



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

**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Unaudited 3 months ended		Unaudited 9 months ended	
	30.09.2010 RM'000	30.09.2009 RM'000	30.09.2010 RM'000	30.09.2009 RM'000
Revenue	271,272	409,566	1,110,206	1,160,366
Operating expenditure	(288,776)	(381,300)	(1,059,122)	(1,249,397)
Other income	786	290	3,493	1,514
Finance costs	(21,107)	(15,490)	(59,474)	(67,659)
(Loss)/Profit before taxation	(37,825)	13,066	(4,897)	(155,176)
Taxation	-	-	-	26,889
(Loss)/Profit after taxation	(37,825)	13,066	(4,897)	(128,287)
Other comprehensive income, net of tax				
Available-for-sale (AFS) investment's fair value movements	62	-	186	-
Total comprehensive (loss)/income	(37,763)	13,066	(4,711)	(128,287)
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(37,763)	13,066	(4,711)	(128,287)
Minority interests	-	-	-	-
	(37,763)	13,066	(4,711)	(128,287)
(Loss)/Earning per share (Note 26) :				
- Basic (LPS)/EPS (sen)	(6.75)	2.33	(0.87)	(22.91)
- Diluted EPS (sen)	N/A	1.85	N/A	N/A

*The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2010**

	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,395,325	1,441,279
Intangible assets	1,293	1,293
Other investment	3,672	4,000
Deferred tax assets	165,000	165,000
	<u>1,565,290</u>	<u>1,611,572</u>
<b>Current assets</b>		
Inventories	874,287	623,494
Receivables	165,471	183,277
Tax recoverable	103	103
Deposits with licensed banks	-	11,527
Cash and bank balances	8,357	7,794
	<u>1,048,218</u>	<u>826,195</u>
<b>TOTAL ASSETS</b>	<u><u>2,613,508</u></u>	<u><u>2,437,767</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	560,000	560,000
Irredeemable Convertible Unsecured Loan Stocks	10,748	10,748
Reserves	381,217	362,785
<b>Total equity</b>	<u>951,965</u>	<u>933,533</u>
<b>Non-current liabilities</b>		
Borrowings (Note 22)	318,119	408,985
<b>Current liabilities</b>		
Trade and other payables	663,372	593,188
Overdrafts and short term borrowings (Note 22)	680,052	502,061
	<u>1,343,424</u>	<u>1,095,249</u>
<b>Total liabilities</b>	<u>1,661,543</u>	<u>1,504,234</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,613,508</u></u>	<u><u>2,437,767</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>1.70</u>	<u>1.67</u>

*The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Attributable to Equity Holders of the Company						
	←	Non-distributable			→	Distributable (Accumulated Losses)/ Retained Profits	Total Equity
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Fair Value Reserve RM'000	ICULS RM'000	RM'000	RM'000
Balance at 1 January 2010	560,000	101,502	287,776	-	10,748	(26,493)	933,533
Effect arising from adoption of FRS 139	-	-	-	(515)	-	23,658	23,143
Balance at 1 January 2010, as restated	560,000	101,502	287,776	(515)	10,748	(2,835)	956,676
Comprehensive loss for the period	-	-	-	-	-	(4,897)	(4,897)
Other comprehensive income for the period	-	-	-	186	-	-	186
Balance at 30 September 2010	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>(329)</u>	<u>10,748</u>	<u>(7,732)</u>	<u>951,965</u>
Balance at 1 January 2009	560,000	101,502	287,776	-	10,748	90,097	1,050,123
Comprehensive loss for the period	-	-	-	-	-	(128,287)	(128,287)
Balance at 30 September 2009	<u>560,000</u>	<u>101,502</u>	<u>287,776</u>	<u>-</u>	<u>10,748</u>	<u>(38,190)</u>	<u>921,836</u>

*The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.*

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Unaudited	
	Year-to-date ended	
	30.09.2010	30.09.2009
	RM'000	RM'000
<b>Cash Flows (For)/From Operating Activities</b>		
Loss before taxation	(4,897)	(155,176)
<b>Adjustments for non-cash flow :</b>		
Depreciation	55,830	55,056
Non-cash items	58,130	42,863
Operating profit/(loss) before working capital changes	109,063	(57,257)
Changes in working capital	(167,898)	154,099
	(58,835)	96,842
Interest paid	(51,872)	(43,225)
Interest received	345	362
<b>Net cash (for)/from operating activities</b>	<b>(110,362)</b>	<b>53,979</b>
<b>Cash Flows For Investing Activities</b>		
Purchase of property, plant and equipment	(9,341)	(57,881)
Purchase of intangible assets	-	(1,293)
<b>Net cash for investing activities</b>	<b>(9,341)</b>	<b>(59,174)</b>
<b>Cash Flows From/(For) Financing Activities</b>		
Drawdown of short term borrowings	166,658	14,254
Repayment of government loan	(900)	(700)
Repayment of murabahah medium term loan	(50,000)	(50,000)
Repayment of hire purchase obligations	(3,075)	(3,215)
<b>Net cash from/(for) financing activities</b>	<b>112,683</b>	<b>(39,661)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,020)</b>	<b>(44,856)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,377</b>	<b>60,812</b>
<b>Cash and cash equivalents at end of period</b>	<b>8,357</b>	<b>15,956</b>
<b>Composition of cash and cash equivalents</b>		
Deposits with licensed banks	-	11,527
Cash and bank balances	8,357	4,429
<b>Cash and cash equivalents at end of period</b>	<b>8,357</b>	<b>15,956</b>

*The above condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.*

# PERWAJA HOLDINGS BERHAD (798513-D)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

### PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

#### 1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of Financial Reporting Standards 134 (FRS134): “Interim Financial Reporting” and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

The significant accounting policies adopted are in consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010:

FRS 7.	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (Revised)	Presentation of Financial Statements
FRS 123 (Revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Vesting Conditions and Cancellations
Amendments to FRS 7, FRS 139 and IC Interpretation 9	Improvements to Accounting for Financial Instruments
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to FRSs	Annual Improvements to FRS (2009)

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group except as follows:

#### ***FRS 101(Revised), Presentation of Financial Statements***

Prior to adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of a changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard.

The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements.

***FRS 139, Financial Instruments: Recognition and Measurement***

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets (AFS), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial assets include cash and short-term deposits, loans and receivables and AFS investments.

(i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

(ii) AFS

Prior to 1 January 2010, AFS financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at the lower of cost and market value, determined on an aggregate basis. Under FRS 139, AFS financial asset is measured at fair value initially and subsequently with amortisation of premium with accretion of discount and other accrual of income recognised in income statement and with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired, at which time the cumulative loss is recognised in the income statement and removed from the AFS reserve.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities include long term borrowings carried at amortised cost.

Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010:

RM'000		Previously reported	Effect of FRS 139	As restated
Assets:	- Other investment	4,000	(515)	3,485
	- Receivables	183,277	(4,033)	179,244
Liabilities:	- Long term borrowings	408,985	(27,691)	381,294
Equity:	- Fair Value Reserve	-	515	515
	- Accumulated losses	26,493	(23,658)	2,835

In additions, these changes in accounting policies have the effect of decreasing the total comprehensive income for the current period to date by RM6.42 million as follow:

	RM'000
AFS investments	186
Receivables	999
Long term borrowings	(7,602)
Net decrease in total comprehensive income	<u>(6,417)</u>

#### ***FRS 117, Lease***

FRS 117 clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as finance or operating, using the principles of FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of this FRS amendment. The following comparative figures have been restated following the adoption of the amendment to FRS 117:

RM'000	31 December 2009	
	Previously reported	As restated
Net Book Value		
Property, plant and equipment	1,414,551	1,441,279
Prepaid lease payment	26,728	-

#### **Change of Accounting Policy**

The Group changed the accounting policy for inventories from first-in-first-out basis to weighted average basis to be in compliance with the basis used by its holding company. The change in this accounting policy has no material impact on the prior year financial position and results of the Group. As a result, no adjustment has been made to prior year financial statement.

The effects of the change in accounting policy for inventories to the cost of goods sold in the current period and year to date were increased by approximately RM0.7 million and RM14.4 million respectively.

The effects of the change in accounting policy for inventories to the basic and diluted earnings per share (EPS) were as follow:

	Current quarter	Current year to date
Decrease in: - Basic EPS (sen)	(0.12 sen)	(2.57 sen)
- Diluted EPS (sen)	<u>(0.09 sen)</u>	<u>(2.01 sen)</u>



**2. Auditors' report**

The preceding audited annual financial statements were not qualified.

**3. Seasonal or cyclical factors**

The business operation of the Group is generally affected by the demand in construction sector, commodities market condition and global economy, as well as the fourth quarter and first quarter festive seasons.

**4. Items of unusual nature and amount**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter and financial year to date except for the effects arising from the adoption of FRS 139 as disclosed in Note 1.

**5. Material changes in estimates**

There were no changes in the estimates of amount relating to the prior financial years that have a material effect in the current quarter under review.

**6. Debt and equity securities**

During the quarter under review, Perwaja Steel Sdn Bhd has redeemed the second tranche of its Murabahah Medium Term Notes facility of RM50.0 million on 25 September 2010.

Save for the disclosure above, there were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the financial year-to-date.

**7. Dividends paid**

No dividend was paid during the financial year to date.

**8. Segmental information**

Segmental information is not provided as the Group's primary business segment is principally engaged in the manufacturing and trading in direct reduced iron, steel billets, beam blanks and blooms and its operation is principally located in Malaysia.

**9. Valuation of property, plant and equipment**

There was no valuation of the property, plant and equipment in the current period under review.

**10. Capital commitments**

The total capital commitments being approved and contracted for as at the end of current quarter and financial year to date are amounting to RM235.2 million.

**11. Subsequent event**

There was no material event subsequent to the current quarter.

**12. Changes in the composition of the group**

There were no changes in the composition of the Group during the financial year to date.

**13. Contingent liabilities and contingent assets**

Save as disclosed in Note 24, there were no contingent liabilities or contingent assets, which upon becoming enforceable, may have a material effect on the net assets, profits or financial position of our Group.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**14. Review of performance of the company and its principal subsidiaries**

For the current quarter under review, the Group recorded a 33.8% decrease in revenue to RM271.3 million and a pre-tax loss of RM37.8 million, as compared to revenue of RM409.6 million and pre-tax profit of RM13.1 million respectively in the preceding year corresponding quarter.

Revenue and pre-tax loss for the 9 months ended 30 September 2010 were lower at RM1,110.2 million and RM4.9 million compared to revenue and pre-tax loss of RM1,160.4 million and RM155.2 million recorded in the corresponding financial period of 2009.

The decrease in revenue for the quarter under review was mainly due to a significant slowdown in international demand and pricing for billets, and in line with the declining demand trend for steel. Accordingly, profit margins for our products were lower. This resulted the net loss for the period under review.

For the financial period to date (i.e., nine months ended 30 September 2010), the slight decrease in revenue was mainly due to challenging international market conditions as explained in the above paragraph. Compared to the same period last year, pre-tax losses were lower as the Group generated profits in the six months ended 30 June 2010, versus losses for the same period in 2009.

**15. Material changes in profit before tax for the current quarter results compared to the results of the preceding quarter**

The Group's pre-tax loss of RM37.8 million as compared to the preceding quarter's pre-tax profit of RM10.3 million was mainly due to lower revenue and profit margin during the quarter under review.

**16. Prospects for the financial year 2010**

The Group expects market conditions for the remaining quarter of financial year 2010 to remain relatively challenging. Demand for steel is not expected to pick up significantly in the near-term as major projects are being rolled out at a slower-than-expected pace. On the other hand, iron ore price is expected to remain high. In this regard, the Group will continue to be vigilant in its cost containment effort, to ensure that it will be in a good position to capitalize on a turnaround in market conditions.

**17. Variance between actual profit and forecast profit**

The Group did not issue any profit forecast in a public document during the current financial period.

**18. Taxation**

The Group's effective tax rate for the current quarter and financial year to date is lower than the prevailing statutory tax rate of 25%, mainly due to the utilization of deferred tax assets not recognized in prior years.

**19. Profit from sale of unquoted investments and/or properties**

There were no disposals of unquoted investments and/or properties for the current quarter and financial year to date.

**20. Quoted securities**

There were no purchases or disposals of quoted securities for the current quarter and financial year to date and the Group did not hold any quoted securities as at the end of the financial year to date.

**21. Status of corporate proposal**

There were no corporate proposals announced but not completed as at the reporting date.

**22. Group borrowings and debt securities**

The Group's borrowings as at 30 September 2010 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Trade Financing	519,042	-	519,042
Hire Purchases	5,217	-	5,217
Bank borrowings	34,936	-	34,936
Term Loan	50,000	-	50,000
ICULS	-	4,864	4,864
Related Party Loan	-	21,574	21,574
Government Loan	-	44,419	44,419
	<u>609,195</u>	<u>70,857</u>	<u>680,052</u>
<u>Long Term borrowings:-</u>			
Term Loan	160,000	40,000	200,000
Hire Purchase	3,856	-	3,856
Related Party Loan	-	53,595	53,595
Government Loan	-	60,668	60,668
	<u>163,856</u>	<u>154,263</u>	<u>318,119</u>
Total	<u>773,051</u>	<u>225,120</u>	<u>998,171</u>

**23. Derivative financial instruments**

There were no derivative financial instruments as at the reporting date.

## 24. Material litigation

Save as disclosed below, as at 30 September 2010, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company or our subsidiaries.

**(i) Shah Alam High Court Civil Suit No. MT4-22-204-2002  
Nesaga Technology Sdn Bhd (“Nesaga”) vs.  
Perwaja Steel Sdn Bhd (“PSSB”)**

PSSB is alleged to have failed to adhere to 4 maintenance agreements in 1996 whereby Nesaga was to provide various services to PSSB. PSSB had entered into a settlement dated 28 June 1996 with various terms and conditions and PSSB allegedly agreed to all the terms in the settlement via a letter dated 1 July 1996.

On 22 March 2002, Nesaga filed a Writ of Summons and Statement of Claim at the High Court of Malaya at Shah Alam against PSSB. The claim was for LIRE356,996,800.00, RM404,180.00 and USD826,117.40 (approximate total claim is RM4,151,858.54 based on relevant conversion rate in year 2002) with interest calculated at the rate of 8% per annum from 1 July 1996 until date of judgment.

PSSB filed an application to amend its Defence and to include a Counter-claim which application was allowed on 10 December 2008 by the Registrar of the High Court. Nesaga filed an appeal on 16 December 2008 against the order dated 10 December 2008. The appeal was allowed on 7 January 2010 by the High Court Judge. PSSB then filed an appeal against the order dated 7 January 2010 at the Court of Appeal on 15 January 2010 and an application to stay the proceedings at the High Court pending appeal on 5 February 2010. The application for stay of proceedings was allowed with cost on 21 June 2010. However PSSB's Appeal to the Court of Appeal against the dismissal of the amendment was dismissed with costs on 7 October 2010. The Court has fixed 16 to 17 February 2011 for trial at Shah Alam High Court based on the original unamended Defence filed by Messrs Shearn Delamore & Co.

PSSB's solicitors are of the view that PSSB stands a fair chance of defending the case.

**(ii) Kuala Lumpur High Court Suit No. D8-22-1464-2007  
Kuala Lumpur High Court Suit No. D2-22-1594-2007 (consolidated by the  
Order of the Court of Appeal dated 17 January 2008)  
Megasteel Sdn Bhd (“Megasteel”) vs PSSB**

Megasteel filed a Writ of Summons and Statement of Claim for the sum of RM36,079,860.33 (“Megasteel's Claim”) as damages for an alleged breach of contract against PSSB. On 17 December 2007, PSSB in its defence argued, *inter-alia*, that Megasteel has continued to accept the delivery of the goods unconditionally after the alleged stipulated time, causing time to be at large hence time is no longer of the essence. In addition there were variations to the contract causing time to be at large as well. PSSB also filed a Counter-Claim against Megasteel on 17 December 2007 for *inter-alia*, the outstanding sum of RM3,390,509.03 (“Outstanding Sum”) as at 6 November 2007 for the DRI supplied to Megasteel.

Megasteel filed a summary judgment application on Megasteel's Claim on 27 March 2008 and the same was dismissed on 14 January 2009. PSSB filed an application for judgment on admission of the Outstanding Sum on 30 March 2009 of which was dismissed on 26 October 2009. PSSB filed an appeal to the Court of Appeal against the dismissal of the application for judgment on admission on 20 November 2009. The matter is now fixed for case management on 17 February 2011 and trial on 14 to 16 March 2011.

Meanwhile, Megasteel filed an application for discovery on 21 October 2010 and the same is now fixed for hearing on 13 December 2010.

The solicitors of PSSB are of the opinion that PSSB stands a fair chance of success of defending Megasteel's claim and that Megasteel has no viable defence to the Outstanding Sum which Megasteel is seeking to set off the Outstanding Sum against Megasteel's Claim.

**(iii) Kuala Lumpur High Court Suit No. D22-788-2009  
Petroleum National Berhad ("Petronas") vs PSSB**

On 12 May 2009, PSSB was served with a writ of summons dated 27 April 2009, taken out by Petronas claiming the sum of RM85,795,957.50, being the alleged balance of the unpaid purchase price for the supply of gas to PSSB together with interest, on various bases. Both Petronas and PSSB have exchanged their respective pleadings. PSSB is disputing the claim.

By its Defence and Counterclaim dated 15 June 2009, PSSB is defending the claim and is counterclaiming for either a sum of RM105,258,714.45 or alternatively RM99,831,484.28, depending on the rate applicable. Petronas filed an application to strike out PSSB's Defence and Counterclaim on 24 December 2009 which was dismissed with costs by the Judge on 30 July 2010. The matter is fixed for case management on 21 December 2010 for parties to file the relevant documents to set the matter down for trial.

As advised by PSSB's solicitors, the Board is of the opinion that PSSB has reasonable prospects of success. Nevertheless, it is still open to both parties to reach a negotiated settlement for this dispute.

**25. Proposed dividend**

There was no dividend proposed or declared for the current quarter and the financial year to date.

**26. Loss per share (“LPS”)**

The basic LPS is calculated based on the Group's net loss attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the current quarter and the financial year to date as follow:

	Current Quarter RM'000	Current Year to date RM'000
Net loss attributable to ordinary shareholders of the company	37,825	4,897
Weighted average number of ordinary shares in issue	560,000	560,000
<b>Basic LPS (sen)</b>	<b><u>6.75 sen</u></b>	<b><u>0.87 sen</u></b>

Fully diluted LPS for current quarter has not been presented as the effect is anti-dilutive.

By order of the Board,

Dato' Henry Pheng Chin Guan  
Chief Executive Officer  
Date: 29 November 2010