

## OTHER INFORMATION

### (I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

- (a) Conditional Sale and Purchase Agreement dated 14 October 2010 supplemented by agreements dated 13 January 2011, 28 February 2011 and 13 April 2011 entered into by the Company, Lion Forest Industries Berhad ("LFIB"), a company wherein certain Directors and certain major shareholders of the Company have interest, and MBM Resources Berhad for the disposal by (i) the Company of its 19,275,030 ordinary shares of RM1.00 each fully paid representing 50.01% equity interest; and (ii) LFIB of its 7,710,000 ordinary shares of RM1.00 each fully paid representing 20% equity interest in Kinabalu Motor Assembly Sendirian Berhad ("KMA"), to MBM Resources Berhad for a total cash consideration of RM2 and a cash settlement of inter-company debts owing by KMA to the Company and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of the Company, for a total amount of approximately RM13 million.

The disposal was completed on 3 June 2011.

- (b) Conditional Subscription Agreement dated 10 February 2011 entered into between Megasteel Harta (L) Limited ("Megasteel Harta"), a wholly-owned subsidiary of Megasteel Sdn Bhd, which is in turn a subsidiary of the Company, and Jadedford International Limited ("Jadedford"), a wholly-owned subsidiary of LFIB, for the issuance of 17,000,000 3-year Redeemable Cumulative Preference Shares of USD1.00 each for cash of USD17,000,000 by Megasteel Harta to Jadedford.

This Agreement was mutually terminated on 6 April 2011.

### (II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM6,000 (2010 : RM Nil).

### (III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2011 were as follows:

| Nature of Recurrent Transactions   | Related Parties  | Amount RM'000 |
|--|--|---------------|
| <b>(a) Steel related</b>   |  |               |
| (i) The sale of hot rolled coils, steel bars, steel plates, billets, scrap iron, gases and other related products and services | Lion Industries Corporation Berhad Group ("LICB Group") <sup>(1)</sup> | 548,472       |
|  | Lion Holdings Pte Ltd Group ("LHPL Group") <sup>(2)</sup>              | 4,814         |
|  | Lion Diversified Holdings Berhad Group ("LDHB Group") <sup>(1)</sup>   | 28,789        |
|  | Lion Forest Industries Berhad Group ("LFIB Group") <sup>(1)</sup>      | 169,960       |
|  | Megasteel Sdn Bhd Group ("Megasteel Group") <sup>(3)</sup>             | 10,774        |
|  | Lion Asiapac Limited Group ("LAP Group") <sup>(1)</sup>                | 2,231         |
|  | Parkson Holdings Berhad Group ("Parkson Group") <sup>(1)</sup>         | 214           |
|  | Amble Bond Sdn Bhd Group <sup>(2)</sup>                                | 2             |
|  |  | 765,256       |
| (ii) The purchase of hot briquetted iron, scrap iron and other related products and services                                   | LICB Group <sup>(1)</sup>  | 883,237       |
|  | LHPL Group <sup>(2)</sup>  | 341,218       |
|  | Ributasi Holdings Sdn Bhd Group <sup>(4)</sup>                         | 98,328        |
|  | LDHB Group <sup>(1)</sup>  | 1,021,327     |
|  | LAP Group <sup>(1)</sup>   | 22,345        |
|  | LFIB Group <sup>(1)</sup>  | 64,749        |
|  | Mitsui & Co., Ltd <sup>(5)</sup>                                       | 32,659        |
|  | Megasteel Group <sup>(3)</sup>   | 378,589       |
|  |  | 2,842,452     |

**(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)**

The aggregate value of transactions conducted during the financial year ended 30 June 2011 were as follows:  
(continued)

| Nature of Recurrent Transactions   | Related Parties   | Amount<br>RM'000 |
|--|---|------------------|
| <b>(a) Steel related (continued)</b>   |   |                  |
| (iii) The purchase of machinery, spare parts, lubricants, tools and dies and other related products and services                                 | LFIB Group <sup>(1)</sup>                                 | 6,597            |
| (iv) The obtaining of marketing, distribution and transportation services  | LICB Group <sup>(1)</sup><br>LFIB Group <sup>(1)</sup>    | 23,203<br>12,643 |
|  |   | 35,846           |
| (v) Letting of Land  | LDHB Group <sup>(1)</sup>                                 | 1,142            |
| (vi) The obtaining of storage, leasing and rental of properties, management and support and other related services for the Steel Division office | LICB Group <sup>(1)</sup>                                 | 1,281            |
| <b>(b) Motor vehicles related</b>  |   |                  |
| (i) The sale of motor vehicles, component parts, assembly and services of motor vehicles   | LFIB Group <sup>(1)</sup><br>Parkson Group <sup>(1)</sup> | 371<br>2         |
|  |   | 373              |
| (ii) The purchase of motor vehicles and component parts of motor vehicles  | LFIB Group <sup>(1)</sup>                                 | 794              |

**Notes:**

"Group" includes subsidiaries and associates

- (1) Companies in which certain Directors and certain major shareholders of the Company have substantial interests.
- (2) Companies in which certain Directors of the Company have substantial interests.
- (3) Subsidiaries in which certain Directors and certain major shareholders of the Company have substantial interests other than through the Company.
- (4) Companies in which a Director of the Company has interest.
- (5) A major shareholder of a subsidiary of the Company.

#### **(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)**

The status of the various conditions imposed by the SC in its approval of the Group Wide Restructuring Scheme (“GWRS”) are as follows:

##### **(a) Status of Compliance on Restructuring of Organisational and Financial Management System**

As mentioned in the previous years’ Annual Report, the Group had strengthened its Organisational and Financial Management System through the recruitment of experienced and capable personnel to head the Group’s operation and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd (“PwC”) as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

##### **1. Organisation Structure**

As proposed by PwC, the Lion Group organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, Public Companies both listed and unlisted (“PLC”) Management level and also the structure at the various Key Operating Companies (“KOCs”) level.

###### **1.1 Group Management Structure**

The Group Executive Chairman heads and oversees the Group’s functions and his primary duties include, amongst others, the setting of overall strategic and business directions for the Lion Group to ensure shareholders’ values are achieved and also to ensure that the objectives of the GWRS are met. In the discharge of his duties, he is supported by the various high level committees including the Group Investment Committee and the Group Management Committee. Members of these committees comprise Group Directors, Group Executive Directors and the Managing Directors of the PLCs. The post of Group Finance Director is currently overseen by the Group Executive Director.

###### **1.2 Lion Corporation Berhad (“LCB”) Management Structure**

The LCB management structure is headed by a well-balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director (“MD”) who is accountable for the financial performance and profitability of LCB as well as the implementation of various strategic business plans and objectives of the LCB Group. Together with the Financial Controller, they are responsible for overseeing the divestment plans of the LCB Group. The Chief Executive Officer (“CEO”) and General Managers of the various KOCs also report directly to the MD. The Board is also supported by the Audit Committee which comprises a majority of independent Directors. The Audit Committee is assisted by the internal audit function.

###### **1.3 KOC Organisation Structure**

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team includes the Financial Controller and the heads of department of manufacturing, sales and marketing, management information system and human resource.

##### **2. Financial Management**

The recommendations from PwC to streamline the reporting processes for our China operations as well as to meet the stringent reporting requirements of the GWRS have largely been put in place via the enhancement in the reporting packages in terms of consistency and completeness. The management is also working closely with the Monitoring Accountants to ensure that LCB’s financial performance is reported to its lenders in a timely and comprehensive manner.

The LCB Group’s financial management system has been further strengthened following the establishment of the Corporate Risk Management framework which seeks to identify, evaluate, control and monitor various risk profiles faced by the Group.

**(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)**
**(b) Status of the Proposed Divestment Programme ("PDP")**
**(i) Status of assets to be divested**

| Stages of the assets to be divested                                | PDP<br>(Per GWRS) | Divestment concluded<br>Total | (a)  | (b)                                 | (a) + (b)                      |
|--|-------------------|-------------------------------|--|-------------------------------------|--------------------------------|
|  |                   |                               | Proceeds received/to be received<br>(Jan - Dec 2011) |                                     |                                |
|  |                   |                               | Jan - June<br>2011                                   | Projected for<br>July - Dec<br>2011 | Projected<br>Jan - Dec<br>2011 |
|  | RM'million        | RM'million                    | RM'million   | RM'million                          | RM'million                     |
| <b>By December 2003</b><br>Shares in listed and unlisted companies | 33.3              | 2.7                           | –  | –                                   | –                              |
| <b>By December 2004</b><br>Shares in unlisted company              | 38.6              | <sup>(ii)</sup> 13.0          | –  | 13.0                                | 13.0                           |
|  | <u>71.9</u>       | <u>15.7</u>                   | <u>–</u>   | <u>13.0</u>                         | <u>13.0</u>                    |

**(ii) Transaction completed during the financial year**

During the year, the Company completed the disposal of its entire 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad:

- The gross and net divestment proceeds on the disposal of equity shares are RM1; and
- A cash settlement of inter-company debts of RM13 million.

**(iii) Utilisation of the divestment proceeds received**

For the transaction mentioned in (ii), RM12.5 million of the total cash consideration was/will be used to redeem/repay LCB Bonds/LCB Debts.

**(iv) Plans to overcome any projected shortfall**

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LCB Bonds/LCB Debts as scheduled. However, in the event that the Group is unable to effect the divestment on time, lenders consent will be sought to reschedule the redemption/repayment date of its LCB Bonds/LCB Debts.