

**LION CORPORATION BERHAD (“LCB”) (12890-A)**  
(Incorporated in Malaysia)

Forty-Third Annual General Meeting held on 22 November 2016

- Management’s response to Minority Shareholder Watchdog Group’s letter dated 17 November 2016

**De-Listing/Financials**

No. Questions / Issues	LCB’s Comments
<p>(1) <u>De-listed &amp; The Auditors’ Basis for Adverse Opinion</u></p> <ul style="list-style-type: none"> <li>• The securities of the Company were de-listed from the Main Board of Bursa Securities on 12 October 2016.</li> </ul> <p>The Board failed to address the key issues facing the Company for more than five (5) years. The interest of minority shareholders had been depleting. The Board must take responsibility and be accountable for the dismal performance of the Company.</p> <ul style="list-style-type: none"> <li>• The Company has the Auditors’ Basis for Adverse Opinion as mentioned on pages 98 and 99 of the Annual Report 2016, highlighting some significant matters from notes (i) to (vi) which have led to the financial statements do not give a true and fair view.</li> </ul>	<p>In the past several years, the LCB Group had taken various initiatives to address the adverse effects affecting the LCB Group which are as set out below:</p> <p><u>i) Anti-dumping Duty Petition:</u> In May 2014, Megasteel Sdn Bhd (“Megasteel”) had filed an anti-dumping duty petition against imported Hot Rolled Coils (“HRC”) originating or exported from China, Indonesia and Korea.</p> <p>In October 2014, the Government had decided to impose provisional anti-dumping duties of between 8.48% - 28.57% on these countries. Subsequently in February 2015, the Government had decided to impose final anti-dumping duties of 2.49% - 12.19% on China and Indonesia but not Korea, but this was not sufficient to curb imports from the countries concerned.</p> <p><u>ii) Safeguard Petition:</u> In July 2015, Megasteel had filed a safeguard petition on imported HRC (“Safeguard Petition”). The safeguards measure is applied on a non-selective basis, that is, it is not targeted at imports from particular countries but applied across the board.</p>
<p>(2) Please explain on the issues above, including the significant matters which are highlighted in from notes (i) to (vi).</p>	<p>In January 2016, the Government had announced the termination on the investigation for the Safeguard Petition as the investigating authority had found that although there was an increase in imports of the products during the period of injury determination from 1 January 2014 to 31 December 2014, the increase of the imports was not significant, and had not caused or threatened to cause serious injury to the domestic industry that produces like or directly competitive products.</p>

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	<p>On 4 April 2016, the LCB Group had filed a Judicial Review on Government decision not to proceed with the investigation on Megasteel's Safeguard Petition. The next case management for the Judicial Review will be held on 23 November 2016.</p> <p><u>iii) Proposed Investment by Potential Investor(s):</u> The LCB Group had initiated a process of inviting potential investor(s) to invest in Megasteel since 2013 but this has not been very fruitful due to the challenges faced by the HRC and CRC markets including consideration of the Government implementing an effective measures and support for the local steel industry.</p> <p><u>iv) Corporate &amp; Debt Restructuring of Megasteel:</u> Megasteel is now undergoing restructuring under the purview of the Corporate Debt Restructuring Committee ("CDRC") and had obtained a restraining order pursuant to Section 176(10) of the Companies Act, 1965 restraining any action by creditors pending the outcome of the restructuring scheme. CDRC was set up by Bank Negara to provide a platform for corporate borrowers and their creditors to work out amicable resolutions to resolve their debt obligations.</p> <p>The "Basis for Adverse Opinion" highlighted by the Auditors in the Annual Report 2016 are mainly in relation to the tough operating environment which resulted in the temporary cessation of operations, and issues on accounting treatments for our major subsidiary, Megasteel.</p>
(3) We would like the Board to initiate an investigation audit on the above matters.	<p>The Board is aware that Management had discussed at length with the Auditors of Megasteel, Messrs Ernst &amp; Young, who had carried out an extensive audit on the aforesaid matters and in this regard, the Board is of the opinion that the aforesaid matters had been dealt with appropriately during the course of the audit.</p>

<b>No. Questions / Issues</b>	<b>LCB's Comments</b>
<p>(4) <u>Trade receivables</u></p> <p>As at 30 June 2016, as much as RM13 million of the trade receivables were impaired. Is the amount recoverable? What serious actions have been taken by the Board to recover the amount?</p>	<p>The Group makes allowances for doubtful receivables based on assessment of the recoverability of receivables. The impairment losses recorded in the accounts were mostly brought forward from previous years and only RM2.3 million were provided during current financial year. The Management has taken and will continue to take the necessary recovery action including continuous follow up and legal action to recover the debts.</p>
<p>(5) If revaluation of assets was carried out by the Group, what would be the market value of the Group's assets?</p>	<p>The Group's major assets are Megasteel's assets. Megasteel is currently working with its professional advisors to formulate and finalise a debt restructuring proposal which will address all its creditors. Megasteel's debt restructuring exercise for its secured creditors is under the purview of the CDRC. As part and parcel of its debt restructuring exercise, an independent valuer will be appointed to carry out a formal valuation of Megasteel's assets.</p>