. He also sits on the board of various other private limited companies in Malaysia.

Pheng Chin Huat is the son of Tan Sri Dato' Pheng Yin Huah, the Managing Director of the Company and major shareholder of the Company. He is the brother of Dato' Henry Pheng Chin Guan and Pheng Chin Shiun.

He does not have any conflict of interest with the Company and has not been convicted of any offence within the past 10 years.

Pheng Chin Shiun
Non-Independent
Non-Executive Director
(Age 35, Malaysian)

Pheng Chin Shiun was appointed to the Board on 25 June 2008.

He graduated with a Bachelor of Electrical Engineering (Honours) from University of Malaya, Malaysia in 1999. He is currently the Managing Director of PCS Vision Sdn Bhd, an electronic system provider. He is the alternate director to Datin Hong Cheng Guat on the board of Kinsteel Bhd. He is a representative of Kinsteel Bhd, a major shareholder of the Company. He also sits on the board of various other private limited companies in Malaysia.

Pheng Chin Shiun is the son of Tan Sri Dato' Pheng Yin Huah, the Managing Director of the Company and a major shareholder of the Company. He is the brother of Dato' Henry Pheng Chin Guan and Pheng Chin Huat.

He does not have any conflict of interest with the Company and has not been convicted of any offence within the past 10 years.

Amro F F A H Alkhadhra

Non-Independent
Non-Executive Director
Age 38, Kuwaiti

Mr Amro was appointed to the Board on 16 April 2010.

A graduate of Monmouth University, New Jersey, USA, Mr Amro obtained his BSc in Business Administration with a concentration in International Business Management in 1996, followed by the completion of key managerial programs from International Institute for Management Development ("IMD") in Lausanne, Switzerland.

Mr Amro was appointed as Chief Executive Officer for Construction and Development Property Group of Companies in Maju Holdings Sdn Bhd ("Maju") since July 2009. He has been with Maju since January 2008, as a Director of Business Development International Market and Project Director. On 12 October 2009, he was appointed Director of Maju and is presently the Chief Executive Officer of Maju. He is a representative of Maju, a major shareholder of the Company. He also sits on the board of various other private limited companies in Malaysia.

Prior to joining Maju, Mr Amro was the Vice President of Dan Trading and its group of sister companies in Kuwait.

Mr Amro's career began in 1996, as the Country Manager for the Orbit Satellite Network and Dan Trading. In 2003, Amro was also appointed as Director of Special Projects, for Dan Trading, expanding operations into neighboring Iraq. His duties included Supply Chain and Logistic Management for troops deployed in Iraq.

Mr Amro is the son-in-law of Tan Sri Abu Sahid bin Mohamed, the Executive Chairman of the Company and also a major shareholder of the Company.

Save as disclosed above, he does not have any family relationship with any other Director and/or any other major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

Dato' Nik Ezar Bin Nek Bolia

Alternate Director to Tan Sri Abu Sahid bin Mohamed
(Age 52, Malaysian)

Dato' Nik Ezar bin Nek Bolia was appointed as Alternate Director to Tan Sri Abu Sahid bin Mohamed on 24 February 2010.

Dato' Nik studied Economics (Honours) and Commerce from the University of Queensland, Australia and worked in several financial establishments in Research, Stock Broking, Derivatives, Futures, Currency trading, Investment Banking and Insurance. Upon his return to Kuala Lumpur in 1992, he was tasked to set up the RHB Unit Trust Management Berhad for the RHB Group as CEO for ten (10) years. He launched and managed the RHB Islamic Index and also the world first Islamic Bond Fund.

Dato' Nik was an international conference speaker and well versed in several Chinese dialects, and written Chinese. While attached to RHB Group, he was also voted as the Vice President of Federation of Malaysian Unit Trust Management and also as the President of Queensland University Alumni Malaysia.

Dato' Nik has work in several countries in the past 8 years as consultant to International Bank, Acheh Islamic Venture Fund, Wasatah Capital in Riyadh, Saudi Arabia and also in an Indonesian Plantation. He was the Chairman and Managing Director for Prime Utilities Berhad in 2005.

Currently, Dato' Nik is the Special Assistant to the Group Executive Chairman of Maju Holdings Sdn Bhd and a director in Globalwealth Management Sdn Bhd, with experience in financial markets since 1985. He is also the alternate director to Tan Sri Abu Sahid bin Mohamed on the board of Kinsteel Bhd and Ipmuda Berhad. Dato' Nik also sits on the board of various other private limited companies in Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

The Malaysian Code on Corporate Governance essentially aims to set out principles and best practices on structures and processes used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value.

The Board of Directors of Perwaja Holdings Berhad strives to adopt the substance behind corporate governance prescription and not merely the form. The Board is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Part 1 and 2 of the Malaysian Code on Corporate Governance ["Code"] respectively.

The manner in which the Corporate Governance framework is applied is summarized as follows:-

BOARD OF DIRECTORS

Board Responsibilities

The Board recognises the need for good corporate governance to build and enhance long term shareholders' value in addition to its main responsibilities for the overall performance of the Company and focuses mainly on strategic direction, establishing goals, monitoring performance and critical business issues.

Board Balance and Composition

There are presently twelve (12) Board members in Perwaja Holdings Berhad comprising mainly three (3) executive directors, five (5) non-independent non-executive directors, and four (4) independent directors. The Board is made up of Directors who are qualified and experienced in various fields including accountancy, engineering and economics. The profiles of the Directors are provided in pages 10 to 16 of the annual report.

The Executive Directors generally are responsible in making and implementing operational decisions whilst the Non-executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision making through their knowledge and experience of other businesses sectors.

The independent Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgment. Together, they play an independent role in ensuring that the strategies proposed by the management are fully deliberated and examined, taking into account the long term interest of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business.

The Board is fairly represented by the substantial shareholders of the Company and, together with the four (4) independent non-executive directors, there is no individual or small group of individuals that can dominate the Board's decision making process.

BOARD OF DIRECTORS (cont'd)

Board Meetings

There were six (6) board meetings held during the financial year ended 31 December 2009. The attendance of the Board Members is as follows:

Director	No. of Meetings attended
TAN SRI ABU SAHID BIN MOHAMED	5/6
TAN SRI DATO' PHENG YIN HUAH	6/6
DATO' PHENG CHIN GUAN	6/6
TAN SRI MOHD BAKRI BIN HAJI OMAR	5/6
DATO' ABU TALIB BIN MOHAMED	6/6
DATO' MOHAMED FUAD BIN YON (resigned on 16 April 2010)	5/6
DATUK LIM CHAING CHEAH	6/6
DATO' MD SHARIF BIN SHAMSUDDIN	5/6
DATO' SIEW MUN CHUANG	5/6
SHAMSUDIN @ SAMAD BIN KASSIM	6/6
PHENG CHIN HUAT	6/6
PHENG CHIN SHIUN	6/6
AMRO F F A H ALKHADHRA (appointed on 16 April 2010)	Not Applicable

All the Directors have complied with the minimum attendance at Board meetings as stipulated by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad during the financial year.

Supply of Information

Prior to each Board meeting, every director is given an agenda and a set of Board Papers for each agenda item to be deliberated. The Chief Executive Officer will lead the presentation of board papers and provide comprehensive explanation of pertinent issues. Information provided to the Board goes beyond quantitative performance data to include other qualitative performances. All directors are entitled to call for additional clarification and information to assist them in matters that require their decision. In arriving at any decision on recommendation by the Management, thorough deliberation and discussion by the Board is a prerequisite. All proceedings of Board meetings are minuted and signed the Chairman of the meeting in accordance with provision of Section 156 of the Companies Act, 1965.

There is a schedule of matters reserved specially for the Board's decision, including the approval of acquisition and disposal of major assets, major investments, changes to the management and control structure of the Group and issues in respect of key policies and procedures.

In furtherance to their duties as Directors, whenever independent professional advice is required, external independent experts may and have been engaged at the Group's expense.

All Directors have access to the advice and services of the Company Secretary.

Appointments to the Board

The appointment of new Directors is under the purview of the Nomination Committee which is responsible for making recommendations to the Board on the suitable candidates for appointment.

Re-election

All Directors (including the Managing Director) will retire at regular intervals by rotation once at least every three (3) years and they are eligible to offer themselves for re-election.

Committees

The Board, in discharging its fiduciary duties, is assisted by the following Board Committees, each entrusted with specific tasks:-

(i) Audit Committee;
(ii) Remuneration Committee; and
(iii) Nomination Committee.

BOARD OF DIRECTORS (cont'd)

Committees (cont'd)

These committees have the authority to examine particular issues and report to the Board their recommendations. The ultimate responsibility for the final decision on most matters lies with the entire Board.

(i) Audit Committee

The Audit Committee Report is detailed in pages 21 to 23 of the annual report.

(ii) Remuneration Committee

The present members of the Remuneration Committee are:

(a) Dato' Siew Mun Chuang (Chairman, Independent Non-executive Director)
(b) Tan Sri Mohd Bakri Bin Haji Omar (Member, Independent Non-executive Director)
(c) Shamsudin @ Samad Bin Kassim (Member, Independent Non-executive Director)
(d) Dato' Abu Talib Bin Mohamed (Member, Non-independent Non-executive Director)

The primary functions of the Remuneration Committee are amongst others, establishing performance criteria to evaluate the performance of each member of the Board of Directors and the Managing Director/Chief Executive Officer, and reviewing their respective performances.

The final remuneration package before offered to the Executive Directors and fee payable to Non-Executive Directors are the responsibilities of the entire Board and individual director is required to abstain from discussion on his own remuneration.

The Committee met once during the year.

(iii) Nomination Committee

The present members of the Nomination Committee are:

(a) Tan Sri Mohd Bakri Bin Haji Omar (Chairman, Independent Non-executive Director)
(b) Dato' Siew Mun Chuang (Member, Independent Non-executive Director)
(c) Shamsudin @ Samad Bin Kassim (Member, Independent Non-executive Director)
(d) Dato' Abu Talib Bin Mohamed (Member, Non-independent Non-executive Director)

The primary functions of the Nomination Committee are amongst others, recommending candidates for appointments to our Board of Directors, board committees, consultative panels, regulatory committees and key management positions and to negotiate the compensation packages for these appointments.

The final decision for any appointment remains the responsibilities of the board after considering the committee decision.

The Committee met once during the year.

Directors' Training

All the Directors of the Company have completed the Mandatory Accreditation Programme and are supportive of the Continuous Education Programmes and seminars so as to keep abreast with the current developments in the industry as well as the current changes in laws and regulations.

For the financial year 2009, the training programmes attended by Directors, save for Mr Amro F F A H Alkhadhra who was appointed to the Board on 16 April 2010 and Dato' Nik Ezar bin Nek Bolia who was appointed an Alternate Director on 24 February 2010, are as follows:

- Topics: A: Directors Challenges in Risk Management, B: Key Challenges in the Steel Industry and C: Investor Relations & Risk Management : A Key Governance Deliverable
- Corporate Governance The Role of Audit Committee
- Potential Financial Impact of FRS 139

DIRECTORS' REMUNERATION

Level and Make Up

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The details of the remuneration of the Directors are set out in Note 43 to the Financial Statements.

The remuneration of the individual director is not disclosed due to security reasons. The directors' fees are subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company.

SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Group through disclosures to the Bursa Malaysia Securities Berhad and the press (where appropriate) as well as the annual report. The annual report contains all necessary disclosures in addition to facts and figures about the Group.

Notices of Annual and Extraordinary General Meetings of the Group and related papers will be distributed to shareholders within a reasonable and sufficient time frame. Adequate time will be given during the Annual and Extraordinary General Meetings to allow shareholders to seek clarifications or ask questions on pertinent and relevant matters.

From time to time, the Directors and Senior Management will meet with the Institutional investors and analysts to explain to them the Group's Strategy, performance, major developments, and others matters affecting the shareholders interests. However, any information that may be regarded as undisclosed material information about the Group are not given.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company's and the Group's financial position and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided through the annual financial statements, quarterly announcements of results to the shareholders as well as the Chairman's statement and review of the operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

Directors' Responsibility Statement on Annual Audited Financial Statements

The Directors are responsible for preparing the annual audited financial statements and the Board ensures that the financial statements and other financial reports of the Company and the Group are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

State of Internal Control

The Statement of Internal Control furnished on pages 24 to 25 of the annual report provides an overview of the Group's state of internal control.

Relationship with External Auditors

The Company works closely with the external auditors and maintains a transparent relationship with them in seeking professional advice and ensuring compliance with applicable accounting standards and statutory requirements.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

The Group practices an informal policy on Corporate Social Responsibility.

Together with the Board of Directors, the Group has continuously carried out its responsibility as a caring employer, preserving the environment and the betterment of the community.

In the spirit of corporate citizenship, one of our subsidiaries, Esteem Score Sdn Bhd, took over operations of a vocational and training institute in 2009. Offering courses for mechanical, instrument, electronic, information technology and quality assurance industries, we hope to provide a second chance to disadvantaged students from lower income families who did not fare well enough in Secondary school mainstream examinations for further studies.

The programme is supported by the Malaysian Government, and fees received by the Group are mainly used to cover the institute's operating expenses. Any excess funds will be channeled towards enhancing the institute's infrastructure and facilities, as well as the welfare of its students.

Since the institute opened its doors in 2009, the institute has enrolled more than 300 students. Some of the graduates will have the opportunity to join Perwaja in semi-skilled positions going forward.

COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee for the financial year ended 31 December 2009 are as follows:

Name	Designation	Directorship	Attendance
Shamsudin @ Samad Kassim	Chairman	Independent Non-Executive Director	5/5
Tan Sri Mohd Bakri Bin Haji Omar	Member	Independent Non-Executive Director	4/5
Dato' Siew Mun Chuang	Member	Independent Non-Executive Director	5/5
Dato' Abu Talib Bin Muhamed	Member	Non-Independent Non-Executive Director	5/5

The Audit Committee has held five (5) meetings during the financial year ended 31 December 2009. The Audit Committee plans to have four (4) meetings a year at quarterly intervals with additional meetings convened as and when required.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2009, the following activities were carried out by the Audit Committee:

1. review of both the internal and external audit plans of the Group;
2. review of the quarterly financial statements before recommending the same to the Board for approval;
3. review of related party transactions and recurrent related party transactions entered into by the Group;
4. review of internal audit reports on internal controls and risk management presented by the Internal Auditor for the Group;
5. review of matters relating to corporate governance in compliance with the Listing Requirements of Bursa Malaysia and the Malaysian Code on Corporate Governance.
6. setting up of whistle blower committee;
7. review of conflict of interest arising from management and staff; and
8. review the feasibility and benefits of the implementation of Enterprise Resources Planning (ERP) which lead to implementation of SAP.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

Membership

The Board shall establish a committee of the Board of Directors ("Board") to be known as the Audit Committee.

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board) which fulfills the following requirements:

1. the Audit Committee must be composed of no fewer than three (3) members;
2. all the Audit Committee members must be non-executive directors with a majority of them being independent directors; and
3. at least one member of the Audit Committee:
   - i) must be a member of the Malaysian Institute of Accountants; or
   - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
     - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
     - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   - iii) (a) must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
     - (b) must have at least seven (7) years' experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

TERMS OF REFERENCE (cont'd)

No alternate director is to be appointed a member of the Audit Committee.

If a member of the Audit Committee resigns, demises or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three members.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.

The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee members have carried out their duties in accordance with the terms of reference.

Objectives

The primary objectives of the Audit Committee are as follows:

1. To ensure transparency, integrity and accountability in the Company and Group's activities so as to safeguard the rights and interests of the shareholders.
2. To assist the Board in fulfilling their responsibilities and duties relating to the Group and the Company's financial reporting, risk management, internal controls and compliance of statutory and legal requirements.
3. To provide the necessary independent and neutral avenue for reporting, and to maintain effective communication between the Board, the external auditors, the internal auditors and senior management in order to ensure good practices are adopted.

Authority

The Audit Committee is authorised by the Board to:

1. Investigate any matters within its terms of reference, or as otherwise directed by the Board, to determine the resources required to perform its duties and to have full and unrestricted access to internal and external auditors as well as any employee of the Company and Group.
2. Seek independent professional or other advice when needed and may invite outsiders with relevant expertise to attend its meetings if necessary.

Functions of the Audit Committee

1. To review and discuss the following with the external auditors:
   i) their audit plan;
   ii) their evaluation of the system of internal controls;
   iii) their audit report, management letter and management's response;
   iv) the assistance given by the employees of the Company and Group to them.
2. To review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
   i) going concern assumption;
   ii) changes in or implementation of major accounting policies and practices;
   iii) major judgemental areas, significant and unusual events; and
   iv) compliance with accounting standards and other legal requirements;
3. To do the following in relation to the internal audit function:
   i) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
   ii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
   iii) To consider the significant findings of internal audit investigations and management's response;
   iv) To evaluate the system of internal controls, with the external auditors;
   v) To assess the quality and depth of staffing in the internal audit function;
   vi) To review any assessment or appraisal of the performance of the staff of the internal audit function; and
   vii) To inquire into the effectiveness of the Group's internal audit policies and procedures;
4. To monitor and review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

TERMS OF REFERENCE (cont'd)

5. To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors.
6. To review the risk management policies and practices of the Company and Group to ensure effectiveness.
7. To discuss problems and reservations arising from the interim and/or final external audits, and any matters the external auditors may wish to discuss (in the absence of Management, where necessary)
8. To carry out such other responsibilities, functions or assignments as may be agreed to by the Audit Committee and the Board from time to time.

Meetings

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive Officer or external auditors.

The Chief Executive Officer, the Chief Accountant and the Internal Auditor will normally be invited to attend all meetings of the Audit Committee. Other board members and/or other employees may also be invited to attend any particular meeting of the Audit Committee as determined by the Chairman.

The Audit Committee shall meet with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company and Group except for the Company Secretary at least twice a year or whenever is deemed necessary.

Notice

Three days notice specifying the place, date and hour of the meeting and the business to be discussed thereat shall be given to all the Audit Committee members and any other person that may be required to attend.

Quorum

The quorum for each meeting of the Audit Committee shall consist of two (2) members and a majority of members present must be independent directors.

Votes of Audit Committee Members

Questions arising at any meeting of the Audit Committee shall be determined by a majority of the Audit Committee members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

Secretary and Minutes

The Company Secretary shall act as Secretary of the Audit Committee.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the audit committee members and to the other members of the Board. The Chairman of the Audit Committee shall report on each meeting of the Audit Committee to the Board.

INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department with the Head of Internal Audit reporting directly to the Audit Committee, and assisting the Board in monitoring and managing risks and internal controls. The principal responsibility of the Internal Audit Department is to undertake regular and systematic review of the operations, policies and procedures in order to provide reasonable assurance that internal controls and risks are satisfactorily monitored and managed within the Group.

During the financial year, the following activities were carried out by the Internal Audit Department in discharging its responsibilities:

1. commending improvements to the existing system of internal control to the management;
2. owing-up on the disposition of all audit findings and the implementation of recommendation;
3. ascertaining the extent to which the Company's and the Group's assets were accounted and safeguarded from losses;
4. performing special review or investigations as requested by the management and/or the Committee; and
5. identifying opportunities to improve the operations and processes of the Group.

The total cost incurred for the Group's internal audit function during the financial year was approximately RM175,000.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2009, which has been prepared in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets, which also includes reviewing the adequacy and integrity of that system. Because of the limitations that are inherent in any system of internal control, the Board recognizes that the Group's system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The system of internal control covers, inter alia, risk management, financial, organizational, operational and compliance controls.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group.

1. Organization Structure and Authority Limits

   A management structure exists with clearly defined delegation of authority, responsibility and accountability to the management of the Group. Each operating unit has clear accountability for ensuring that appropriate risk management and control procedures are in place. Ongoing monitoring of risks and updating of the enterprise-wide key risk register were carried out by the management of respective unit within the Group.

2. Enterprise Risk Management

   The Board has engaged a consultant company to establish an Enterprise Risk Management ("ERM") framework for the Group. An effective and structured risk management framework will provide a systematic approach to identify, assess, monitor and manage risk across the Group.

   The ERM framework encompassing oversight structure, risk management policy, reporting mechanisms, risk quantification and risk monitoring processes. The Group carried out a series of risk assessment interviews and workshops with senior management to increase their awareness of and ownership of the risks. These sessions also provided a systematic approach for management to identify, prioritize, evaluate and rate all key risks and controls affecting the Group in achieving its business objectives.

   The Board has established a Risk Management Committee that comprises of the following members:

		Designation
1.	Datuk Lim Chaing Cheah	Chairman (Director)
2.	Dato' Abu Talib Bin Mohamed	Member (Director)
3.	Dato' Henry Pheng Chin Guan	Member (CEO)
4.	Pheng Chin Huat	Member (Director)

   The Risk Management Committee is responsible to monitor the implementation of ERM and to report to the Board on a regular basis.

3. Audit Committee and Internal Audit

   The internal audit function will independently review the control processes implemented by the Management and also advise executive and operational management on areas for improvement. The reports are submitted directly to the Audit Committee, which reviews the findings with the Management at least once every quarter.

   In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and recommendations or changes arising therefrom.

OTHER RISKS AND CONTROL PROCESSES

Other key elements of the Group's system of internal control are as follow:

1. Major decisions require the final approval of the Board and are made after appropriate in-depth analysis.

2. Regular and comprehensive information is provided to the management, covering the performance of key financial and operational indicators. The Chief Executive Officer ("CEO") reports to the Board on significant changes in the business and external environment, which affects significant risks. The Management team provides the Board with both qualitative and quantitative information on a periodical basis. Where areas of improvement in the systems are identified, the Board considers the recommendations made by the Audit Committee based on reports of the internal and external auditors.

3. In addition to the monthly operational meetings, senior management meetings are also held monthly to consider the Group's financial performance, business development, strategic and corporate issues.

4. Documented corporate policies and procedures covering various aspects and operating unit of the Group and internal control culture is promoted through established policies and procedures to ensure compliance with internal controls.

5. The legal and compliance matters of the Group are monitored by the in-house Legal Department.

CONCLUSION

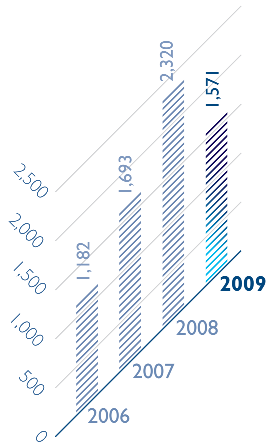
For the financial year under review, the Board is of the view that the system of internal control of the Group that is in place is sound and adequate to safeguard the interest of the shareholders' investments and the Group's assets. The Group continues to take the necessary measures to strengthen its internal controls.

The external auditors have reviewed this Statement on Internal Control pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, and have reported to the Board that it appropriately reflects the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control.

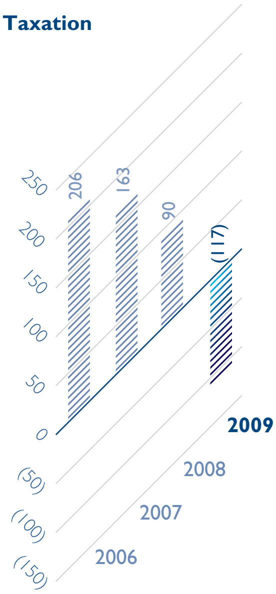
GROUP FINANCIAL HIGHLIGHTS

(RM MILLION)	PROFORMA 2006	PROFORMA 2007	AUDITED 2008	AUDITED 2009
Revenue	1,182	1,693	2,320	1,571
Profit/(Loss) before taxation	96	163	62	(144)
Profit/(Loss) after taxation	206	163	90	(117)
Tangible Assets Employed	2,021	2,106	2,465	2,438
Shareholders' Funds	625	788	1,050	934
Paid-up Share Capital	500	500	560	560
Net Tangible Assets per share (sen)	125	158	188	167
Earning/(Loss) per share (sen)	41	33	17	(21)

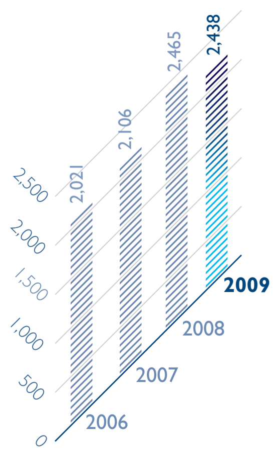
Revenue
(RM milion)



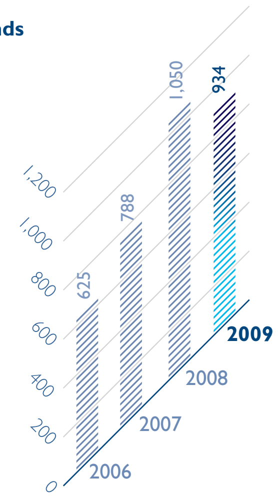
Profit (Loss) After Taxation
(RM milion)



Tangible Assets Employed
(RM milion)



Shareholders' Funds
(RM milion)



1. DISCLOSURE REQUIREMENTS

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Options, Warrants Or Convertible Securities
During the financial year, there were no ICULS being converted into ordinary shares of the Company.

Non-Audit Fees
Non-audit fees of RM156,166 was paid and payable by the Group to external auditors for the financial year ended 31 December 2009.

Imposition Of Sanctions/Penalties
There were no sanctions and/or penalties imposed on the Group and the Company, Directors or Management by the relevant regulatory bodies.

Profit Estimate, Forecast Or Projection
The Group and the Company did not release any profit estimate, forecast or projection for the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Group.

Profit Guarantees
During the financial year, there were not profit guarantees given by the Group and the Company.

Material Contracts Involving Directors
Save as disclosed below, there are no other agreement which are material which have been entered into by Perwaja or its subsidiaries, either still subsisting at the end of the financial year ended 31 December 2009 or entered into since the end of the previous financial year:

Type	Date	Parties	Consideration and Mode of Satisfaction	Relationship
Service Agreement	16 May 2009	Perwaja Steel Sdn Bhd and Datuk Lim Chaing Cheah	Monthly remuneration to be paid to Datuk Lim Chaing Cheah	Datuk Lim Chaing Cheah is an executive Director of Perwaja Steel Sdn Bhd

Revaluation Of Landed Properties
The Group does not adopt a policy of revaluation of its properties.

Recurrent Related Party Transactions
The recurrent related party transactions of revenue or trading nature pursuant to shareholders mandate during the financial year ended 31 December 2009 are as follow:

Transacting Parties	Related Parties	Nature of Transactions	Actual Transaction RM'000
Perwaja Group	Maju Group	Provision of security services by Maju Group	1,514
		Purchase of cold briquette iron from Maju Group	3,776
		Provision of maintenance on dedusting system by Maju Group	334
		Provision of canteen and catering services by Maju Group	1,882
		Purchase of scrap, spares and consumables from Maju Group	15,442
		Purchase of graphite coke from Maju Group	68
		Sales of billets to Maju Group	42,904
		Manpower supply and general maintenance services in the plant by Maju Group	2,111
		Corporate office rental charged by Maju Group	409
		Provision of freight and shipping services by Maju Group	61,073
		Provision of fitness centre service by Maju Group	32

1. DISCLOSURE REQUIREMENTS (cont'd)

Transacting Parties	Related Parties	Nature of Transactions	Actual Transaction RM'000
Perwaja Group	PFCE Group	Provision of plant maintenance and manpower supply by PFCE Group	46,013
		Purchase of chemicals and spares from PFCE Group	3,696
		Provision of services and maintenance of equipment by PFCE Group	50
Perwaja Group	Kin Kee Group	Purchase of scrap from Kin Kee Group	174,607
		Purchase of spare parts from Kin Kee Group	13,974
		Sales of billets to Kin Kee Group	1,105,853

Perwaja Group : Perwaja Holdings and its subsidiaries

Maju Group : Includes Maju Holdings Sdn Bhd, Saito Steel Mill Engineering Sdn Bhd, Desa Utara Sdn Bhd, Edaran Maju-Muda Sdn Bhd, Ipmuda Bhd, ASM Properties Sdn Bhd, MBS Shipping Pte Ltd and Maju Gymnasium Sdn Bhd, and their interested Directors and major shareholders are Maju Holdings Sdn Bhd, Tan Sri Abu Sahid Bin Mohamed, Dato' Abu Talib Bin Mohamed and Amro F F A H Alkhadhra, and persons connected

PFCE Group : Includes PFC Engineering Sdn Bhd, MACES Sdn Bhd and PFCE-CG Sdn Bhd, and their interested Director and major shareholder is Dato' Abu Talib Bin Mohamed and persons connected

Kin Kee Group : Includes Perniagaan Kin Kee Sdn Bhd, Kin Kee Metal Sdn Bhd, Kuantan Metal and Machinery Sdn Bhd, and their interested Directors and major shareholders are Tan Sri Dato' Pheng Yin Huah, Dato' Hong Thian Hock. Also includes Kinsteel Bhd and its subsidiaries and their interested Directors and major shareholders are Tan Sri Abu Sahid Bin Mohamed, Tan Sri Dato' Pheng Yin Huah, Dato' Hong Thian Hock, Dato' Henry Pheng Chin Guan, Dato' Abu Talib Bin Mohamed, Amro F F A H Alkhadhra, Pheng Chin Huat and Pheng Chin Shiun, and persons connected

2. PROPERTIES OWNED BY PERWAJA AND ITS SUBSIDIARIES

Land and Building

Location	Description	Tenure/ Date of expiry of lease	Year of acquisition	Land Area	Built-up area/ approximate age of building	Audited net book value as at 31.12.2009 RM'000
Pajakan Negeri 2586 Lot No. 1407 Mukim of Teluk Kalung District of Kemaman Terengganu Darul Iman	Industrial land with factory and office buildings	Lease for 60 years expiring 28 March 2043	1983	687,704 square metres	138,621 square metres/ 11 to 25 years	
Pajakan Negeri 2587 Lot No. 1412 Mukim of Teluk Kalung District of Kemaman Terengganu Darul Iman	Industrial land/ Vacant land	Lease for 60 years expiring 16 September 2046	1986	3,724 square metres	Not applicable	61,356
Pajakan Negeri 2588 Lot No. 1411 Mukim of Teluk Kalung District of Kemaman Terengganu Darul Iman	Industrial land/ Vacant land	Lease for 60 years expiring 16 September 2046	1986	6,867 square metres	Not applicable	
Pajakan Negeri 7747 Lot No. 2181 Mukim of Teluk Kalung District of Kemaman Terengganu Darul Iman	Industrial land/ Vacant land	Lease for 60 years expiring 27 September 2051	1991	810,190 square metres	Not applicable	
Total						61,356

FINANCIAL STATEMENTS

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group Rm'000	The Company Rm'000
Loss after taxation for the financial year	(116,590)	(3,168)

DIVIDENDS

No dividend was paid since the end of the previous financial period and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Group and of the Company are disclosed in Note 46 to the financial statements. At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANIES

The directors regard the immediate and ultimate holding companies to be Kinsteel Bhd and Perniagaan Kin Kee Sdn. Bhd., respectively. Both the aforesaid holding companies are incorporated in Malaysia.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TAN SRI ABU SAHID BIN MOHAMED
TAN SRI DATO' PHENG YIN HUAH
TAN SRI MOHD BAKRI BIN HAJI OMAR
DATO' PHENG CHIN GUAN
DATO' ABU TALIB BIN MOHAMED
DATUK LIM CHAING CHEAH
DATO' MD SHARIF BIN SHAMSUDDIN
DATO' SIEW MUN CHUANG
SHAMSUDIN @ SAMAD BIN KASSIM
PHENG CHIN HUAT
PHENG CHIN SHIUN
DATO' NIK EZAR BIN NEK BOLIA (APPOINTED ON 24.2.2010 AS ALTERNATE DIRECTOR TO TAN SRI ABU SAHID BIN MOHAMED)
AMRO F F A H ALKHADHRA (APPOINTED ON 16.4.2010)
DATO' MOHAMED FUAD BIN YON (RESIGNED ON 16.4.2010)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	Number Of Ordinary Shares Of RM1.00 Each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
THE COMPANY				
DIRECT INTERESTS				
TAN SRI ABU SAHID BIN MOHAMED	500,000	-	-	500,000
TAN SRI DATO' PHENG YIN HUAH	900,000	-	-	900,000
TAN SRI MOHD BAKRI BIN HAJI OMAR	40,000	-	-	40,000
DATO' PHENG CHIN GUAN	300,000	-	-	300,000
DATO' ABU TALIB BIN MOHAMED	150,000	-	-	150,000
DATO' MOHAMED FUAD BIN YON	-	20,000	-	20,000
DATO' MD SHARIF BIN SHAMSUDDIN	150,000	-	-	150,000
DATO' SIEW MUN CHUANG	180,000	-	-	180,000
SHAMSUDIN @ SAMAD BIN KASSIM	150,000	-	(125,000)	25,000
PHENG CHIN HUAT	150,000	-	-	150,000
PHENG CHIN SHIUN	150,000	-	-	150,000
DEEMED INTERESTS				
TAN SRI ABU SAHID BIN MOHAMED [1]	410,966,500	-	-	410,966,500
TAN SRI DATO' PHENG YIN HUAH [1]	212,160,500	-	-	212,160,500
DATO' ABU TALIB BIN MOHAMED [1]	30,000	-	-	30,000

	Number Of Ordinary Shares Of RM 0.20 Each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
KINSTEEL BHD, THE IMMEDIATE HOLDING COMPANY				
DIRECT INTERESTS				
TAN SRI ABU SAHID BIN MOHAMED	2,864,000	-	-	2,864,000
TAN SRI DATO' PHENG YIN HUAH	23,505,665	1,000,000	-	24,505,665
DATO' PHENG CHIN GUAN	1,710,000	-	-	1,710,000
DATO' ABU TALIB BIN MOHAMED	700,000	-	-	700,000
DATO' MD SHARIF BIN SHAMSUDDIN	3,625,000	-	-	3,625,000
SHAMSUDIN @ SAMAD BIN KASSIM	10,000	50,000	-	60,000
PHENG CHIN HUAT	275,000	-	-	275,000
PHENG CHIN SHIUN	375,000	-	-	375,000
DEEMED INTERESTS				
TAN SRI ABU SAHID BIN MOHAMED [1]	187,822,600	-	-	187,822,600
TAN SRI DATO' PHENG YIN HUAH [1]	325,546,675	14,000,000	-	339,546,675
DATO' PHENG CHIN GUAN [2]	140,000	-	-	140,000
SHAMSUDIN @ SAMAD BIN KASSIM [3]	-	3,000	(3,000)	-

DIRECTORS' INTERESTS (cont'd)

	Number Of Warrants			
	At 1.1.2009	Bought	Sold	At 31.12.2009
KINSTEEL BHD, THE IMMEDIATE HOLDING COMPANY				
DIRECT INTERESTS				
TAN SRI DATO' PHENG YIN HUAH	11,189,830	-	-	11,189,830
DATO' PHENG CHIN GUAN	740,000	-	-	740,000
PHENG CHIN HUAT	100,000	-	-	100,000
DEEMED INTEREST				
TAN SRI DATO' PHENG YIN HUAH [1]	96,151,580	-	(14,000,000)	82,151,580

	Number Of Ordinary Shares Of RM 1.00 Each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
PERNIAGAAN KIN KEE SDN. BHD., THE ULTIMATE HOLDING COMPANY				
DIRECT INTEREST				
TAN SRI DATO' PHENG YIN HUAH	2,130,003	7,653,888	-	9,783,891

Notes:-

1 *Deemed interested by virtue of Section 6A of the Companies Act, 1965*
2 *Deemed interested by virtue of his spouse's shareholding*
3 *Deemed interested by virtue of his child's shareholding*

By virtue of their shareholdings in the holding company, Tan Sri Abu Sahid Bin Mohamed and Tan Sri Dato' Pheng Yin Huah are deemed to have interests in shares in the Company and its related corporations to the extent of the holding company's interests, in accordance with Section 6A of the Companies Act, 1965.

The other directors holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 44 to the financial statements.

Neither during nor at the end of the financial year was the Company and its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 28 APRIL 2010

Tan Sri Dato' Pheng Yin Huah

Dato' Pheng Chin Guan

STATEMENT BY DIRECTORS

We, Tan Sri Dato' Pheng Yin Huah and Dato' Pheng Chin Guan, being two of the directors of Perwaja Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 36 to 75 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 APRIL 2010

Tan Sri Dato' Pheng Yin Huah **Dato' Pheng Chin Guan**

STATUTORY DECLARATION

I, Dato' Pheng Chin Guan, I/C No. 710827-06-5109, being the director primarily responsible for the financial management of Perwaja Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 75 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Dato' Pheng Chin Guan, I/C No. 710827-06-5109,
at Kuala Lumpur in the Federal Territory
on this 28 April 2010

Dato' Pheng Chin Guan

Before me
Datin Hajah Raihela Wanchik
NO: W 275
Commissioner For Oaths

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Perwaja Holdings Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 75.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Chartered Accountant

Kuala Lumpur
28 April 2010

BALANCE SHEETS
AT 31 DECEMBER 2009

	Note	The Group 31.12.2009 RM'000	The Group 31.12.2008 RM'000	The Company 31.12.2009 RM'000	The Company 31.12.2008 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	7	-	-	502,000	502,000
Property, plant and equipment	8	1,414,551	1,414,459	-	-
Prepaid lease payments	9	26,728	27,460	-	-
Intangible asset	10	1,293	-	-	-
Other investment	11	4,000	4,000	-	-
Deferred tax asset	12	165,000	138,000	-	-
		1,611,572	1,583,919	502,000	502,000
CURRENT ASSETS					
Inventories	13	623,494	662,015	-	-
Trade receivables	14	33,313	9,731	-	-
Other receivables, deposits and prepayments	15	61,996	57,988	-	-
Amount owing by a subsidiary	16	-	-	172,143	175,232
Amounts owing by related companies	17	83,267	78,145	-	-
Amounts owing by related parties	18	4,701	7,674	-	-
Tax refundable		103	103	-	-
Fixed deposits with a financial institution	19	11,527	63,050	-	-
Cash and bank balances	20	7,794	1,957	1	243
		826,195	880,663	172,144	175,475
TOTAL ASSETS		2,437,767	2,464,582	674,144	677,475
EQUITY AND LIABILITIES					
EQUITY					
Share capital	21	560,000	560,000	560,000	560,000
Share premium	22	101,502	101,502	101,502	101,502
Merger reserve	23	287,776	287,776	-	-
4% 10 year Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	24	10,748	10,748	10,748	10,748
(Accumulated losses)/Retained profits		(26,493)	90,097	(3,167)	1
TOTAL EQUITY		933,533	1,050,123	669,083	672,251
NON-CURRENT LIABILITIES					
Long-term borrowings	25	158,985	215,298	-	-
Murabahah medium term loan	26	210,000	260,000	-	-
Collateralised loan	27	40,000	40,000	-	-
		408,985	515,298	-	-

	Note	The Group 31.12.2009 RM'000	The Group 31.12.2008 RM'000	The Company 31.12.2009 RM'000	The Company 31.12.2008 RM'000
CURRENT LIABILITIES					
Trade payables	28	221,797	222,380	-	-
Other payables and accruals	29	55,744	31,862	38	201
Amount owing to ultimate holding company	30	14,584	57,343	-	-
Amount owing to immediate holding company	31	269,270	156,989	159	159
Amounts owing to related companies	17	9,943	9,143	-	-
Amounts owing to related parties	18	21,850	19,557	-	-
ICULS	24	4,864	4,864	4,864	4,864
Short-term borrowings	32	493,253	392,828	-	-
Bank overdrafts	34	3,944	4,195	-	-
		1,095,249	899,161	5,061	5,224
TOTAL LIABILITIES		1,504,234	1,414,459	5,061	5,224
TOTAL EQUITY AND LIABILITIES		2,437,767	2,464,582	674,144	677,475
NET ASSETS PER SHARE (RM)	35	1.67	1.88		

The annexed notes form an integral part of these financial statements.

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	The Group 1.1.2009 to 31.12.2009 RM'000	The Group 1.1.2008 to 31.12.2008 RM'000	The Company 1.1.2009 to 31.12.2009 RM'000	The Company 6.12.2007 to 31.12.2008 RM'000
REVENUE	36	1,571,154	2,319,522	-	-
COST OF GOODS SOLD		(1,530,116)	(2,111,456)	-	-
GROSS PROFIT		41,038	208,066	-	-
OTHER INCOME		2,889	10,417	-	93
		43,927	218,483	-	93
SELLING AND DISTRIBUTION EXPENSES		(16,740)	(16,623)	-	-
ADMINISTRATIVE EXPENSES		(107,512)	(73,615)	(2,531)	(92)
FINANCE COSTS		(63,265)	(66,148)	(637)	-
(LOSS)/PROFIT BEFORE TAXATION	37	(143,590)	62,097	(3,168)	1
INCOME TAX EXPENSE	38	27,000	28,000	-	-
(LOSS)/PROFIT AFTER TAXATION		(116,590)	90,097	(3,168)	1
ATTRIBUTABLE TO:					
Equity holder of the Company		(116,590)	90,097	(3,168)	1
(LOSS)/EARNINGS PER SHARE (sen)					
- Basic	39	(20.82)	17.26		
- Diluted	39	Not applicable	15.60		

The annexed notes form an integral part of these financial statements.

THE GROUP	Note	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	ICULS RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total Equity RM'000
			Attributable To Equity Holders Of Company				
			Non-Distributable			Distributable	
Proforma balance at 1.1.2008		500,000	121,618	716,181	-	(550,023)	787,776
Capital reduction	22	-	(121,618)	(428,405)	-	550,023	-
Issuance of shares pursuant to public issue		60,000	113,511	-	-	-	173,511
Issuance of ICULS		-	-	-	10,748	-	10,748
Listing expenses		-	(12,009)	-	-	-	(12,009)
Profit after taxation for the financial year		-	-	-	-	90,097	90,097
Balance at 31.12.2008/1.1.2009		560,000	101,502	287,776	10,748	90,097	1,050,123
Loss after taxation for the financial year		-	-	-	-	(116,590)	(116,590)
Balance at 31.12.2009		560,000	101,502	287,776	10,748	(26,493)	933,533

THE COMPANY	Note	Share Capital RM'000	Share Premium RM'000	ICULS RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total Equity RM'000
		Attributable To Equity Holders Of Company				
		← Non-Distributable →			Distributable	
Balance at 6.12.2007 (date of incorporation)		*	-	-	-	*
Issuance of shares pursuant to:						
- acquisition of a subsidiary		500,000	-	-	-	500,000
- public issue		60,000	113,511	-	-	173,511
Issuance of ICULS		-	-	10,748	-	10,748
Listing expenses		-	(12,009)	-	-	(12,009)
Profit after taxation for the financial period		-	-	-	1	1
Balance at 31.12.2008/1.1.2009		560,000	101,502	10,748	1	672,251
Loss after taxation for the financial year		-	-	-	(3,168)	(3,168)
Balance at 31.12.2009		560,000	101,502	10,748	(3,167)	669,083

* - *RM2*

The annexed notes form an integral part of these financial statements.

	Note	The Group 1.1.2009 to 31.12.2009 RM'000	The Group 1.1.2008 to 31.12.2008 RM'000	The Company 1.1.2009 to 31.12.2009 RM'000	The Company 6.12.2007 to 31.12.2008 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(143,590)	62,097	(3,168)	1
Adjustments for:-					
Allowance for doubtful debts		-	3,509	-	-
Amortisation of prepaid lease payments		732	732	-	-
Bad debts written off		-	352	-	-
Depreciation of property, plant and equipment		73,205	70,080	-	-
Interest expense		63,265	66,148	637	-
Inventories written down		-	345,623	-	-
Loss/(Gain) on foreign exchange - unrealised		1,048	(3,925)	-	-
Interest income		(1,267)	(1,698)	-	(93)
Operating (loss)/profit before working capital changes		(6,607)	542,918	(2,531)	(92)
Decrease/(Increase) in inventories		38,521	(620,186)	-	-
Increase in trade and other receivables		(27,590)	(5,575)	-	-
Increase/(Decrease) in trade and other payables		20,088	84,839	(163)	201
(Decrease)/Increase in amount owing to ultimate holding company		(42,759)	15,275	-	-
Increase/(Decrease) in amount owing to immediate holding company		112,270	(37,806)	-	-
Increase in amount owing by related companies		(4,322)	(34,044)	-	-
Increase/(Decrease) in amount owing to related parties		7,783	(12,236)	-	-
CASH FROM/(FOR) OPERATIONS		97,384	(66,815)	(2,694)	109
Interest paid		(61,102)	(46,171)	(637)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		36,282	(112,986)	(3,331)	109

	Note	The Group 1.1.2009 to 31.12.2009 RM'000	The Group 1.1.2008 to 31.12.2008 RM'000	The Company 1.1.2009 to 31.12.2009 RM'000	The Company 6.12.2007 to 31.12.2008 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		36,282	(112,986)	(3,331)	109
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	40	(72,453)	(35,744)	-	-
Interest received		1,267	1,698	-	93
Acquisition of a business/subsidiary	41	(2,000)	-	-	(2,000)
Repayment from/(Advances to) a subsidiary		-	-	3,089	(175,232)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(73,186)	(34,046)	3,089	(177,139)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares		-	173,511	-	173,511
Listing expenses paid		-	(12,009)	-	(12,009)
Proceeds from issuance of ICULS		-	15,612	-	15,612
Net drawdown of bankers' acceptances		49,718	66,757	-	-
Repayment of hire purchase obligations		(4,463)	(4,240)	-	-
Repayment of Malaysian Government loan		(832)	(29,723)	-	-
Repayment of Murabahah medium term loan		(50,000)	-	-	-
Advances from/(Repayment to) immediate holding company		11	(19,102)	-	159
Repayment to related companies		-	(16,423)	-	-
Repayment to related parties		(2,965)	(13,611)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(8,531)	160,772	-	177,273
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(45,435)	13,740	(242)	243
EFFECT OF EXCHANGE RATE CHANGES		-	3,925	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		60,812	43,147	243	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	42	15,377	60,812	1	243

The annexed notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Level 31, Maju Tower, 1001, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Principal place of business	:	Kawasan Perindustrian Telok Kalung, Peti Surat 61, 24007 Kemaman, Terengganu Darul Iman.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 April 2010.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANIES

The directors regard the immediate and ultimate holding companies to be Kinsteel Bhd and Perniagaan Kin Kee Sdn. Bhd. respectively. Both the aforesaid holding companies are incorporated in Malaysia.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on sales and purchases that are substantially denominated in United States ("US") Dollar.

The Group manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

(ii) Interest Rate Risk

The Group obtains financing through banking and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Information relating to the Group's borrowings are disclosed in their respective notes.

(iii) Price Risk

The Group manages its exposure to fluctuation in the prices of key raw materials used in the operations through close monitoring and buying ahead in anticipation of significant price increase, where possible.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amounts of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's concentration of credit risk relates to the amounts owing by a related company and a customer which made up approximately 58% of its total receivables at the balance sheet date.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

5. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

The Group has not applied in advance the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

5. BASIS OF PREPARATION (cont'd)

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method' currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application except for leasehold land where in substance a finance lease will be reclassified from 'prepaid lease payments' to 'property, plant and equipment' and measured as such retrospectively.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(v) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vi) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and the Company have a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2009.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

The acquisition of Perwaja Steel Sdn. Bhd. by the Company has been accounted for as a business combination among entities under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

All other subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investments

(i) Investments In Subsidiaries

Investments in subsidiaries are initially stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial period if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(ii) Other Investments

Other investments held on a long-term basis are stated at cost less allowance for diminution in value. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(f) Intangible Asset

Goodwill acquired is measured on initial recognition at cost, at the date of acquisition. Following initial recognition, goodwill is carried at cost less accumulated impairment losses, if any. The goodwill acquired is not amortised but tested for impairment annually if events or changes in circumstances indicate that the carrying value maybe impaired either individually or at the cash-generating unit level. The useful life of the goodwill acquired is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Land improvements and infrastructure	2%
Plant and machinery	3.33% - 20%
Motor vehicles	20%
Electrical installations, furniture, fittings and office equipment	10% - 20%
Educational tools	20%
Renovation	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment of Assets

The carrying amounts of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(i) Assets under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 6(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

(j) Prepaid Lease Payments

Leases of land under which the lessor have not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the terms of the leases of 50 - 60 years.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the cost of materials and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(l) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Income Taxes

Income taxes for the financial year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(o) Interest-bearing Borrowings

Interest-bearing borrowings and overdrafts are recorded at the amount of proceeds received, net of transactions costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(p) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Related Parties

A party related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is the venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

(u) Revenue Recognition

(i) Trading

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(ii) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Rental and Interest Income

Rental and interest income are recognised on an accrual basis.

(v) 4% 10-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

FRS 132 - Financial Instruments: Disclosure and Presentation requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Consequently, ICULS, which, amongst other conditions, are regarded as compound instruments, consisting of a liability component and an equity component.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar type of instrument. The difference between the proceeds from the issue of the ICULS and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Medium Term Loans

Medium Term Loans issued by the Group are recognised based on net proceeds received. Interest expenses are charged to the income statement as expenses in the period in which they are incurred.

(x) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable) prepaid lease payments, other investment, inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31.12.2009 RM'000	31.12.2008 RM'000
Unquoted shares, at cost	502,000	502,000

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest 31.12.2009	Effective Equity Interest 31.12.2008	Principal Activities
Perwaja Steel Sdn. Bhd. ("PSSB")	100%	100%	Manufacturing and trading in direct reduced iron, steel billets, beam blanks and blooms.
Esteem Score Sdn. Bhd. ("ESSB")	100%	100%	Provides vocational and technical training and operates educational centres.

8. PROPERTY, PLANT AND EQUIPMENT

The Group Net Book Value	At 1.1.2009 RM'000	Additions RM'000	Transfers RM'000	Depreciation Charge RM'000	At 31.12.2009 RM'000
Buildings	26,341	-	-	(1,053)	25,288
Land improvements and infrastructure	9,741	-	-	(401)	9,340
Plant and machinery	1,347,845	25,561	14,409	(67,798)	1,320,017
Motor vehicles	8,705	808	-	(2,468)	7,045
Electrical installations, furniture, fittings and office equipment	2,952	623	-	(677)	2,898
Educational tools	-	32	-	(5)	27
Renovation	2,722	589	-	(803)	2,508
Capital work-in-progress	16,153	45,684	(14,409)	-	47,428
	1,414,459	73,297	-	(73,205)	1,414,551

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group Net Book Value	At 1.1.2008 RM'000	Additions RM'000	Transfers RM'000	Depreciation Charge RM'000	At 31.12.2008 RM'000
Buildings	25,816	1,529	-	(1,004)	26,341
Land improvements and infrastructure	10,128	-	-	(387)	9,741
Plant and machinery	1,370,752	10,348	31,947	(65,202)	1,347,845
Motor vehicles	4,527	6,468	-	(2,290)	8,705
Electrical installations, furniture, fittings and office equipment	1,572	1,956	-	(576)	2,952
Renovation	2,998	345	-	(621)	2,722
Capital work-in-progress	20,214	27,886	(31,947)	-	16,153
	1,436,007	48,532	-	(70,080)	1,414,459

The Group	At Cost RM'000	Accumulated Impairment RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 31.12.2009				
Buildings	121,763	(63,126)	(33,349)	25,288
Land improvements and infrastructure	114,560	(76,083)	(29,137)	9,340
Plant and machinery	2,584,935	(263,353)	(1,001,565)	1,320,017
Motor vehicles	58,038	-	(50,993)	7,045
Electrical installations, furniture, fittings and office equipment	45,879	-	(42,981)	2,898
Educational tools	32	-	(5)	27
Renovation	4,034	-	(1,526)	2,508
Capital work-in-progress	47,428	-	-	47,428
	2,976,669	(402,562)	(1,159,556)	1,414,551
At 31.12.2008				
Buildings	121,763	(63,126)	(32,296)	26,341
Land improvements and infrastructure	114,560	(76,083)	(28,736)	9,741
Plant and machinery	2,544,965	(263,353)	(933,767)	1,347,845
Motor vehicles	57,230	-	(48,525)	8,705
Electrical installations, furniture, fittings and office equipment	45,256	-	(42,304)	2,952
Renovation	3,445	-	(723)	2,722
Capital work-in-progress	16,153	-	-	16,153
	2,903,372	(402,562)	(1,086,351)	1,414,459

Included in property, plant and equipment of the Group are the following assets acquired under hire purchase terms:-

	The Group 31.12.2009 RM'000	 31.12.2008 RM'000
At net book value:-		
Capital work-in-progress	-	12,000
Motor vehicles	1,106	1,293
Plant and machinery	11,600	-
	12,706	13,293

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The property, plant and equipment at the balance sheet date were charged to financial institutions as security for banking facilities granted to the Group as disclosed in Notes 26 and 32 to the financial statements.

Motor vehicles with a total net book value of approximately RM52,000 (2008 - RM112,000) were held in trust by a shareholder at the balance sheet date.

9. PREPAID LEASE PAYMENTS

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
At cost	40,796	40,796
Accumulated amortisation	(14,068)	(13,336)
	26,728	27,460
Accumulated amortisation at 1.1.2009/2008	(13,336)	(12,604)
Amortisation for the financial year	(732)	(732)
Accumulated amortisation at 31.12.2009/2008	(14,068)	(13,336)

Prepaid lease payments which represent leasehold land have been pledged as security for banking facilities granted to the Group and the Company as disclosed in Notes 26 and 32 to the financial statements.

10. INTANGIBLE ASSET

The purchased goodwill which arose from the acquisition of a business during the current financial year is stated at cost.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to the business segment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. The key assumptions used for value-in-use calculations are:-

	Gross Margin	Growth Rate	Discount Rate
Training and education	47%	20%	10%

(a) Budgeted gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.

(b) Growth rate — The growth rates used are based on the expected projection of the training and educational segment.

(c) Discount rate — The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

In assessing the value-in-use, the management is of the view that no foreseeable changes to their assumptions would cause the carrying amount of cash-generating unit to materially exceed its recoverable amounts.

11. OTHER INVESTMENT

	The Group	
	31.12.2009	**31.12.2008**
	RM'000	**RM'000**
Subordinated bonds, at cost	4,000	4,000

The subordinated bonds relate to the collateralised loan as disclosed in Note 27 to the financial statements. The collateralised loan was provided by a syndication of lenders and one of the conditions is that the borrowers (the Group being one of them) are required to participate in the pool of lenders, limited to 10% of the amount borrowed.

12. DEFERRED TAX ASSET

	The Group	
	31.12.2009	**31.12.2008**
	RM'000	**RM'000**
At 1.1.2009/2008	138,000	110,000
Recognised in income statements (Note 38)	27,000	28,000
At 31.12.2009/2008	165,000	138,000

The deferred tax asset represents the tax benefits derived from the expected utilisation of the unutilised tax losses in the foreseeable future, based on the prevailing applicable tax rate.

13. INVENTORIES

	The Group	
	31.12.2009	**31.12.2008**
	RM'000	**RM'000**
At cost:-		
Raw materials	118,808	2,831
Engineering spares and consumables	152,530	175,084
Finished goods	124,386	-
	395,724	177,915
At net realisable value:-		
Raw materials	227,770	257,003
Finished goods	-	227,097
	227,770	484,100
	623,494	662,015

14. TRADE RECEIVABLES

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Trade receivables	42,341	18,759
Allowance for doubtful debts	(9,028)	(9,028)
	33,313	9,731
Allowance for doubtful debts at 1.1.2009/2008	(9,028)	(5,519)
Addition for the financial year	-	(3,509)
Allowance for doubtful debts at 31.12.2009/2008	(9,028)	(9,028)

The Group's normal trade credit terms range from cash terms to 14 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
US Dollar	29,508	-

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Gross receivables	63,942	58,345
Allowance for doubtful debts	(5,317)	(5,317)
	58,625	53,028
Deposits and prepayments	3,371	4,960
	61,996	57,988
Allowance for doubtful debts at 1.1.2009/2008	(5,317)	(5,622)
Written off during the financial year	-	305
Allowance for doubtful debts at 31.12.2009/2008	(5,317)	(5,317)

Included in other receivables of the Group is an amount of approximately RM47,014,000 (2008 - RM38,677,000) being advances to suppliers in respect of the Group's purchases of raw materials and plant and equipment.

16. AMOUNT OWING BY A SUBSIDIARY

The amount owing is non-trade in nature, unsecured, interest-free and receivable on demand. The amount owing is to be settled in cash.

17. AMOUNTS OWING BY/(TO) RELATED COMPANIES

The amounts owing by/(to) related companies consist of the following:-

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Amounts owing by:		
Trade	83,267	78,145
Amounts owing to:		
Trade	(9,698)	(8,898)
Non-trade	(245)	(245)
	(9,943)	(9,143)

The trade amounts owing are subject to normal credit terms. The amounts owing are unsecured and to be settled in cash.

The non-trade amount owing to the related companies is unsecured, interest-free and repayable on demand. The non-trade amount owing is to be settled in cash.

18. AMOUNTS OWING BY/(TO) RELATED PARTIES

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Gross amounts owing by related parties	17,713	21,290
Allowance for doubtful debts	(13,012)	(13,616)
	4,701	7,674
Allowance for doubtful debts at 1.1.2009/2008	(13,616)	(13,616)
Written off during the financial year	604	-
Allowance for doubtful debts at 31.12.2009/2008	(13,012)	(13,616)

The amounts owing by the related parties consist of the following:-

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Amounts owing by:		
Trade		
- companies in which a shareholder of the immediate holding company has a substantial financial interest	4,701	7,674

18. AMOUNTS OWING BY/(TO) RELATED PARTIES (cont'd)

	The Group 31.12.2009 RM'000	The Group 31.12.2008 RM'000
Amounts owing to:		
Trade		
- companies with common directors	(1,583)	(1,438)
- companies in which a shareholder of the immediate holding company has a substantial financial interest	(9,039)	(6,190)
- companies in which certain directors have substantial financial interests	(2,826)	(1,233)
- companies in which a director's sibling has a substantial financial interest	(461)	(238)
	(13,909)	(9,099)
Amounts owing to:		
Non-trade		
- companies with common directors	(11)	(11)
- companies in which a shareholder of the immediate holding company has a substantial financial interest	(8,883)	(10,395)
- companies in which certain directors have substantial financial interests	1,192	-
- companies in which a director's sibling has a substantial financial interest	4	4
- a shareholder of the immediate holding company	(243)	(56)
	(7,941)	(10,458)
	(21,850)	(19,557)

The trade amounts owing are subject to normal credit terms. The amounts owing are unsecured and to be settled in cash.

The non-trade amounts owing are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

19. FIXED DEPOSITS WITH A FINANCIAL INSTITUTION

Included in the fixed deposits of the Group is an amount of approximately RM11.5 million (31.12.2008 - RM13.1 million) which has been pledged as security for the Murabahah Medium Term Loan issued by the Group.

The fixed deposits bore a weighted average effective interest rate of 3.00% (31.12.2008 - 2.98%) per annum at the balance sheet date. The fixed deposits have maturity periods of 180 days (31.12.2008 - 2 to 180 days).

20. CASH AND BANK BALANCES

The foreign currency exposure profile of the cash and bank balances is as follows:-

	The Group 31.12.2009 RM'000	The Group 31.12.2008 RM'000
US Dollar	355	703

21. SHARE CAPITAL

	The Company			
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	Number Of Shares			
	'000	'000	RM'000	RM'000
ORDINARY SHARES OF RM1 EACH				
AUTHORISED:-				
At 1.1.2009/6.12.2007 (date of incorporation)	2,000,000	100	2,000,000	100
Increase during the financial year/period	-	1,999,900	-	1,999,900
At 31.12.2009/2008	2,000,000	2,000,000	2,000,000	2,000,000
ISSUED AND FULLY PAID-UP:-				
At 1.1.2009/6.12.2007 (date of incorporation)	560,000	*	560,000	*
Allotment during the financial year/period	-	560,000	-	560,000
At 31.12.2009/2008	560,000	560,000	560,000	560,000

* RM2

22. SHARE PREMIUM

	The Group		The Company	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
At 1.1.2009/6.12.2007	101,502	121,618	101,502	-
Capital reduction	-	(121,618)	-	-
Premium arising from public issue	-	113,511	-	113,511
Listing expenses	-	(12,009)	-	(12,009)
At 31.12.2009/2008	101,502	101,502	101,502	101,502

In the previous financial year, a subsidiary, PSSB undertook a capital reduction exercise in conjunction with the Company's Flotation Exercise. The capital reduction exercise entailed the following:-

(i) the cancellation of PSSB's entire share premium account of RM121.618 million as at 31 December 2007; and

(ii) the reduction of PSSB's issued and paid-up capital from approximately RM1,216.181 million to RM787.776 million.

On 21 July 2008, PSSB obtained the sealed order of the petition from the High Court of Malaya for the capital reduction and has lodged the same with the Companies Commission of Malaysia on 23 July 2008.

23. MERGER RESERVE

The merger reserve arose from the differences between the carrying value of the investment and the nominal value of the shares of the subsidiary upon consolidation using merger accounting principles.

24. ICULS

The salient terms of the ICULS are as follows:-

(a)	Tenure/Maturity	The tenth (10th) anniversary of the date of issue of ICULS.
(b)	Coupon rate	4% per annum payable semi-annually.
(c)	Status	The ICULS constitute unsecured obligations of the Company and shall rank pari passu in all respects without priority amongst themselves.
(d)	Conversion Rights	Each ICULS can be converted into 1 new ordinary share at any time during the tenure of the ICULS, at the Conversion Price in accordance with the Conversion Mode. Any outstanding ICULS not converted on maturity date by the holder shall be automatically converted into new ordinary shares at the Conversion Price.
(e)	Conversion Price	The conversion price of the ICULS is RM2.90 per share.
(f)	Status of new ordinary shares	The new ordinary shares to be issued pursuant to the conversion of the ICULS shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares, provided that the new ordinary shares shall not be entitled to dividends, rights, allotments and/or other distributions declared, made or paid to shareholders of the Company the entitlement date of which is prior to the date of allotment of the new ordinary shares.

25. LONG-TERM BORROWINGS

		The Group	
		31.12.2009	31.12.2008
	Note	RM'000	RM'000
Hire purchase payables (Note 33)		7,621	11,661
Loan from a related party	(a)	63,724	85,578
Loan from the Malaysian Government	(b)	87,640	118,059
		158,985	215,298

	The Group	
	31.12.2009	31.12.2008
	RM'000	RM'000
(a) Loan from a related party		
Current portion:		
Repayable within one year (Note 32)	21,574	168
Non-current portion:		
Repayable between one to two years	21,574	21,574
Repayable between two to five years	42,150	64,004
	63,724	85,578
	85,298	85,746

25. LONG-TERM BORROWINGS (cont'd)

(a) Loan from a related party (cont'd)

The related party is a shareholder of the Company. The loan is unsecured, interest-free and is repayable in five equal annual instalments of approximately RM21.1 million each, commencing on or before 4 September 2009.

The Group received approval from its related party to revise the 2009 instalment payments of RM21.1 million as follows:-

(i) 48 monthly instalments of RM42,000 each commencing 4 September 2009; and

(ii) RM19.1 million on 4 September 2013.

The amounts payable under the revised payment schedule are subject to interest at 8% per annum.

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
(b) Loan from the Malaysian Government		
Current portion:		
Repayable within one year (Note 32)	30,419	832
Non-current portion:		
Repayable between one to two years	30,419	30,419
Repayable between two to five years	57,221	87,640
	87,640	118,059
	118,059	118,891

The loan from the Malaysian Government is unsecured and interest-free.

The loan is repayable as follows:-

(i) a 2-year moratorium from having to repay any outstanding amount until January 2008; and

(ii) upon expiry of the 2-year moratorium, RM14 million and RM15.7 million will be payable on or before 14 March and 4 September annually to the Malaysian Government for the next 5 years towards the full settlement of the advances.

On 9 April 2009, the Group received approval from the Ministry of Finance to revise the 2009 instalment payments totalling RM29.7 million as follows:-

(i) 6 monthly instalments of RM100,000 each commencing 14 March 2009;

(ii) 48 monthly instalments of RM58,000 each commencing 4 September 2009;

(iii) RM14 million on 14 March 2013; and

(iv) RM12.4 million on 4 September 2013.

The amounts payable under the revised payment schedule are subject to interest at 8% per annum.

26. MURABAHAH MEDIUM TERM LOAN

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Current portion:		
Repayable within one year (Note 32)	50,000	50,000
Non-current portion:		
Repayable between one to two years	50,000	50,000
Repayable between two to five years	140,000	150,000
Repayable after five years	20,000	60,000
	210,000	260,000
	260,000	310,000

On 25 September 2006, the Company issued a RM310 million 9-year Medium Term Loan for the purpose of refinancing existing banking facilities, debt settlement and for its working capital.

(a) Maturity and profit rate

Tranche	Tenure (Years)	RM (million)	Profit rate (%)
1	3	50	7.6
2	4	50	8.1
3	5	50	8.5
4	6	50	8.9
5	7	50	9.2
6	8	40	9.4
7	9	20	9.7
		310	

Profit shall be payable semi-annually commencing 6 months from the date of the first issuance until the final maturity of the respective tranches.

(b) Security

(i) A debenture creating a first fixed and floating charge on all assets, present and future of the Group;

(ii) A first legal charge over the Company's leasehold land together with the plant erected thereon; and

(iii) A fixed charge over all the proceeds in the Designated Accounts, comprising the Escrow Account and the Finance Service Reserve Account.

(c) Basis of Arrangement

On a "bought deal" basis.

(d) Issue and Redemption

The Medium Term Loan was issued at par and redeemable at par on the respective maturities.

27. COLLATERALISED LOAN

The unsecured collateralised loan bore an effective interest rate of 7.13% (31.12.2008 - 7.13%) per annum at the balance sheet date and is repayable in full on 18 January 2012.

28. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days.

The foreign currency exposure profile of the trade payables is as follows:-

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Euro	2,266	2,521
US Dollar	2,253	68,306
Japanese Yen	3,539	8,094
Others	190	37

29. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Accrued interest	21,943	19,780	-	-
Trade advances	22,537	64	-	-
Other payables	6,091	7,774	8	-
Accruals	5,173	4,244	30	201
	55,744	31,862	38	201

30. AMOUNT OWING TO ULTIMATE HOLDING COMPANY

The amount owing is trade in nature and is subject to the normal trade credit terms granted to the Group. The amount owing is unsecured and to be settled in cash.

31. AMOUNT OWING TO IMMEDIATE HOLDING COMPANY

	The Group		The Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Amount owing by:				
- trade	29,746	60,936	-	-
- non-trade	-	11	-	-
	29,746	60,947	-	-
Amount owing to:				
- trade	(36,123)	(21,496)	-	-
- trade advances	(262,734)	(196,281)	-	-
- non-trade	(159)	(159)	(159)	(159)
	(299,016)	(217,936)	(159)	(159)
	(269,270)	(156,989)	(159)	(159)

31. AMOUNT OWING TO IMMEDIATE HOLDING COMPANY (cont'd)

The foreign currency exposure profile of the amount owing to the immediate holding company is as follows:-

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
US Dollar	49,280	71,247

The trade amounts owing are subject to normal credit terms. The amounts owing are unsecured and to be settled in cash.

Included in the trade advances was an amount of approximately RM96 million (31.12.2008 - RM172 million) which bore an effective interest rate of 8.0% (31.12.2008 - 8.0%) per annum.

The non-trade amounts are unsecured, interest-free and receivable/(repayable) on demand. The amounts owing are to be settled in cash.

32. SHORT-TERM BORROWINGS

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Bankers' acceptances	387,320	337,602
Loan from a related party (Note 25)	21,574	168
Loan from the Malaysian Government (Note 25)	30,419	832
Murabahah Medium Term Loan (Note 26)	50,000	50,000
Hire purchase payables (Note 33)	3,940	4,226
	493,253	392,828

The bankers' acceptances bore a weighted average effective interest rate of 4.92% (31.12.2008 - 5.98%) per annum at the balance sheet date and are secured by:-

(i) a fixed and floating charge over all the Group's property, plant and equipment;
(ii) a debenture on all present and future assets of the Group;
(iii) a first legal charge over the Group's leasehold land; and
(iv) a corporate guarantee of the immediate holding company.

33. HIRE PURCHASE PAYABLES

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Minimum hire purchase payments:		
- not later than one year	4,506	5,001
- later than one year and not later than five years	8,691	13,086
- more than five years	27	-
	13,224	18,087
Less: Future finance charges	(1,663)	(2,200)
Present value of hire purchase payables	11,561	15,887

33. HIRE PURCHASE PAYABLES (cont'd)

The net hire purchase payables are repayable as follows:-

	The Group	
	31.12.2009	31.12.2008
	RM'000	RM'000
Current		
- not later than one year (Note 32)	3,940	4,226
Non-current (Note 25):		
- later than one year and not later than five year	7,597	11,661
- more than five years	24	-
	7,621	11,661
	11,561	15,887

The hire purchase payables bore effective interest rates ranging from 4.34% to 8.72% (31.12.2008 - 4.10% to 15.86%) per annum at the balance sheet date.

34. BANK OVERDRAFTS

The bank overdrafts bore effective interest rates ranging from 6.80% to 7.05% (31.12.2008 - 8.23%) per annum and are secured in the same manner as the bankers' acceptances disclosed in Note 32 to the financial statements.

35. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of approximately RM933,533,000 (31.12.2008 - RM1,050,123,000) divided by the number of ordinary shares in issue at the balance sheet date of 560,000,000 (31.12.2008 - 560,000,000).

36. REVENUE

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns and tutorial fees received for the financial year.

37. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008	1.1.2009 to 31.12.2009	6.12.2007 to 31.12.2008
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation at after charging/(crediting):-				
Audit fee	184	181	30	30
Allowance for doubtful debts	-	3,509	-	-
Amortisation of prepaid lease payments	732	732	-	-
Bad debts written off	-	352	-	-
Depreciation of property, plant and equipment	73,205	70,080	-	-
Directors' fee	170	120	170	120
Directors' non-fee emoluments	6,612	6,260	37	-

37. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Interest expense				
- bankers' acceptances	24,553	17,645	-	-
- bank overdraft	241	328	-	-
- collateralised loan	2,852	2,844	-	-
- hire purchase	562	430	-	-
- ICULS	637	-	637	-
- immediate holding company	2,785	17,079	-	-
- medium term loan	26,850	26,850	-	-
- others	4,785	972	-	-
Inventories written down	-	345,623	-	-
Loss/(Gain) on foreign exchange				
- realised	61,361	27,219	-	-
- unrealised	1,048	(3,925)	-	-
Rental				
- equipment	14	65	-	-
- motor vehicle	52	64	-	-
- premises	502	320	-	-
- lease	412	412	-	-
- others	23	1	-	-
Staff costs	57,790	63,509	-	-
Bad debts recovered	(15)	(30)	-	-
Interest income	(1,267)	(1,698)	-	(93)
Rental income	(219)	(219)	-	-

38. INCOME TAX EXPENSE

	The Group	
	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Deferred tax asset (Note 12)	27,000	28,000

During the current financial year, the statutory tax rate was reduced from 26% to 25%, as announced in the Malaysian Budget 2008.

As gazetted in the Finance Act 2009, the subsidiaries of the Company will no longer enjoy the preferential tax rate of 20% on their chargeable income of up to RM500,000 effective from year of assessment 2009 as the Company has a paid-up share capital exceeding RM2,500,000.

38. INCOME TAX EXPENSE (cont'd)

A reconciliation of the income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company is as follows:-

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
(Loss)/Profit before taxation	(143,590)	62,097	(3,168)	1
Tax at the statutory tax rate of 25% (31.12.2008 - 26%)	(35,897)	16,145	(792)	*
Tax effects of:-				
Non-deductible expenses	1,838	2,258	65	*
Utilisation of deferred tax asset not recognised in prior year	-	(18,403)	-	-
Deferred tax asset not recognised in the financial year	34,061	-	727	-
Deferred tax asset recognised in the financial year	27,000	28,000	-	-
Utilisation of deferred tax asset not recognised in the financial year	(2)	-	-	-
Tax for the financial year	27,000	28,000	-	-

No deferred tax asset is recognised in respect of the following item:-

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Unutilised tax losses	838,000	809,000	3,000	-

* Less than RM1,000.

39. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is arrived at by dividing the Group's (loss)/profit after taxation of approximately RM116,590,000 (31.12.2008 - RM90,097,000) by the weighted average number of ordinary shares in issue of 560,000,000 (31.12.2008 - 521,967,000).

	The Group	
	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Issued ordinary shares at 1.1.2009/6.12.2007 (date of incorporation)	560,000	*
Effect of acquisition of subsidiary	-	500,000
Effect of public issue	-	21,967
	560,000	521,967

39. (LOSS)/EARNINGS PER SHARE (cont'd)

The fully diluted earnings per share for the previous financial year was arrived at by dividing the Group's adjusted profit after taxation of approximately RM90,326,000 by the weighted average number of ordinary shares of approximately 579,127,000.

	The Group 6.12.2007 to 31.12.2008 RM'000
Profit after taxation	90,097
Interest saving on ICULS	229
Adjusted profit after taxation	90,326
Weighted average number of ordinary shares	521,967
Effect of conversion of ICULS to ordinary shares	57,160
	579,127

* - RM2

The diluted earnings per share for the financial year is not presented as there is an anti-dilutive effect arising from the assumed conversion of ICULS.

40. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000
Cost of property, plant and equipment purchased	73,297	48,532
Acquisition of a business	(707)	-
Amount financed through hire purchase	(137)	(12,788)
Cash disbursed for purchase of property, plant and equipment	72,453	35,744

41. ACQUISITION OF A BUSINESS/SUBSIDIARY

The effects of the acquisition of a business/subsidiary on the financial results of the Group at the end of the financial year are as follows:-

	The Group	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000
Revenue	3,098	-
Cost of goods sold	(1,491)	-
Administrative expenses	(1,605)	(1)
Profit/(Loss) for the financial year/period	2	(1)

41. ACQUISITION OF A BUSINESS/SUBSIDIARY (cont'd)

The details of net assets acquired and cash flow arising from the acquisition of the business/subsidiary in the financial year are as follows:

	The Group	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000
Equipment	707	-
Cash and bank balances	-	2,000
Fair value of net assets acquired	707	2,000
Goodwill on acquisition	1,293	-
Total purchase consideration	2,000	2,000
Cash and bank balances of the business/subsidiary acquired	-	(2,000)
Net cash outflow from acquisition of the business/subsidiary	2,000	-

In the previous financial year, a subsidiary entered into a transfer agreement with Strategic & Technology Sdn. Bhd. to transfer Institut Teknologi Perwaja ("ITP") Kemaman and ITP Gurun together with the respective licences to the subsidiary for a total cash consideration of RM2 million. The transaction was completed during the current financial year.

42. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Fixed deposits with a financial institution (Note 19)	11,527	63,050	-	-
Cash and bank balances (Note 20)	7,794	1,957	1	243
Bank overdrafts (Note 34)	(3,944)	(4,195)	-	-
	15,377	60,812	1	243

An amount of approximately RM11.5 million (31.12.2008 - RM13.1 million) of the fixed deposits was pledged as security for the Murabahah Medium Term Loan as disclosed in Note 26 to the financial statements.

43. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Group during the financial year are as follows:

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'000
Executive directors:				
- basic salaries, Employees Provident Fund and bonus	6,581	6,260	-	-
- fee	90	50	70	30
	6,671	6,310	70	30

43. DIRECTORS' REMUNERATION (cont'd)

	The Group		The Company	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	6.12.2007 to 31.12.2008 RM'00
Non-executive directors:				
- allowance	31	-	37	-
- fee	80	70	100	90
	111	70	137	90
	6,782	6,380	207	120

The details of emoluments for the directors of the Group received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group		The Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'00
Executive directors:				
Below RM50,000	-	-	3	3
RM500,001 - RM550,000	1	1	-	-
RM550,001 - RM600,000	1	-	-	-
RM600,001 - RM650,000	-	1	-	-
RM1,150,001 - RM1,200,000	-	1	-	-
RM1,200,001 - RM1,250,000	1	-	-	-
RM1,800,001 - RM1,850,000	-	1	-	-
RM2,150,001 - RM2,200,000	2	1	-	-
Non-executive directors:				
Below RM50,000	7	7	9	9
	12	12	12	12

44. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Group has related party relationships with its ultimate holding company, immediate holding company, related companies, companies in which certain directors/shareholders have substantial financial interests, key management personnel and entities in which the key management have significant financial interests.

The ultimate holding company and immediate holding company are disclosed in Note 3 to the financial statements. Related companies are companies within the group of ultimate and the immediate holding company.

The relationships with the Group in which certain directors/shareholders have substantial financial interests were disclosed in Note 18 to the financial statements.

44. RELATED PARTY DISCLOSURES

(b) In addition to the balances detailed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the financial year:-

	The Group 1.1.2009 to 31.12.2009 RM'000	The Group 1.1.2008 to 31.12.2008 RM'000
Sales to:		
Immediate holding company	734,020	1,105,375
Related companies	371,833	423,373
Related parties:		
- companies in which a shareholder has a substantial financial interest	42,904	48,824
Purchases from:		
Ultimate holding company	169,415	437,567
Related companies	19,166	28,899
Related parties:		
- companies in which a shareholder has a substantial financial interest	26,125	24,931
- companies in which there are certain common directors	-	138
- companies in which certain directors have substantial financial interests	3,696	5,714
Services and maintenance from:		
Related parties:		
- companies in which certain directors have substantial financial interests	46,063	326
- companies in which a director's sibling has a substantial financial interest	2,111	4,176
- companies in which a shareholder has a substantial financial interest	334	317
Interest charges from: Immediate holding company	2,785	17,079

	The Group 1.1.2009 to 31.12.2009 RM'000	The Group 1.1.2008 to 31.12.2008 RM'000
Rental charged from:		
Related parties:		
- companies in which certain directors have substantial financial interests	409	373
Catering services from:		
Related parties:		
- companies in which a shareholder has a substantial financial interest	1,882	1,710
Services from:		
Related parties:		
- companies in which certain directors have substantial financial interests	32	23
- a shareholder of the immediate holding company	1,514	1,441
- companies in which a shareholder has a substantial financial interest	-	1,063
Transportation services from:		
Related parties:		
- companies in which certain directors have substantial financial interests	61,073	139,513

44. RELATED PARTY DISCLOSURES (cont'd)

	The Group	
	1.1.2009 to 31.12.2009 RM'000	1.1.2008 to 31.12.2008 RM'000
Key management personnel compensation:		
- Short-term employee benefits	9,266	9,252

45. CAPITAL COMMITMENT

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Plant and equipment		
- Approved and contracted for	42,650	28,227

46. CONTINGENT LIABILITIES

	The Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Claim by a supplier #	7,978	-
Claim by a debtor *	36,080	36,080
Interest claim by a supplier @	3,160	-
	47,218	36,080

A claim has been made by a supplier on services rendered and goods transferred to a subsidiary. The subsidiary did not agree with the amount claimed.

* A claim has been filed in the Court by a debtor against a subsidiary for breach of contract. The Court has dismissed the debtor's application for summary judgement against the subsidiary on 14 January 2009. The Court has fixed the matter for mediation on 5 May 2010. The subsidiary has counter claimed against this debtor for the recovery of approximately RM3.3 million for goods sold and delivered. The subsidiary's application for judgment on admission against this debtor was dismissed by the Court on 26 October 2009. The subsidiary has filed an appeal to the Court of Appeal against the dismissal of this application on 20 November 2009. Based on legal advice, the directors are of the opinion that the subsidiary has a fair chance in defending the debtor's claim and that the debtor has no viable defence to the counter claim.

@ A claim has been filed in the Court on 27 April 2009 by a supplier against a subsidiary for RM85.8 million together with interest, on various bases. The subsidiary made payment of the alleged outstanding amount of RM85.8 million on 19 May 2009 without prejudice and without admission of liability as to the allegations in the claim. The subsidiary is disputing the claim and has filed its defence and counter-claim against this supplier on 15 June 2009 for RM105.3 million or alternatively RM99.8 million depending on the rate applicable. The supplier has filed an application to strike out the subsidiary's defence and counter-claim on 24 December 2009. The Court has fixed 9 June 2010 for mention for the parties to file their respective submissions. Based on legal advice, the directors are of the opinion that the subsidiary has reasonable prospects of success in defending the supplier's claim and its counter-claim.

47. SEGMENTAL REPORTING

BUSINESS SEGMENTS	Manufacturing And Trading Of Steel Billets RM'000	Training And Education RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
2009					
REVENUE					
External sales	1,568,056	3,098	-	-	1,571,154
RESULTS					
Segment results	(81,525)	2	(2,531)	840	(83,214)
Other income					2,889
Finance costs					(63,265)
Loss before taxation					(143,590)
Income tax expense					27,000
Loss after taxation					(116,590)
OTHER INFORMATION					
Segment assets #	2,268,011	4,652	1	-	2,272,664
Unallocated corporate assets	165,103	-	-	-	165,103
					2,437,767
Segment liabilities *	1,498,042	1,131	5,061	-	1,504,234
Capital expenditure	73,297	1,293	-	-	74,590
Depreciation	73,060	145	-	-	73,205
Amortisation	732	-	-	-	732
Loss on foreign exchange - unrealised	1,048	-	-	-	1,048

BUSINESS SEGMENTS	Manufacturing And Trading Of Steel Billets RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
2008				
REVENUE				
External sales	2,319,522	-	-	2,319,522
RESULTS				
Segment results	117,920	(92)	-	117,828
Other income				10,417
Finance costs				(66,148)
Profit before taxation				62,097
Income tax expense				28,000
Profit after taxation				90,097

47. SEGMENTAL REPORTING (cont'd)

BUSINESS SEGMENTS

2008	Manufacturing And Trading Of Steel Billets RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
OTHER INFORMATION				
Segment assets #	2,326,236	243	-	2,326,479
Unallocated corporate assets	138,103	-	-	138,103
				2,464,582
Segment liabilities *	1,409,235	5,224	-	1,414,459
Capital expenditure	48,532	-	-	48,532
Depreciation	70,080	-	-	70,080
Amortisation	732	-	-	732
Allowance for doubtful debts	3,509	-	-	3,509
Inventories written down	345,623	-	-	345,623
Gain on foreign exchange - unrealised	3,925	-	-	3,925

- Segment assets comprise total current and non-current assets.

* - Segment liabilities comprise total current and non-current liabilities.

GEOGRAPHICAL SEGMENTS

Revenue	Malaysia RM'000	South East Asia * RM'000	Asia RM'000	Others RM'000	Group RM'000
2009	1,228,013	214,984	121,919	6,238	1,571,154
2008	1,487,477	368,162	436,208	27,675	2,319,522

Analysis by segment assets and capital expenditure have not been presented as the Group operate principally in Malaysia.

* - excludes Malaysia

48. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Long-term Loans

The fair values of the long-term loans are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The carrying amounts and their fair values are as follows:-

	The Group	
	Carrying Amount RM'000	Fair Value RM'000
Collateralised loan	40,000	40,000
Loan from a related party	85,298	77,970
Loan from the Malaysian Government	118,059	108,030
Murabahah Medium Term Loan	260,000	219,576

48. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(b) Hire Purchase Obligations

The carrying amounts approximated the fair values of these instruments. The fair values of the hire purchase obligations are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

(c) Cash And Bank Balances And Other Liquid Funds And Short-term Receivables

The carrying amounts approximated their fair values due to relatively short-term maturity of these instruments.

(d) Short-Term Borrowings And Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(e) Contingent Liabilities

It is not practicable to estimate the fair values of the contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

49. COMPARATIVE FIGURES

The comparative figures of the Company are in respect of the financial year from 6 December 2007 to 31 December 2008.

STATEMENT OF SHAREHOLDINGS
AS AT 30 APRIL 2010

Authorised Share Capital	:	RM2,000,000,000
Issued and Paid -Up Share Capital	:	RM560,000,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 APRIL 2010

Range of Shareholdings	No. of Shareholders	Percentage of Shareholders (%)	No. of Ordinary Shares	Percentage of Issued Capital (%)
Less than 100	188	2.76	3,641	0.00
100 - 1,000	1,838	26.99	1,343,060	0.24
1,001 - 10,000	3,731	54.80	15,154,999	2.71
10,001 - 100,000	914	13.42	26,637,891	4.76
100,001 to less than 5% of issued shares	136	2.00	153,880,409	27.48
5% and above of issued shares	2	0.03	362,980,000	64.82
Total	6,809	100.00	560,000,000	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2010
(as per Record of Depositors)

	Name	No. of Ordinary Shares	Percentage of Issued Capital (%)
1	Kinsteel Bhd	209,100,000	37.34
2	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Equal Concept Sdn Bhd.*	153,880,000	27.48
3	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Maju Holdings Sdn Bhd*	25,000,000	4.46
4	Employees Provident Fund Board	18,427,981	3.29
5	AIBB Nominees (Tempatan) Sdn Bhd *Chua Ma Yu*	13,212,000	2.36
6	HSBC Nominees (Tempatan) Sdn Bhd *Nomura Asset Mgmt Malaysia for Employees Provident Fund*	10,000,000	1.79
7	Citigroup Nominees (Tempatan) Sdn Bhd *Ing Insurance Berhad (INV-IL PAR)*	9,365,064	1.67
8	M.I.T Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Num a/l Din Niam (MI1289-003)*	7,227,000	1.29
9	Yong Choong Meng	5,076,200	0.91
10	SBB Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan)*	3,904,300	0.70
11	CIMB Group Nominees (Tempatan) Sdn Bhd *Amtrustee Berhad for CIMB Islamic Dali Equity Theme Fund*	3,368,300	0.60

THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2010
(as per Record of Depositors)

	Name	No. of Ordinary Shares	Percentage of Issued Capital (%)
12	Wang Yen Liang	3,000,000	0.54
13	OSK Nominees (Tempatan) Sdn Berhad *Pledged Securities Account for Hong Chye Lai*	2,198,800	0.39
14	Hong Ching Hui	2,165,000	0.39
15	Equal Concept Sdn Bhd	2,020,000	0.36
16	OSK Nominees (Tempatan) Sdn Berhad *Pledged Securities Account for Kin Kee Holdings Sdn Bhd*	1,804,900	0.32
17	Eta Star Steel Sdn Bhd	1,777,000	0.32
18	Amanahraya Trustees Berhad *Public Islamic Opportunities Fund*	1,628,200	0.29
19	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustees Bhd for MAAKL Al-Faid (4389)*	1,601,900	0.29
20	Nik Anida Binti Nik Manshor	1,578,365	0.28
21	Chai Meng Kui	1,500,000	0.27
22	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Chooi Guan (M10)*	1,160,400	0.21
23	Citigroup Nominees (Tempatan) Sdn Bhd *Ing Insurance Berhad (Dana Suria EKT)*	1,043,500	0.19
24	Lim Ah Lai	1,018,000	0.18
25	Hong Leong Bank Berhad	1,000,000	0.18
26	Tee Tiam Lee	1,000,000	0.18
27	Citigroup Nominees (Asing) Sdn Bhd *UBS AG Singapore for Maxcellon Capital Assets Ltd*	1,000,000	0.18
28	Ke-Zan Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte. Ltd. for the Nassim Fund*	1,000,000	0.18
29	Chua Seng Sam	935,000	0.17
30	Affin Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Ser (TAN1297C)*	889,800	0.16
	Total	486,881,710	86.94

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2010

Name	No. of Ordinary Shares Direct Interest	Percentage of Issued Capital (%)	No. of Ordinary Shares Deemed Interest	Percentage of Issued Capital (%)
Tan Sri Abu Sahid bin Mohamed	500,000	0.09	390,966,500(1)	69.82
Tan Sri Dato' Pheng Yin Huah	900,000	0.16	212,055,500(2)	37.87
Kinsteel Bhd	209,100,000	37.34	-	-
Equal Concept Sdn. Bhd.	155,900,000	27.84	-	-
Maju Holdings Sdn. Bhd.	25,000,000	4.46	365,416,500(3)	65.25
Kin Kee Holdings Sdn. Bhd.	2,132,500	0.38	209,100,000(4)	37.34
Perniagaan Kin Kee Sdn. Bhd.	356,500	0.06	211,569,000(5)	37.78
Dato' Hong Thian Hock	324,000	0.06	212,160,500(6)	37.89
Employees Provident Fund Board	28,927,981	5.17	-	-

Notes:

1. Deemed interested by virtue of his shareholdings in Kinsteel Bhd, Maju Holdings Sdn Bhd, Equal Concept Sdn Bhd, Ipmuda Berhad, Edaran Maju-Muda Sdn Bhd, ASM Properties Sdn Bhd, SPTJ Development Sdn Bhd and MH Consultancy Services Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

2. Deemed interested by virtue of his shareholdings in Kinsteel Bhd, Perniagaan Kin Kee Sdn Bhd, Kin Kee Holdings Sdn Bhd, Kin Kee Transport Sdn Bhd, Kin Kee Hardware Sdn Bhd, Kin Kee Metal Sdn Bhd and Kien San Metal Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

3. Deemed interested by virtue of its shareholdings in Equal Concept Sdn Bhd, Kinsteel Bhd, Ipmuda Berhad, Edaran Maju-Muda Sdn Bhd and MH Consultancy Services Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

4. Deemed interested by virtue of its shareholding in Kinsteel Bhd pursuant to Section 6A of the Companies Act, 1965.

5. Deemed interested by virtue of its shareholdings in Kinsteel Bhd, Kin Kee Holdings Sdn Bhd, Kin Kee Transport Sdn Bhd and Kin Kee Hardware Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

6. Deemed interested by virtue of his shareholdings in Kinsteel Bhd, Perniagaan Kin Kee Sdn Bhd, Kin Kee Holdings Sdn Bhd, Kuantan Metal & Machinery Parts Sdn Bhd, Kin Kee Transport Sdn Bhd, Kin Kee Hardware Sdn Bhd, Kin Kee Metal Sdn Bhd and Kien San Metal Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND/OR WARRANT HOLDINGS IN THE COMPANY AND ITS RELATED CORPORATIONS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AND/OR WARRANT HOLDINGS AS AT 30 APRIL 2010

THE COMPANY

Name of Directors	No. of Ordinary Shares Direct Interest	Percentage of Issued Capital (%)	No. of Ordinary Shares Deemed Interest	Percentage of Issued Capital (%)
Tan Sri Abu Sahid bin Mohamed	500,000	0.09	390,966,500(1)	69.82
Tan Sri Dato' Pheng Yin Huah	900,000	0.16	212,055,500(2)	37.87
Tan Sri Mohd Bakri bin Haji Omar	40,000	0.01	-	-
Dato' Pheng Chin Guan	300,000	0.05	-	-
Dato' Abu Talib bin Mohamed	150,000	0.03	30,000(3)	0.01
Datuk Lim Chaing Cheah	-	-	-	-
Dato' Md Sharif bin Shamsuddin	150,000	0.03	-	-
Dato' Siew Mun Chuang	180,000	0.03	-	-
Amro F F A H Alkhadhra	-	-	-	-
Shamsudin @ Samad bin Kassim	25,000	0.00	-	-
Pheng Chin Huat	150,000	0.03	-	-
Pheng Chin Shiun	150,000	0.03	-	-
Dato' Nik Ezar bin Nek Bolia	-	-	-	-

IMMEDIATE HOLDING COMPANY - KINSTEEL BHD

Name of Directors	No. of Ordinary Shares Direct Interes	Percentage of Issued Capital (%)	No. of Ordinary Shares Deemed Interest	Percentage of Issued Capital (%)
Tan Sri Abu Sahid bin Mohamed	2,864,000	0.30	187,822,600(4)	19.92
Tan Sri Dato' Pheng Yin Huah	24,505,665	2.60	348,546,675(5)	36.97
Dato' Pheng Chin Guan	1,710,000	0.18	140,000(6)	0.01
Dato' Abu Talib bin Mohamed	700,000	0.07	-	-
Dato' Md Sharif bin Shamsuddin	3,625,000	0.38	-	-
Shamsudin @ Samad bin Kassim	100,000	0.01	-	-
Pheng Chin Huat	275,000	0.03	-	-
Pheng Chin Shiun	375,000	0.04	-	-

Name of Directors	No. of Warrants Direct Interest	Percentage of Outstanding Warrants (%)	No. of Warrants Deemed Interest	Percentage of Outstanding Warrants (%)
Tan Sri Dato' Pheng Yin Huah	11,189,830	11.25	73,151,580(7)	73.58
Dato' Pheng Chin Guan	740,000	0.74	-	-
Pheng Chin Huat	100,000	0.10	-	-

ULTIMATE HOLDING COMPANY - PERNIAGAAN KIN KEE SDN. BHD.

Name of Director	No. of Ordinary Shares Direct Interest	Percentage of Issued Capital (%)	No. of Ordinary Shares Deemed Interest	Percentage of Issued Capital (%)
Tan Sri Dato' Pheng Yin Huah	15,629,754	57.60	-	-

Notes:

1. Deemed interested by virtue of his shareholdings in Kinsteel Bhd, Maju Holdings Sdn Bhd, Equal Concept Sdn Bhd, Ipmuda Berhad, Edaran Maju-Muda Sdn Bhd, ASM Properties Sdn Bhd, SPTJ Development Sdn Bhd and MH Consultancy Services Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

2. Deemed interested by virtue of his shareholdings in Kinsteel Bhd, Perniagaan Kin Kee Sdn Bhd, Kin Kee Holdings Sdn Bhd, Kin Kee Transport Sdn Bhd, Kin Kee Hardware Sdn Bhd, Kin Kee Metal Sdn Bhd and Kien San Metal Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

3. Deemed interested by virtue of his shareholding in PFC Engineering Sdn. Bhd.

4. Deemed interested by virtue of his shareholding in Maju Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

5. Deemed interested by virtue of his shareholdings in Kin Kee Holdings Sdn Bhd, Kin Kee Metal Sdn Bhd, Kin Kee Hardware Sdn Bhd and through Perniagaan Kin Kee Sdn Bhd, the holding company of Kin Kee Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

6. Deemed interested by virtue of his spouse shareholding.

7. Deemed interested by virtue of his shareholdings in Kin Kee Holdings Sdn Bhd, Kin Kee Hardware Sdn Bhd and through Perniagaan Kin Kee Sdn Bhd, the holding company of Kin Kee Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Save as disclosed none of the other Directors of the Company has any interests in the securities of the related corporations of the Company.

PERWAJA

PERWAJA HOLDINGS BERHAD

(Incorporated in Malaysia) Company No: 798513-D

PROXY FORM

Number of Shares Held :	
CDS Account No :	

I/We ....

New and Old NRIC No. / Company No. ....

of ....

....

being a member(s) of PERWAJA HOLDINGS BERHAD hereby appoint ....

....(full name as per NRIC and NRIC No.)

of ....

....

or failing him/ her ....

....

of ....

....

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Meranti II, Hyatt Regency Kuantan Resort, Telok Chempedak, 25050 Kuantan, Pahang Darul Makmur, Malaysia, on Thursday 17 June 2010 at 11.00 a.m. or at any adjournment thereof, in the manner indicated below:

No	Resolution	For	Against
1	Adoption of Audited Financial Statements and Reports		
2	Approval of Directors' Fees		
3	Re-election of Directors retiring under Article 78 of the Company's Article of Association: Dato' Henry Pheng Chin Guan		
4	Dato' Abu Talib Bin Mohamed		
5	Tan Sri Mohd Bakri Bin Haji Omar		
6	Datuk Lim Chaing Cheah		
7	Re-election of Director retiring under Article 84 of the Company's Article of Association: Amro F F A H Alkhadhra		
8	To re-appoint Messrs Crowe Horwath as Auditors and to authorise the Directors to fix their remuneration		
9	Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

Please indicate with "X" how you wish your vote to be cast. In the absence of specific directions, your Proxy will vote or abstain as he thinks fit.

Dated this...day of...2010

____

Signature

NOTES:

1) A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy or not more than two (2) proxies, to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

2) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

4) The instrument appointing the proxy must be deposited at the Registered Office of the Company at Level 31, Maju Tower, 1001 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

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STAMP

The Company Secretary

PERWAJA HOLDINGS BERHAD
(798513-D)

Level 31, Maju Tower,
1001 Jalan Sultan Ismail,
50250 Kuala Lumpur,
Malaysia

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PERWAJA HOLDINGS BERHAD
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