

PERWAJA HOLDINGS BERHAD (“PHB” OR “THE COMPANY”)

ACQUISITION OF A COLD BRIQUETTE IRON PLANT BY PERWAJA STEEL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FROM SAITO STEEL MILL ENGINEERING SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MAJU HOLDINGS SDN BHD, FOR A TOTAL CASH CONSIDERATION OF RM6,839,335.93 ONLY

1.0 INTRODUCTION

The Board of Directors (“Board”) of PHB wishes to announce that Perwaja Steel Sdn Bhd (“PSSB”), a wholly-owned subsidiary of the Company, had on 01 December 2009 entered into a Sale and Purchase Agreement (“SPA”) with Saito Steel Mill Engineering Sdn Bhd (“Saito” or “the Vendor”), a wholly-owned subsidiary of Maju Holdings Sdn Bhd (“Maju”), for acquisition by PSSB from Saito of its cold briquette iron plant (“the Plant”) for a total cash consideration of RM6,839,335.93 only (“the Acquisition”).

Details of the Acquisition are set out in the ensuing sections.

2.0 DETAILS OF THE ACQUISITION

PSSB agrees to purchase the Plant from the Vendor on a willing buyer-willing seller basis and “as is where is” basis together with the intellectual property rights, free from all encumbrances at cash consideration of RM6,839,335.93 only (“Consideration”) and upon the terms and conditions contained in the SPA.

2.1 Details of the Plant

The Plant consists of machines, spare parts and consumables which are situated on that parcel of industrial land belonging to PSSB in Kemaman, Terengganu and forms part of PSSB’s Direct Reduction Plant (“DR Plant”). The Plant is used to recycle waste direct reduction iron fines generated by the DR Plant to produce cold briquette iron which is one of the feed materials for steel making.

2.2 Information on Saito

Saito was incorporated in Malaysia on 02 November 1998. Currently Saito has an authorized share capital of RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares have been issued and fully paid-up with both held by Maju. Saito is principally engaged in the production of steel briquettes.

2.3 Salient terms and conditions of the SPA

The salient terms of the SPA are as follows:-

- (i) Terms of payment for the Consideration is as follows:
 - (a) As at 23 November 2009, PSSB has made refundable cash deposit payment of RM978,901.75 to the Vendor which shall form part of the Consideration on the date of the SPA; and

- (b) the balance sum of RM5,860,434.18 shall be paid in cash to the Vendor on or before 31 December 2009 (“Completion Date”).
- (ii) PSSB shall have the right to offer employment to any of the existing employees and/or contract workers of the Vendor who are engaged for the purpose of the operation of the Plant (“the Employees”), and that the Vendor shall procure the Employees to resign from the Vendor and execute the new letter of offer for employment from PSSB, on or before the Completion Date.

2.4 Basis of arriving at the Consideration

The Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration, inter-alia, net book value of the Plant and ease of technology transfer by the Vendor to PSSB in terms of operational know-how, chemical additive and binder applications. The Acquisition enables PSSB to consolidate its entire DR Plant operations.

Based on its audited financial statements for the financial year ended 31 December 2008, the net book value of the Plant stood at RM2,123,857.

2.5 Source of funds

The Consideration is payable in cash in accordance with the terms of payment referred to under section 2.3 (i) above and will be financed through PSSB’s internally generated funds.

2.6 Dates and original cost of investment

The Plant was acquired by the Vendor on 20 January 1999 at cumulative cost of investment of RM20,306,054.

2.7 Liabilities to be assumed

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by PSSB arising from the Acquisition.

3.0 RATIONALE FOR THE ACQUISITION

The Acquisition forms part of PSSB’s continuing cost reduction and rationalization exercise and expected to provide cost efficiency enhancement ultimately for PHB and its group of companies (“PHB Group”). PSSB is expected to derive cost savings by operating the Plant directly as opposed to outsource it.

4.0 PROSPECTS

Prospects of PHB Group are depending on, amongst others, the improvement of economic condition and steel industry. Over the past few months, news on government pump-priming and construction activities has been positive with several outstanding construction projects pending to be rolled out. The steel sector is expected to be positively influenced by the gradual recovery of the local economy.

5.0 RISK FACTORS

The Board of PHB is unaware of any risk arising from the Acquisition that could materially and adversely affect the financial and operations of PHB Group. Nevertheless, the following risk factors, which are not exhaustive, are relevant and currently faced by PHB Group:

(i) Business risks

The primary inherent risk of the steel industry is the exposure to economic cycles. Other risks include changes in political and business conditions, labour shortages, increases in raw material prices, interest rates and availability of bank loans and changes in legal and environmental framework within which the industry operates. These risks are addressed as part of ordinary course of business.

(ii) Political, economic and regulatory factors

Like all other business entities, changes in political, economic and regulatory conditions could materially and adversely affect the financial and business prospects of PHB Group. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalization, renegotiation or nullification of existing sales orders and contracts, interest rates, method of taxation and currency exchange rates. Any adverse changes in such political, economic or regulatory conditions could have an adverse effect on PHB Group's business, financial condition, results of operations and prospects.

6.0 EFFECTS OF THE ACQUISITION

6.1 Share capital and Substantial Shareholders' Shareholdings

The Acquisition will not have any effect on the issued and paid-up share capital of PHB and substantial shareholders' shareholdings as the Acquisition does not involve any issuance of new shares by PHB.

6.2 Earnings per share

The Acquisition will not have any material impact on earnings of PHB Group for the financial year ending 31 December 2009.

6.3 Net assets per share and Gearing

The Acquisition will not have any material effect on the net assets per share and gearing of PHB Group.

7.0 APPROVALS REQUIRED

The Acquisition is not subject to the approvals of the shareholders of the Company and/or any relevant authorities.

8.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other Directors and/or major shareholders and/or persons connected to the Directors and major shareholders of PHB have any interest, direct or indirect, in the Acquisition.

- (i) Maju is a major shareholder of PHB with a total equity interest of 35.88% in PHB via its direct equity interest of 4.46% and indirect equity interest of 31.41% held by Equal Concept Sdn Bhd ("ECSB"), a wholly-owned subsidiary of Maju.
- (ii) Maju is also deemed a major shareholder of PSSB by virtue of PSSB being a wholly-owned subsidiary of PHB. In addition, Saito is a wholly-owned subsidiary of Maju.
- (iii) Tan Sri Abu Sahid bin Mohamed ("TSASM") is a director of PHB, PSSB and Maju.
- (iv) TSASM is a major shareholder of Maju with a direct equity interest of 91%. TSASM is also a major shareholder of PHB by virtue of his indirect shareholdings held through Maju and ECSB mentioned above.
- (v) TSASM is also deemed a major shareholder of PSSB and Saito by virtue of him being a major shareholder of PHB and Maju respectively. TSASM also has 0.09% direct equity interest in PHB.
- (vi) Dato' Abu Talib bin Mohamed ("DATM") is a director of PHB and PSSB and also a director of Saito. DATM is a major shareholder of Maju with a 9% direct equity interest. DATM has 0.03% direct equity interest in PHB.
- (vii) TSASM and DATM are brothers.

Based on the above, TSASM and DATM are deemed interested in the Acquisition. They have abstained and will continue to abstain from any deliberations and voting on resolutions pertaining to the Acquisition at the relevant Board meetings.

9.0 HIGHEST PERCENTAGE RATIOS UNDER PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS ("MMLR") OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA")

The highest percentage ratio applicable to the Acquisition pursuant to paragraph 10.02(g) of the MMLR of Bursa is 0.65%, which is derived based on Consideration of approximately RM6.84 million, compared with the audited net asset of PHB as at 31 December 2008 of approximately RM1,050.12 million. In this regard, PHB is only required to announce the Acquisition to Bursa.

10.0 STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee (save for DATM), having considered all aspects of the Acquisition, is of the opinion that the Acquisition is:

- a) in the best interest of PHB;
- b) fair, reasonable and on normal commercial terms; and

c) is not detrimental to the interests of the minority shareholders.

The recurrent related party transactions entered into by PSSB with Saito for the preceding 12 months from 01 November 2008 to 30 November 2009 is RM5,171,818.20.

11.0 DIRECTORS' RECOMMENDATION

Having considered all aspects of the Acquisition, the Board, save for TSASM and DATM, is of the opinion that the Acquisition is in the best interest of PHB Group.

12.0 DEPARTURE FROM THE SC'S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES ("SC GUIDELINES")

To the best knowledge of the Board of PHB, the Acquisition does not depart from the SC Guidelines.

13.0 ESTIMATED TIME FRAME FOR THE COMPLETION OF THE ACQUISITION

Barring any unforeseen circumstances, the Acquisition is expected to be completed on or before 31 December 2009.

14.0 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA dated 01 December 2009 is available for inspection at the registered office of the Company at Level 31 Maju Tower, 1001 Jalan Sultan Ismail, 50250 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) within 14 days from the date of this announcement.

This announcement is dated 01 December 2009.