

## AMSTEEL CORPORATION BERHAD (“ACB” OR THE “COMPANY”)

### PROPOSED ACB SCHEME

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This announcement is dated 21 May 2008.

A list of definitions for the bonds, debts and securities referred to in this announcement is set out in Appendix III.

#### 1. INTRODUCTION

Amsteel Corporation Berhad (“**ACB**” or the “**Company**”) and its subsidiaries (“**ACB Group**”) propose to undertake a corporate and debt restructuring exercise to address its debts obligations for the redemption/repayment of the ACB Bonds and ACB SPV Debts (“**Proposed ACB Scheme**”). Simultaneously, Lion Corporation Berhad (“**LCB**”), a major shareholder of ACB, also proposes to undertake a corporate and debt restructuring scheme to address its debts obligations for the redemption/repayment of the LCB Bonds and LCB USD Debts (“**Proposed LCB Scheme**”). The completion of the Proposed ACB Scheme and the Proposed LCB Scheme is inter-conditional upon each other and shall collectively be referred to as the “**Proposed CDRS**”.

On behalf of the Board of Directors of ACB (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that as part of the Proposed ACB Scheme, ACB proposes to undertake the following proposals:-

- (i) proposed disposal of RM900.0 million nominal value (“**NV**”) of LCB Class B(b) Bonds with a present value as at 31 October 2008 (“**PV**”) of approximately RM787.1 million for a cash consideration of RM400.0 million to Lion Diversified Holdings Berhad (“**LDHB**”) and Teraju Varia Sdn Bhd, a wholly-owned subsidiary of Excel Step Investments Limited which in turn a wholly-owned subsidiary of LDHB (“**Teraju Varia**”) (“**LCB Class B(b) Bonds SPA**”) (“**Proposed Disposal of LCB Class B(b) Bonds**”). ACB, LDHB and Teraju Varia have on 21 May 2008 entered into an agreement in respect of the Proposed Disposal of LCB Class B(b) Bonds (“**LCB Class B(b) Bonds SPA**”).;
- (ii) proposed conversion of the following:-
  - (a) approximately RM1.2 million PV of LCB Class B(a) Bonds (NV RM3.0 million) held by ACB into approximately RM1.2 million NV of LCB Class B(a) redeemable convertible secured loan stock (“**RCSLS**”)
  - (b) approximately RM174.9 million PV of LCB Class B(b) Bonds (NV RM200.0 million) held by ACB into approximately RM174.9 million NV of LCB Class B(b) RCSLS (“**Proposed RCSLS Conversion**”);
- (iii) proposed disposal of the Property Holding Companies (as defined herein) to Limbungan Emas Sdn Bhd (“**Limbungan Emas**”) for a total cash consideration of approximately RM818.4 million (“**Proposed Disposal of Property Holding Companies**”). ACB and Limbungan Emas have on 21 May 2008 entered into an agreement in respect of the Proposed Disposal of Property Companies (“**Property Holding Companies SPA**”);
- (iv) proposed waiver of the penalty interest of 1% per annum on the total amount due for payment in respect of the ACB Bonds and ACB SPV Debts up to the actual completion date of the Proposed CDRS (“**Proposed Waiver of Penalty Interest**”); and
- (v) proposed rescheduling of the balance of the ACB Bonds and ACB SPV Debts (“**Proposed ACB Term-Out**”).

Agreements in relation to item (i) and (iii) above were entered into on even date. The Proposed ACB Scheme was premised on the following assumptions:-

- (i) The exchange rate is assumed to be USD1.00: RM3.40; and
- (ii) The completion date of the Proposed CDRS is assumed to be 31 October 2008 ("**Completion Date of the Proposed CDRS**"). Note that in the event that the Completion Date of the Proposed CDRS is deferred, the PV and the debt repayment profile will be adjusted accordingly up to the deferred completion date.

## 2. DETAILS OF THE PROPOSED ACB SCHEME

### 2.1 PROPOSED DISPOSAL OF LCB CLASS B(b) BONDS

ACB proposes to dispose of RM900.0 million NV of LCB Class B(b) Bonds with a PV of approximately RM787.1 million to LDHB and Teraju Varia ("**Sale LCB Class B(b) Bonds**") for a total cash consideration of RM400.0 million as follows:-

Acquirer	%	LCB Class B(b) Bonds		Cash Consideration RM'mil
		NV RM'mil	PV RM'mil	
LDHB	50	450.0	393.5	200.0
Teraju Varia	50	450.0	393.5	200.0
Total	100	900.0	787.1	400.0

The disposed LCB Class B(b) Bonds will subsequently be converted into 787,055,000 new LCB ordinary shares of RM1.00 each at an issue price of RM1.00 each ("**LCB Shares**") pursuant to the Proposed LCB Scheme.

#### 2.1.1 Salient Terms of the LCB Class B(b) Bonds SPA

##### 2.1.1.1 Agreement to Sell and to Purchase

ACB shall sell and LDHB and Teraju Varia shall purchase, the Sale LCB Class B(b) Bonds, free from all charges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all rights, entitlements, and distributions declared paid or made in respect thereof from the date of the LCB Class B(b) Bonds SPA.

##### 2.1.1.2 Satisfaction of the Disposal Consideration

The total disposal consideration of RM400.0 million for the Sale LCB Class B(b) Bonds will be satisfied in the following manner:-

- (i) RM200.0 million payable by Teraju Varia on the completion date of the Proposed Disposal of LCB Class B(b) Bonds ("**Proposed Disposal of LCB Class B(b) Bonds Completion Date**");
- (ii) RM50.0 million payable by LDHB on or before 31 October 2009; and
- (iii) RM150.0 million payable by LDHB on or before 31 October 2010.

(The payments to be made under Section 2.1.1.2 (ii) and (iii) above shall hereinafter be collectively referred to as the "**Deferred Cash Payments**").

### 2.1.1.3 Utilisation of Proceeds

The RM400.0 million cash proceeds received from the Proposed Disposal of LCB Class B(b) Bonds will be allocated for settlement/tender of the ACB Bonds/ACB SPV Debts.

Proceeds amounting to RM140.4 million will be allocated for the settlement of the ACB Class A Bonds/ACB Class A SPV Debts on a pro-rata basis. Whereas, the remaining RM259.6 million will be allocated for tender by the ACB Class B Bonds/ACB Class B SPV Debts holders and any unutilised amount from the RM259.6 million will be utilised for the tender by the ACB Class C Bonds/ACB Class C SPV Debt holders.

The settlement of the ACB Class A Bonds/ACB Class A SPV Debts will be at a settlement ratio of RM1.00/USD1.00 for every RM1.00/USD 1.00 PV of the ACB Class A Bonds/ ACB Class A SPV Debts. The tender by ACB Class B Bonds/ACB Class B SPV Debts holders will be undertaken at a tender price which is not less than RM0.63/USD0.63 for every RM1.00/USD1.00 PV ACB Class B Bonds/ACB Class B SPV Debts. Whereas the ACB Class C Bonds/ACB Class C SPV Debts will be undertaken at a tender price which is not less than RM0.10/USD0.10 for every RM1.00/USD1.00 PV ACB Class C Bonds/ACB Class C SPV Debts.

### 2.1.1.4 Deferred Cash Payments

LDHB shall execute several memorandum of deposit ("**MOD**"), each one in favour of ACB over the relevant number of LCB Shares securing the proceeds under the Proposed LCB Class B(b) Bonds Acquisition. ACB shall transfer each such MOD by way of an absolute assignment to the security trustee ("**Security Trustee**") as agent for each relevant ACB Lenders receiving the cash consideration from the Proposed LCB Class B(b) Bonds Acquisition ("**Settled ACB Lenders**"). The transfer and assignment of the Deferred Cash Payments shall be deemed full discharge of the Deferred Cash Payments by ACB to the Settled ACB Lenders. The Settled ACB Lenders shall have no further recourse whatsoever against ACB for the Deferred Cash Payments.

The LCB Class B(b) Bonds Security Shares shall be released or discharged to LDHB in the following manner:-

- (i) 25% of the LCB Class B(b) Bonds Security Shares to be released and discharged pro-rata by the ACB Settled Lenders upon the payment made by or on behalf of LDHB pursuant to Section 2.1.1.2 (ii); and
- (ii) The remaining 75% of the LCB Class B(b) Bonds Security Shares to be released and discharged pro-rata by the ACB Settled Lenders upon the payment made by or on behalf of LDHB pursuant to Section 2.1.1.2(iii).

ACB agrees that notwithstanding the Deferred Cash Payments referred to in Section 2.1.1.2 above, the sale and purchase of the Sale LCB Class B(b) Bonds shall be deemed to be completed on the Proposed LCB Class B(b) Bonds Acquisition Completion Date.

LDHB shall pay interest on the Deferred Cash Payments at 8% per annum compounded on a yearly basis on the Deferred Cash Payments. The interest is to be calculated from the day following the Proposed LCB Class B(b) Bonds Disposal Completion Date until the date of full payment. Such interest shall be paid together with the respective Deferred Cash Payments.

If LDHB fails, refuses or neglects to pay any part of the Deferred Cash Payments or any interest on the Deferred Cash Payments on the due dates referred to above, an additional simple interest at the rate of 1% per annum will be charged on such unpaid amount of the Deferred Cash Payments. The interest is to be calculated from the day following the due date for payment until the date of full payment, in addition to the interest on Deferred Cash Payments of 8% per annum as stated above.

### **2.1.2 Basis of Arriving at the Disposal Consideration**

The disposal consideration of RM400.0 million for the Proposed Disposal of LCB Class B(b) Bonds was arrived at on a willing buyer-willing seller basis.

### **2.1.3 Original Cost of Investment and Date of Investment**

ACB's original cost of investment for the Sale LCB Class B(b) Bonds was approximately RM465.3 million. ACB made the investment on 14 March 2003.

### **2.1.4 Assumption of Liabilities**

There are no liabilities to be assumed by LDHB and Teraju Varia pursuant to the Proposed Disposal of LCB Class B(b) Bonds.

### **2.1.5 Estimated Loss Arising from the Proposed Disposal of LCB Class B(b) Bonds**

ACB Group is expected to incur a loss of approximately RM387.1 million from the Proposed Disposal of LCB Class B(b) Bonds.

## **2.2 PROPOSED LCB CLASS B(a) RCSLS CONVERSION AND PROPOSED LCB CLASS B(b) RCSLS CONVERSION**

### **2.2.1 Proposed LCB Class B(a) RCSLS Conversion**

Pursuant to the Proposed LCB Scheme, LCB proposes to convert RM294.7 million NV LCB Class B(a) Bonds (PV: RM282.3 million) into RM282.3 million NV LCB Class B(a) RCSLS (including RM1.2 million NV LCB Class B(a) RCSLS to be held by ACB).

The RM1.2 million NV LCB Class B(a) RCSLS will remain as an asset in ACB subsequent to the Proposed CDRS.

### **2.2.2 Proposed LCB Class B(b) RCSLS Conversion**

Pursuant to the Proposed LCB Scheme, LCB proposes to convert RM200.0 million NV LCB Class B(b) Bonds with PV of RM174.9 million held by ACB into RM174.9 million NV LCB Class B(b) RCSLS. Accordingly, ACB will receive RM174.9 million NV LCB Class B(b) RCSLS.

### **2.2.2.1 Utilisation of LCB Class B(b) RCSLS**

The RM174.9 million NV LCB Class B(b) RCSLS is proposed to be utilised by ACB for the settlement and tender of the ACB Class A Bonds/ACB Class A SPV Debts and ACB Class B Bonds/ACB Class B SPV Debts, respectively.

The ACB Class A Bonds/ACB Class A SPV Debts holders can opt to exchange their ACB Class A Bonds/ACB Class A SPV Debts for the LCB Class B(b) RCSLS amounting to RM61.4 million. The remaining RM113.5 million NV LCB Class B(b) RCSLS will be allocated for the tender by ACB Class B Bonds/ACB Class B SPV Debts holders.

The tender by the ACB Class B Bonds/ACB Class B SPV Debts will be undertaken at a tender price at not less than RM0.70/USD0.70 equivalent denominated in RM for every RM1.00/USD1.00 PV of the ACB Class B Bonds/ACB Class B SPV Debts.

### **2.2.2.2 Proposed Put and Call Option**

In connection with the issuance of the LCB Class B(b) RCSLS, Tan Sri William H.J. Cheng ("**TSWC**"), a Director and a major shareholder of LCB, will enter into a put and call option arrangement with LCB Class B(b) RCSLS holders ("**PCOA**") for the purchase of up to 50% of their respective LCB Class B(b) RCSLS holdings amounting up to RM87.45 million ("**TSWC Option RCSLS**").

Any LCB Class B(b) RCSLS not taken up by the holders of ACB Class A Bonds/ACB Class A SPV Debts and ACB Class B Bonds/ACB Class B SPV Debts (as set out in section 2.2.2.1 above) will remain as an asset held by ACB. In this respect, ACB Lenders will require ACB to enter into the PCOA with TSWC and to exercise the options when it becomes due ("**Proposed Put and Call Arrangement**").

Furthermore, any redemption or exercise of the Put Options of such LCB Class B(b) RCSLS shall be applied for the redemption of the respective ACB Class A Bonds/ACB Class A SPV Debts and ACB Class B Bonds/ACB Class B SPV Debts on a pro-rata basis.

The salient terms of the put and call option are set out in Appendix II.

### **2.2.3 Basis of Determining the Issue Price and Conversion Price of the LCB RCSLS**

The LCB RCSLS shall be issued at its nominal value of RM1.00 each and the conversion price for the LCB) RCSLS is fixed at RM1.00.

The conversion price was arrived at after taking into consideration the 5-day VWAP up to and including 20 May 2008, being the last practicable market day prior to the date of this announcement of RM0.81 subject to the minimum issue price of RM1.00 par.

### **2.2.4 Salient Terms of the LCB RCSLS**

The salient terms and conditions of the LCB RCSLS are set out in Appendix I.

## 2.3 PROPOSED DISPOSAL OF PROPERTY HOLDING COMPANIES

The proposed disposal of Property Holding Companies would involve three (3) integral components as follows:-

- (i) Proposed disposal of the Property Holding Companies (as set out in section 2.3.1.1 (b) below) from ACB to Limbungan Emas, a company controlled by TSWC and his family for a disposal consideration of RM818.4 million (**“Proposed Disposal of Property Holdings Companies”**) to facilitate 2.3 (ii) and (iii) below;
- (ii) Proposed redemption of properties held by the Property Holding Companies and/or its subsidiaries (**“Property Holding Companies Subsidiaries”**) (**“Properties”**) by ACB amounting to RM838.3 million from the security trustee for the holders of the ACB Bonds and/or ACB SPV Debts who hold the Properties and the shares in the Property Holding Companies and/or Property Holding Companies Subsidiaries as security (**“Secured Properties Lenders”**) (**“Proposed Redemption of Properties”**); and
- (iii) TSWC guarantees the obligations of ACB in relation to the Proposed Redemption of Properties up to the Guaranteed Amount (as defined herein) (**“TSWC Property Guarantee”**).

### 2.3.1 Proposed Disposal of Property Holding Companies

To facilitate the redemption of the Properties, ACB proposes to dispose of the same via the disposal of the Property Holding Companies as set out in Section 2.3.1.1(b) below to Limbungan Emas, which will include assets and liabilities related to the relevant Properties as at 31 March 2007.

#### 2.3.1.1 Salient Terms of the Property Holding Companies SPA

The salient terms of the Property Holding Companies SPA are as follows:-

##### (a) Sale of Property Holding Companies Shares

ACB shall sell the Property Holding Companies free from encumbrances together with all rights attaching thereto at the total disposal consideration of RM818.4 million (**“Total Property Disposal Consideration”**), including but without limitation to all profits, bonuses, rights, dividends and distributions declared or made in respect thereof as from 1 April 2007, upon full payment of the Redemption Sum for each of the Properties/ group of Properties.

##### (b) Basis of Determining the Total Property Disposal Consideration

The Total Property Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the total adjusted net tangible assets (**“Total Adjusted NTA”**) of the Property Holding Companies after adjusting for C.H. Williams Talhar & Wong Sdn Bhd's (**“C.H. Williams”**) valuation net of the 7.5% discount and including all related assets and liabilities of the Properties.

The adjusted net tangible assets of each of the Property Holding Companies are as follows:-

No	Property Holding Companies	ACB's equity interest (%)	Adjusted NTA 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 Sdn Bhd	20%	52.4
Total Adjusted NTA			818.4

(The Property Holding Companies above shall collectively be referred to as the "**Property Holding Companies**")

**(c) Limbungan Emas Loan to ACB**

As the Total Redemption Sum is RM19.9 million more than the Total Property Disposal Consideration, the said difference will be a subordinated interest free loan provided by Limbungan Emas to ACB ("**Limbungan Emas Loan to ACB**"). The Limbungan Emas Loan to ACB is to be disbursed on or before 31 October 2011.

The Limbungan Emas Loan to ACB shall rank after the ACB Bonds/ACB SPV Debts in all respects, and no payment is due or may be claimed by Limbungan Emas unless and until the ACB Bonds and ACB SPV Debts have been fully redeemed and repaid

**(d) Satisfaction of Total Property Disposal Consideration**

Limbungan Emas undertakes that it shall pay the Total Property Disposal Consideration and the Limbungan Emas Loan to ACB to secure the full redemption and discharge of the existing charges over the Properties and/or certain Property Holding Companies Sale Shares. Therefore, the Total Property Disposal Consideration and Limbungan Emas Loan to ACB received thereon shall be applied by ACB towards the redemption of the Properties totalling RM838.3 million.

The payment schedule of the Total Property Disposal Consideration and the Limbungan Emas Loan to ACB are as follows:-

	RM'million
(i) Upon completion of the Proposed CDRS	83.8
(ii) 1 <sup>st</sup> Instalment - On or before 31 October 2009	167.7
(iii) 2 <sup>nd</sup> Instalment - On or before 31 October 2010	167.7
(iv) 3 <sup>rd</sup> Instalment - On or before 31 October 2011	399.2
<b>Total Property Disposal Consideration</b>	<b>818.4</b>
Limbungan Emas Loan to ACB - On or before 31 October 2011	19.9
<b>Total Redemption Sum</b>	<b>838.3</b>

Except for certain Property Holding Companies for which the discharge is provided for in the Property Holding Companies SPA, the sale and purchase of each relevant Property Holding Companies shall be completed or deemed completed upon full payment by Limbungan Emas of the Total Property Disposal Consideration and full disbursement of the Limbungan Emas Loan to ACB and ACB is to transfer the sale shares of those relevant Property Holding Companies free from encumbrances upon full payment of the Total Redemption Sum (“**Property Completion Date**”).

**(e) Application of Sale Proceeds**

Pursuant to the Proposed Disposal of Property Holding Companies, ACB shall from time to time, allow Limbungan Emas to deal with, dispose and/ or sell the Properties owned by the Property Holding Companies and shall apply the proceeds thereof towards the settlement of the Total Property Disposal Consideration and such payment shall be deemed as settlement of the Total Property Redemption Sum.

However, in the event any sale proceeds arising from the sale of Property Holding Companies and/or subsidiaries of the Property Holding Companies and/or the Properties by Limbungan Emas to prospective buyer is above the Total Redemption Sum (as stated in Section 2.3.2.2 below), the excess shall accrue to Limbungan Emas.

**(f) Termination of the Property Holding Companies SPA**

Upon unconditional date of the Property Holding Companies SPA, neither party has the right to terminate the Property Holding Companies SPA.

**2.3.1.2 Utilisation of Proceeds**

The gross proceeds arising from the Proposed Disposal of Property Holding Companies of RM818.4 million and the Limbungan Emas Loan to ACB of RM19.9 million totalling to approximately RM838.3 million will be utilised to repay the outstanding ACB Bonds/ ACB SPV Debts.

**2.3.1.3 Original Cost of Investment and Date of Investment**

The original cost and date of investment of the Property Holding Companies are as follows:-

No	Property Holding Companies	Date of Investment	Original Cost of Investment RM'mil
1.	Akurjaya Sdn Bhd	26.03.1987	429.96
2.	Ayer Keroh Resort Sdn Bhd	26.03.1987	14.00
3.	Bungawang Sdn Bhd	26.03.1987	0.02
4.	Visionwell Sdn Bhd	20.11.1991	16.00
5.	Lion Metal Industries Sdn Bhd	16.04.1987	4.48
6.	Inverfin Sdn Bhd	29.06.1989	2.00
Total Cost of Investment			466.46



#### 2.3.1.4 Assumption of Liabilities

There are no liabilities to be assumed by Limbungan Emas arising from the Proposed Disposal of Property Holding Companies.

#### 2.3.1.5 Estimated Loss Arising from the Proposed Disposal of Property Holding Companies

ACB will incur a loss of approximately RM115.61 million from the Proposed Disposal of Property Holding Companies.

### 2.3.2 Proposed Redemption of Properties

The details of the Proposed Redemption of Properties are as follows:-

#### 2.3.2.1 Introduction

The Properties are secured in favour of the security trustee for the Secured Properties Lenders. The Secured Properties Lenders are desirous to see an orderly and mandatory redemption of the Properties as part of the restructuring of the ACB Bonds/ACB SPV debts and for such mandatory redemption to be guaranteed by TSWC.

ACB has agreed to redeem the Properties for a total redemption sum of RM838.3 million ("**Total Redemption Sum**"), being the value of the Properties as at 31 March 2007 which was valued by C.H. Williams less 7.5% discount. The Redemption Sum for each of the Property will be based on ascending order in value.

#### 2.3.2.2 Redemption Schedule

The Properties shall be redeemed in accordance with the following schedule:-

	RM'million	%
(i) Upon completion of the Proposed CDRS	83.8	10
(ii) On or before 31 October 2009	167.6	20
(iii) On or before 31 October 2010	167.7	20
(iv) On or before 31 October 2011	419.2	50
<b>Total Redemption Sum</b>	<b>838.3</b>	<b>100</b>

#### 2.3.2.3 Default of the Total Redemption Sum

In the event ACB fails to make any of the payment of the Redemption Sum in accordance with the redemption schedule above, a remedy period of 6 months ("**Remedy Period**") shall apply immediately after the relevant due date of the respective redemption date.

Upon failure to remedy the default in the payment of the Redemption Sum in accordance with the redemption schedule within the Remedy Period ("**Default Date**"), the balance of the Total Redemption Sum which is due and payable by instalments shall become immediately due and payable. The security trustee is at liberty, to do any or all of the following, concurrently or otherwise:-

- (i) Pursue and enforce the TSWC Property Guarantee; and/or
- (ii) File proceedings or take any action against ACB; and/or
- (iii) Enforce the existing securities over the Properties.
- (iv) Proceed to exercise its rights under the power of attorney to sell, dispose or otherwise deal with the undischarged Properties and any undischarged shares of the Property Holding Companies and Property Holding Companies Subsidiaries.

Upon payment of the full outstanding Total Redemption Sum via the enforcement of TSWC Property Guarantee, the security trustee shall release and discharge the remaining encumbered Properties, Property Holding Companies Sale Shares and Property Holding Companies Subsidiaries Sale Shares for transfer to Limbungan Emas.

Upon realisation of the sale proceeds totalling the outstanding Guaranteed Amount (as defined herein), the security trustee is to release and discharge the balance encumbered Properties and shares of the Property Holding Companies in accordance with the provisions of the existing securities.

#### **2.3.2.4 Interest**

The late payment interest shall be payable by ACB as follows:-

- (i) Within the Remedy Period

Base Lending Rate (“BLR”) of Malayan Banking Berhad as at the relevant instalment due date plus 1.5% on the unpaid amount of the instalment from the instalment due date to the date of payment; and

- (ii) After Expiry of the Remedy Period

10% per annum on all outstanding amounts due and payable from the date of the expiry of the Remedy Period to the date of payment.

#### **2.3.3 TSWC Property Guarantee**

As mentioned in Section 2.3.2.1 above, the Secured Properties Lenders are desirous to see an orderly and mandatory redemption of the Properties as part of the restructuring of the ACB Bonds/ACB SPV debts and for such mandatory redemption to be guaranteed by TSWC

TSWC has agreed to personally guarantee the present and future indebtedness of ACB to the security trustee for the Total Redemption Sum (as defined herein) and all other related amount payable by ACB to the security trustee in connection with the Proposed Redemption of Properties (whether interest, late interest, cost, expense or in relation to the indemnity) (“**Guaranteed Amount**”). The TSWC Property Guarantee shall be enforceable upon the expiry of the Remedy Period.

#### 2.3.4 Reorganisation

To facilitate the Proposed Disposal of Property Holding Companies, a reorganisation will be undertaken whereby the assets and liabilities not related to the Properties in the relevant Property Holding Companies and the Property Holding Companies Subsidiaries (**“Adjusted Assets and Liabilities”**) will be transferred to ACB and/or its subsidiaries. The transfer will be set off against any balances owing by/to ACB and/or its subsidiaries to/by the relevant Property Holding Companies and/or the Property Holding Companies Subsidiaries. Any resultant balance after the set off will be waived or novated by ACB to Limbungan Emas. Adjusted Assets and Liabilities which is subject to any existing securities shall continue to be secured by ACB and/or its subsidiaries in favour of the security trustee for the benefit of the relevant Secured Property Lenders.

#### 2.4 Proposed ACB Term-Out

ACB proposes that the balance of the ACB Bonds/ ACB SPV Debts (after the above-mentioned proposals) be term-out with new proposed yield to maturities. The final year of the ACB Bonds/ACB SPV Debts' tenure will be as follows:-

No.	ACB Bonds/ACB SPV Debts	Year
1.	ACB Class A Bonds	2011
2.	ACB Class B Bonds	2014
3.	ACB Class C Bonds	2020
4.	ACB Class A SPV Debts	2011
5.	ACB Class B SPV Debts	2014
6.	ACB Class C SPV Debts	2020

#### 2.5 Proposed Waiver of Penalty Interest

Pursuant to the Trust Deed any payment of the redemption sum made after the due date, penalty interest rate of one percent (1%) per annum (**“Penalty Interest”**) above the relevant YTM applicable to that ACB Bonds/ ACB SPV Debts in respect of which such late payment is made shall accrue on such amount due up to the actual completion date of the Proposed CDRS.

Pursuant to the Proposed ACB Scheme, ACB proposes that the ACB Lenders' consent be sought for a waiver of penalty interest up to the actual completion date of the Proposed CDRS and for illustration purpose, the penalty interest amounts to RM28.5 million assuming completion date of 31 October 2008.

### 3. RATIONALE FOR THE PROPOSED ACB SCHEME

The rationale for the Proposed ACB Scheme are as follows:-

- (i) to allow ACB to continue as a going concern and meet its debt obligations;
- (ii) to allow for partial realisation of its assets pursuant to the Proposed Disposal of LCB Class B(b) Bonds whereby proceeds raised would be used for settlement/tender by the entitled ACB Lenders;
- (iii) to allow cash to be made available on a timely manner pursuant to the Proposed Disposal of Property Holding Companies, whereby the proceeds raised will be used for the settlement of the ACB Bonds/ACB SPV Debts; and

- (iv) the proceeds from item (ii) and (iii) above have been negotiated with ACB's Lenders and form an essential part of the timely source for the settlement of the ACB Bonds/ACB SPV Debts, thus allowing ACB to meet its repayment obligations pursuant to the Proposed ACB Scheme.

#### **4. EFFECTS OF THE PROPOSED ACB SCHEME**

The Proposed ACB Scheme will not have any effect on the issued and paid-up share capital and major shareholders of the Company as it does not involve any issuance of ACB shares. However, ACB's property business will cease to be its main source of income, and subsequent to the Proposed ACB Scheme, the Property Holding Companies will no longer be part of the ACB Group.

Based on the audited consolidated proforma balance sheet of ACB as at 30 June 2007 and assuming all the proposals within the Proposed ACB Scheme are completed on 31 October 2008, ACB's total borrowings will be reduced from RM2.7 billion to RM1.1 billion and the consolidated net assets will be RM5.0 million.

#### **5. INTER-CONDITIONALITY**

The proposals within the Proposed ACB Scheme are inter-conditional with each other. The Proposed ACB Scheme is inter-conditional with the Proposed LCB Scheme and conditional upon the Proposed Megasteel Scheme.

#### **7. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS**

##### **7.1 Directors' Interest**

The following Directors of ACB do not consider themselves independent in respect of the Proposed ACB Scheme by virtue of the following:-

- (a) TSWC who is the Chairman and Managing Director of LCB, the Chairman of LDHB and a major shareholder of ACB, LCB and LDHB; and
- (b) M. Chareon Sae Tang @ Tan Whye Aun who is a Director of ACB.

(collectively, referred to as the "**Interested Directors**")

Save as disclosed above, none of the other Directors of ACB has any interest, direct and/or indirect, in the Proposed ACB Scheme.

The Interested Directors will abstain from all Board's deliberation and voting in respect of the Proposed ACB Scheme. Additionally, they will also abstain from voting in respect of their direct and/or indirect shareholdings in ACB on the resolutions pertaining to the Proposed ACB Scheme at the forthcoming Extraordinary General Meeting ("**EGM**").

The Interested Directors will also ensure that persons connected with them who have interests in the shares of ACB will abstain from voting in respect of their direct and/or indirect shareholdings in ACB on the resolutions pertaining to the Proposed ACB Scheme at the forthcoming EGM.

##### **7.2 Major Shareholders' Interest**

The Company is currently in the process of ascertaining the interest of the other interested major shareholders and/or persons connected with them in the Proposed ACB Schemes. Such interest will be disclosed in the Circular to be issued to the shareholders of the Company in due course.

**8. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed ACB Scheme is expected to be completed in the fourth (4<sup>th</sup>) quarter of 2008.

**9. DIRECTORS' STATEMENT**

Having considered the financial position of the ACB Group, the Board (except for the Interested Directors) is of the view that the Proposed ACB Scheme is in the best interest of the Company.

**10. ADVISERS FOR THE PROPOSED ACB SCHEME**

The Board has appointed AmInvestment Bank Berhad as the Adviser in respect of the Proposed ACB Scheme and MIMB as the Independent Adviser to advise the minority shareholders of ACB.

## **Appendix I : Salient Terms of the RCSLS**

The salient terms and conditions of the RCSLS are as follows:-

Issuer	: Lion Corporation Berhad (“ <b>LCB</b> ”).
Total Issue Amount	: RM462,309,000.
Classes of RCSLS	: RM282,345,000 Class B (a) RCSLS. RM174,902,000 Class B (b) RCSLS. RM5,062,000 Class B (c) RCSLS.
Form and Denomination	: The RCSLS will be represented by 3 Global Certificates to be deposited with Bank Negara Malaysia. The RCSLS will be in denominations of RM1.00.
Status and Ranking	: The RCSLS constitutes direct, unsubordinated and secured obligations of the Issuer.  The indebtedness of the Issuer to the RCSLS Holders arising under or in connection with the RCSLS and the other Issue Documents are secured by the Security Documents which shall be held by the Security Trustee to secure the Secured Indebtedness owed to the Holders and the Lenders and the secured indebtedness owed the holders of the RCSLS <i>pari passu</i> and rateably.
Security	: The Existing Security and the Additional Security as defined in the Priority and Security Sharing Agreement dated 14 March 2003.
Tenure	: From Issue Date to Maturity Date.
Issue Price	: RM1.00 RCSLS for every RM1.00 present value as at 31 October 2008 of Class B Bonds and Class B SPV Debts totaling RM462,309,000.
Coupon Rate	: The coupon for the RCSLS are as follows:-  RCSLS - Class B(a) : 5% RCSLS - Class B(b) : 7% RCSLS - Class B(c) : 4.25%  The interest shall be calculated on the basis of the actual number of days elapsed over a 365-day year.
Trustee	: To be appointed.
Security Trustee	: To be appointed.
Rating	: The RCSLS will not be rated.
Maturity Date	: 31 December 2015. Where such date falls on a day that is not a market day, then the Maturity Date shall be deemed to fall on the market day immediately preceding such date.
Conversion Price	: The conversion price is fixed at RM1.00.
Conversion Period	: The RCSLS shall be convertible into new LCB shares on any business day that is not a Saturday or Sunday or public holiday in Kuala Lumpur on or after the Issue Date of the RCSLS but ending on the Maturity Date.
Mode of Conversion	: By surrendering RCSLS with an aggregate nominal value of at least equivalent to the Conversion Price.

Status of new LCB shares to be issued	: The new LCB shares to be issued pursuant to the conversion of the RCSLS shall rank <i>pari passu</i> in all respects with the then existing issued and paid-up shares of LCB, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the crediting of the new shares into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd.
Redemption Price	: RM1.00 for every one (1) RM1.00 nominal value of RCSLS.
Redemption	: The redemption of the RCSLS by LCB at the Redemption Price is as follows:- <ul style="list-style-type: none"> <li>(a) Mandatory Early Redemption <p>Issuer shall be obliged to redeem the RCSLS in chronological order of the redemption date in the event the surplus in the Redemption Account is RM5,000,000 or more on a pro rata basis with the LCB Bonds, LCB Debts and the RCSLS.</p> </li> <li>(b) Redemption Upon Maturity (<b>“Redemption Upon Maturity”</b>) <p>All outstanding RCSLS and not converted on the Maturity Date will be redeemed for cash at RM1.00 per RCSLS.</p> </li> <li>(c) Mandatory Redemption (<b>“Mandatory Redemption”</b>) <ul style="list-style-type: none"> <li>(i) The Issuer shall redeem 20% of the total RCSLS issued at every redemption date as follows:- <p>31 December 2011 31 December 2012 31 December 2013 31 December 2014 and 31 December 2015</p> </li> <li>(ii) All outstanding RCSLS shall be redeemed by the Issuer upon the occurrence of a shareholders’ or creditors’ winding up of the Issuer or upon the declaration of the Event of Default.</li> </ul> </li> </ul>
Interest on Late Redemption	: One percent (1%) per annum above the relevant Coupon Rate applicable to that RCSLS on such amounts due up to but excluding the day upon which payment in full is in fact made.
Taxation	: All payments made by the Issuer to the RCSLS Holders will be made in full without any deduction or withholding unless required by law.
Provisions for Meetings of RCSLS Holders	: Provisions <i>pari material</i> to those in the Priority and Security Sharing Agreement for the LCB Bonds and Debts.
Transferability and Listing	: Subject to SC’s approval, the RCSLS are only transferable to persons who are the first holders of the RCSLS and to TSWC or his nominees pursuant to the Put and Call Option Agreement. <p>The RCSLS will not be listed on Bursa Securities or any other stock exchange.</p> <p>Application will be made for the listing of and quotation for the new LCB shares to be issued upon conversion of the RCSLS.</p>
Constitution	: The RCSLS will be constituted by a trust deed to be executed between LCB and the Trustee ( <b>“Trust Deed”</b> ).
Governing Law	: Malaysian Law.

## **Appendix II : Salient Terms of the Put and Call Options**

The salient terms and conditions of the PCOA are as follows:-

### **Put Option in respect of the LCB RCCLS**

The Put Option in respect of the LCB RCCLS will have, amongst others, the following features:-

Grantor	: TSWC.
Put Option Holder	: RCCLS Holders.
Exercise Price	: At the Nominal Value of the LCB RCCLS.
Put Option Period	: The Put Options may be exercised by the Put Options Holders in accordance with the schedule below; :-

a)

<b>Maximum of Put Option exercisable in respect of LCB RCCLS ("Option RCCLS")</b>		
	Percentage (%)	RM
1 Dec 2010 up to 5.00p.m. on 15 Dec 2010	35%	80,904,075
1 Dec 2011 up to 5.00p.m. on 15 Dec 2011	35%	80,904,075
1 Dec 2012 up to 5.00p.m. on 15 Dec 2012	30%	69,346,350
<b>Total</b>	<b>100%</b>	<b>231,154,500</b>

OR

b) Exercisable within ten (10) market days when LCB's share price for ten (10) consecutive market days weighted average price is more than 130% of the Put and Call Price at any time and from time to time up to 15 December 2012 ("**Triggering Put Option**").

Total Option Price Means the sum of Ringgit Malaysia One (RM1.00) only for Ringgit Malaysia One (RM1.00) nominal value of the RCCLS multiplied by the number of Target Option RCCLS.

Payment for Put Option/ Triggering Put Option : On completion of the sale of the LCB RCCLS pursuant to an exercise of the Put Options /Triggering Put Option, TSWC shall pay the Lender:-

(i) Put Options:

TSWC shall make payment of the Total Option Price by direct telegraphic transfer to the bank account of the Put Option Holder as advised by the Put Option Holder within ten (10) market days from the exercise date .

(ii) Triggering Put Option:

(a) Thirty Five Percent (35%) of the Total Option Price within Thirty (30) Market Days from the Put Option Exercise Date;

(b) the remaining Thirty Five Percent (35%) of the Total Option Price within Sixty (60) Market Days from the Put Option Exercise Date; and

(c) the remaining Thirty Percent (30%) of the Total Option Price within Ninety (90) Market Days from the Put Option Exercise Date.



Option Lapse	:	The Put Options shall lapse in the event that the Option Holder fails to exercise the respective Put Options in respect of the relevant Option RCSLS within the Put Option Periods. The respective Put Options which have lapsed shall not be exercisable for the Triggering Put Option.
Other terms	:	<p>(i) If the Put Option is not exercised in respect of all of the respective Option RCSLS which it is exercisable for any Put Option specified in above, the Put Option shall not, on expiry of the respective Put Option Period, thereafter be exercisable in respect of the remaining Option RCSLS whatsoever, whereupon the Put Option Holder shall be at liberty to exercise the conversion right attached to the Option RCSLS or in any way deal with the Option RCSLS as it may deem fit.</p> <p>(ii) Unless such assignment is accompanied by a deed of adherence duly executed by the transferee, the Put Option Holder undertakes that for the duration of the Call Option Period, the Put Option Holder shall not (i) exercise any conversion right attached to the Option RCSLS; (ii) encumber, dispose, transfer or (iii) in any way deal with the Option RCSLS other than the rights to exercise the Put Options in accordance with the provisions of the PCOA.</p>

### **Call Option in respect of the LCB RCSLS**

The Call Option in respect of the LCB RCSLS will have, amongst others, the following features:-

Grantor	:	RCSLS Holders.
Call Option Holder	:	TSWC.
Exercise Price	:	At the Nominal Value of the RCSLS.
Call Option Period	:	The Call Option may be exercised at any time and from time to time on a Market Day commencing from the date of the issue of the RCSLS up to 5.00p.m. on 15 December 2012.
Option Lapse	:	The Call Option granted by the RCSLS Holders shall not be exercisable by TSWC in relation to such number of Option RCSLS under the respective Put Options which have lapsed in accordance with the terms set out in the PCOA.
Payment for Call Option	:	On completion of the sale of the LCB RCSLS pursuant to an exercise of the Call Option, TSWC shall pay the Total Option Price to the relevant RCSLS Holder by direct telegraphic transfer to the bank account of the RCSLS Holder as advised by the RCSLS Holder within ten (10) market days from the exercise date.

### **Appendix III : Definitions**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:-

- |                              |  |
|------------------------------|--|
| <b>ACB Bonds</b>             | - Collectively, ACB Class A Bonds, ACB Class B Bonds and ACB Class C Bonds   |
| <b>ACB Class A Bonds</b>     | - Zero-Coupon Redeemable Secured Class A RM denominated bonds issued by ACB on 14 March 2003 with maturity date of 31 December 2007  |
| <b>ACB Class B Bonds</b>     | - Zero-Coupon Redeemable Secured Class B RM denominated bonds issued by ACB on 14 March 2003 with maturity date of 31 December 2010  |
| <b>ACB Class C Bonds</b>     | - Zero-Coupon Redeemable Secured Class C RM denominated bonds issued by ACB on 14 March 2003 with maturity date of 31 December 2011  |
| <b>ACB Class A SPV Debts</b> | - Zero-Coupon Redeemable Secured Class A USD denominated consolidated and rescheduled debts of the ACB SPV issued on 14 March 2003 with final repayment date of 31 December 2007 |
| <b>ACB Class B SPV Debts</b> | - Zero-Coupon Redeemable Secured Class B USD denominated consolidated and rescheduled debts of the ACB SPV issued on 14 March 2003 with final repayment date of 31 December 2010 |
| <b>ACB Class C SPV Debts</b> | - Zero-Coupon Redeemable Secured Class C USD denominated consolidated and rescheduled debts of the ACB SPV issued on 14 March 2003 with final repayment date of 31 December 2011 |
| <b>ACB SPV Debts</b>         | - Collectively, ACB Class A SPV Debts, ACB Class B SPV Debts, and ACB Class C SPV Debts  |
| <b>LCB Class B(b) Bonds</b>  | - Zero-Coupon Redeemable Secured Class B(b) RM denominated Bond issued by LCB on 14 March 2003 with the maturity date of 31 December 2011  |
| <b>LCB Class B(a) RCSLs</b>  | - The RM282,345,000 5% coupon redeemable convertible secured loan stock to be issued by LCB with maturity date of 31 December 2015   |
| <b>LCB Class B(b) RCSLs</b>  | - The RM174,902,000 7% coupon redeemable convertible secured loan stock to be issued by LCB with maturity date of 31 December 2015   |