

AMSTEEL CORPORATION BERHAD (“ACB” or THE “COMPANY”)

Type : Announcement

Subject : PROPOSED DISPOSAL BY ACB OF ITS ENTIRE 20% EQUITY INTEREST IN INVERFIN SDN BHD FOR A CASH CONSIDERATION OF APPROXIMATELY RM117.35 MILLION

1. INTRODUCTION

The Board of Directors of Amsteel Corporation Berhad (“ACB” or the “Company”) wishes to announce that the Company, Citi Holding Company Sdn Bhd and CapitaLand Limited, (collectively, the “Vendors”), had on 29 August 2008 entered into a conditional sale and purchase agreement (“Agreement”) with IOI Corporation Berhad (“Purchaser”) for the proposed disposal of the entire of their respective equity interest in Inverfin Sdn Bhd (“Inverfin”). In this respect, the proposed disposal by ACB of its entire 20% equity interest in Inverfin comprised 2,000,001 ordinary shares of RM1.00 each for a cash consideration of approximately RM117.35 million (“Disposal Consideration”), subject to the terms and conditions of the Agreement (“Proposed Disposal”).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Background information

Reference is made to the Company’s announcements dated 21 May 2008, 18 June 2008, 4 July 2008, 10 July 2008 and 24 July 2008 in respect of the Proposed ACB Scheme (“Announcements”). Unless otherwise stated, defined terms used in this announcement shall carry the same meanings as defined in the Announcements.

On 21 May 2008, ACB announced the Proposed ACB Scheme which involved, *inter alia*, a proposed disposal of the Property Holding Companies (as set out below) by ACB to Limbungan Emas Sdn Bhd (“Limbungan Emas”) for a total cash consideration of RM818.4 million (“Total Property Disposal Consideration”) (“Proposed Disposal of Property Holding Companies”). ACB and Limbungan Emas had on even date entered into an agreement (as supplemented by a supplemental agreement dated 18 June 2008) in respect of the Proposed Disposal of Property Holding Companies (“Property Holding Companies SPA”).

The Property Holding Companies are as set out below:-

No	Property Holding Companies	ACB’s equity interest (%)	Property Disposal Consideration RM’million
1.	Akurjaya Sdn Bhd	100%	560.5
2.	Ayer Keroh Resort Sdn Bhd	70%	99.4
3.	Bungawang Sdn Bhd	70%	11.4
4.	Visionwell Sdn Bhd	80%	73.3
5.	Lion Metal Industries Sdn Bhd	100%	21.4
6.	Inverfin	20%	52.4
Total Property Disposal Consideration			818.4

Pursuant to the Property Holding Companies SPA, ACB shall apply the proceeds from the Proposed Disposal towards the settlement of the Total Property Disposal Consideration.

2.2 INFORMATION ON THE PURCHASER

The Purchaser Group is internationally known as a leading global integrated palm oil player with operations stretching the entire oil palm value chain from seedlings to plantations to crop oil extraction to diverse value-added manufacturing across major continents - serving global markets in more than 65 countries. Close to its home-base in Malaysia, the Purchaser Group is also prominently known as one of the leading property developers with significant investment holdings of prime real-estates.

2.3 Basis of the Total Disposal Consideration

The Disposal Consideration of approximately RM117.35 million was arrived at after negotiations on a willing buyer-willing seller basis taking into consideration the 20% share of net asset value of Inverfin as at 31 July 2008 after adjusting for the agreed gross acquisition value of Menara Citibank of RM733.626 million. The agreed gross acquisition value of Menara Citibank is based on RM1,000 per sq. ft. over the present net lettable area of 733,626 sq. ft.

2.4 Mode of Payment

The Disposal Consideration of approximately RM117.35 million for the Proposed Disposal shall be payable in the following manner:

	RM'mil	%	Timing
Earnest Deposit	1.00	0.85	Paid to the Vendors' solicitors as stakeholders on 15 August 2008
Balance Deposit	13.67	11.65	Paid to the Vendors' solicitors as stakeholders upon execution of the Agreement.
Total Deposit	<u>14.67</u>	<u>12.50</u>	
Balance Disposal Consideration	102.68	87.50	Within 7 business days from the date the last of the conditions precedent is fulfilled ("Unconditional Date")
Total	<u>117.35</u>	<u>100</u>	

2.5 Salient Terms of the Agreement

The salient terms of the Proposed Disposal are set out as below:

- a. The closing shall occur within seven (7) business days from the date of the conditions precedent of the Agreement being fulfilled (“Closing Date”).
- b. The Disposal Consideration will be adjusted based on the difference in the unaudited net asset value of Inverfin between 31 July 2008 and the Closing Date to be computed in the manner as set out in the Agreement.
- c. In the event that any of the conditions precedent of the Agreement is not satisfied or is deemed not to have been satisfied on the expiry of 45 days from 29 August 2008 or such other periods as mutually agreed by the Vendors and the Purchaser, the Agreement shall be deemed terminated and the Vendors shall procure the vendors solicitors to pay the Total Deposit together with 50% of the accrued interest to the Purchaser’s solicitors within three (3) business days of such termination and concurrently to pay the remaining 50% of the accrued interest to the respective Vendors based on terms as prescribed in the Agreement.

2.6 Carrying value and date of investment

Based on the unaudited management account for the financial year ended 30 June 2008, the carrying value of the investment in Inverfin by the ACB Group is RM57.40 million. The investment was first made in year 1989.

2.7 Proposed utilisation of proceeds

The Disposal Consideration amounting to approximately RM117.35 million shall be applied towards the redemption of the Sale Shares from the Security Trustee and the settlement of the Total Property Disposal Consideration pursuant to the Property Holding Companies SPA.

3. INFORMATION ON INVERFIN

Inverfin was incorporated in Malaysia under the Companies Act, 1965 on 15 December 1984 as a private limited liability company. Inverfin is a 20%-owned associated company of ACB. Inverfin’s principal activity is property investment, office management and food and beverage catering.

As at date hereof, the authorised share capital of Inverfin is RM25.0 million comprising 24.4 million ordinary shares of RM1 each and 60 million preference shares of RM0.01 each and its issued and paid-up share capital is RM10,000,003 comprising 10,000,003 ordinary shares of RM1 each.

Inverfin is the sole legal and beneficial owner of Menara Citibank, a 50-level office building together with 5 levels of basement car parks shared by both Menara Citibank and Nikko Hotel, located at 165, Jalan Ampang, Kuala Lumpur. Menara Citibank has a land area of 12,694 square meters.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Sale Shares are non-core assets of the ACB Group and have been earmarked for divestment under the group wide restructuring scheme involving the Company and its subsidiaries which was implemented in 2003. The Proposed Disposal also form part of the Proposed Disposal of Property Holding Companies under the Proposed ACB Scheme. Pursuant thereto, the Disposal Consideration of approximately RM117.35 million shall be deemed as part settlement by Limbungan Emas to ACB towards the Total Property Disposal Consideration upon the completion of the Proposed ACB Scheme. ACB shall utilise the same amount for the repayment to the ACB Lenders, thus allowing ACB to meet its repayment obligations under the Proposed ACB Scheme. Based on the average interest rate of approximately 6% per annum, the ACB Group is expected to have interest savings of approximately RM7 million per annum upon completion of the Proposed Disposal.

5. FINANCIAL EFFECTS

a) Share Capital

There will be no effect on the issued and paid-up share capital of ACB as the Proposed Disposal does not involve the issuance of new ACB shares.

b) Earnings

On the basis of the completion of Proposed ACB Scheme, the Proposed Disposal is not expected to have a material impact on the earnings of the ACB Group for the financial year ending 30 June 2009.

c) Net Assets (“NA”) and Gearing

On the basis of the completion of Proposed ACB Scheme, the Proposed Disposal is not expected to have a material impact on the NA per share and gearing of the ACB Group based on the audited consolidated balance sheet as at 30 June 2007.

6. CONDITIONS OF THE PROPOSED DISPOSAL

The Proposed Disposal is subject to approvals being obtained from the following:

- i) the Foreign Investment Committee, to be obtained by the Purchaser; and
- ii) the Medium Term Note Holders, to be obtained by Inverfin.

7. DIRECTORS’ INTERESTS

Tan Sri Cheng Heng Jem is interested in the Proposed Disposal of Property Holding Companies and as such does not deem himself independent of the Proposed Disposal (“Interested Director”) and had therefore abstained from voting on the Proposed Disposal.

Save as disclosed above, none of the other Directors of the Company has any interest, direct or indirect, in the Proposed Disposal.

8. DIRECTORS' RECOMMENDATION

After due consideration of the terms and rationale of the Proposed Disposal, the Directors (with the exception of the Interested Director) are of the opinion that the Proposed Disposal is in the best interest of ACB.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the fourth quarter of 2008.

10. DOCUMENTS FOR INSPECTION

The Agreement is available for inspection at the registered office of ACB at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur from Mondays to Fridays (except on Public Holidays) between 9.00 am to 5.00 pm, for a period of 3 months from the date of this announcement.