

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

SUPPLY, INSTALLATION, IMPLEMENTATION, DEVELOPMENT AND MAINTENANCE OF SAP ERP 6 INTEGRATED SOLUTION BY ORENDA SDN BHD FOR PERWAJA STEEL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FOR A CONSIDERATION OF RM6,770,000 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 25 November 2010 entered into a Professional Services Agreement (“PSA”/“the Contract”) with Orenda Sdn Bhd (“Orenda”) for the supply, installation, implementation, development and maintenance of SAP ERP 6 integrated solution (“Implementation”) by Orenda for PSSB for a consideration of RM6,770,000 only.

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

2.0 DETAILS OF THE PSA

PSSB has agreed to award Orenda on a willing buyer-willing seller basis and “as is where is” basis at a consideration of RM6,770,000 only (“Consideration”) and upon the terms and conditions contained in the PSA.

2.1 Details of the Contract

The Contract consists of implementation of SAP ERP 6 integrated solution to be fully installed in Kemaman plant and Kuala Lumpur office for a period from 01 December 2010 until 30 September 2011.

The module consists of Finance, Costing, Material Management, Selling and Distribution, Quality Management and Product Planning.

SAP Malaysia Sdn Bhd has entered into a SAP Software End User License Agreement dated 24 September 2010 with Orenda in order to grant PSSB the right to use the SAP Software.

Orenda has entered into the PSA as Implementation Partner with PSSB for such duration, with Orenda acting as the agent and contractor of PSSB in order for the implementation of PSSB’s SAP Software system.

2.2 Information on Orenda

Orenda was incorporated on 25 November 1999. Currently Orenda has an authorized share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each of which 2,000,000 ordinary shares have been issued and fully paid-up and Orenda is wholly-owned by SPTJ Development Sdn Bhd (“SPTJ”).

Orenda is principally engaged in the businesses of assembling of servers, customising software development using open source software, systems integration, trading in computer hardware and software and its related services.

The directors of Orenda are Nurhaida binti Abu Sahid, Amro F F A H Alkhadra and Yeoh Pit Chuan @Michael.

2.3 Salient terms and conditions of the PSA

The salient terms of the PSA are as follows:-

(i) Terms of payment for the Consideration is as follows:

No	Quarterly Payments (12 mths)	RM
1.	Q4 2010	2,500,000
2.	Q1 2011	2,000,000
3.	Q2 2011	1,500,000
4.	Q3 2011	770,000
	TOTAL	6,770,000

Payment term is 30 days after invoice date.

(ii) PSSB shall have the ownership of the total 150 SAP ERP 6 end user licences upon completion of the Implementation.

2.4 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 the Company’s internally generated funds.

3.0 RATIONALE FOR THE IMPLEMENTATION

The rationale for the Implementation are:

- (i) to replace the existing accounting ERP system to a better and more functional ERP system;
- (ii) to achieve eventual benefit of more efficient decision making via live and real-time feed of information;
- (iii) better communication chain between divisions for operational excellence; and
- (iv) to streamline the existing system and operational framework.

4.0 APPROVALS REQUIRED

The Implementation award is not subject to the approvals of the shareholders of the Company and any relevant authorities.

5.0 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 Implementation:

- i. Tan Sri Abu Sahid bin Mohamed (“TSASM”) is a director of PHB and PSSB. TSASM is deemed a major shareholder of PHB via his indirect equity interest of 69.82% in PHB and PSSB is a wholly-owned subsidiary of PHB.
- ii. TSASM is also deemed a major shareholder of Orenda by virtue of his 99.99% direct equity interest in SPTJ which in turn holds 100% of the issued and paid-up capital of Orenda.
- iii. Amro F F A H Alkhadra (“Amro”) a director of PHB, PSSB and Orenda is also the son-in-law of TSASM.

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

7.0 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 Implementation pursuant to paragraph 10.02(g) of the MMLR of Bursa is 0.73%, which is derived based on Consideration of RM6.77 million, compared with the audited net asset of PHB as at 31 December 2009 of approximately RM933.5 million. In this regard, PHB is only required to announce to Bursa.

8.0 STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee, having considered all aspects, is of the opinion that the Implementation 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.

9.0 DIRECTORS' RECOMMENDATION

Having considered all aspects, the Board is of the opinion that the Implementation is in the best interest of PHB Group.

10.0 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 Implementation does not depart from the SC Guidelines.

11.0 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the PSA dated 25 November 2010 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 25 November 2010.