

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

1. Memorandum of Understanding (“MOU”) dated 3 July 2018, Supplemental MOU dated 1 November 2018 and Second Supplemental MOU dated 11 June 2019 between the Company and Megasteel Sdn Bhd (“Megasteel”), a subsidiary of Lion Corporation Berhad (“LCB”) wherein a major shareholder of the Company has interests, in relation to the Company’s proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets with a production capacity of 3.20 million metric ton per annum of hot-rolled coils and 0.70 million metric ton per annum of cold rolled coils involving the following (“Proposed Expansion into Flat Steel Business”):
 - (a) Proposed acquisition by Cendana Aset Sdn Bhd (“Cendana Aset”), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of all encumbered fixed and floating assets including (i) land and buildings, plant and machineries and floating assets owned by Megasteel; and (ii) 500,000 ordinary shares, representing 100% equity interest in Secomex Manufacturing (M) Sdn Bhd, a wholly-owned subsidiary of Megasteel that are charged to the secured lenders of Megasteel (“Megasteel Secured Lenders”), from Megasteel for a purchase consideration of approximately RM537.73 million which is payable by Cendana Aset to the Megasteel Secured Lenders (“Proposed Acquisition of Encumbered Assets”) in 6 tranches of deferred payments over a period of 11 years and 3 months from the First Payment Date (as defined herein below);
 - (b) Proposed acquisition by Gelora Berkah Sdn Bhd (“Gelora Berkah”), a wholly-owned subsidiary of Tahap Berkah Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders’ appointed trustee in relation to the under-secured portion debt for a cash consideration of RM8.50 million which is payable by Gelora Berkah to the Megasteel Secured Lenders (“Proposed Acquisition of MS Promissory Note”); and
 - (c) Proposed acquisition by Gelora Berkah of all the following unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million which is payable to Megasteel (“Proposed Acquisition of Unencumbered Assets”):
 - (i) freehold land measuring approximately 203,069 square metres held under Geran H.S.(D) 26819 No. PT17217 in Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor; and
 - (ii) that piece of land measuring 9,222 square metres held under Geran H.S.(D) 43988 PT 457 in Pekan Bukit Changgang, District of Kuala Langat, State of Selangor.

The Proposed Acquisition of Encumbered Assets and the Proposed Acquisition of MS Promissory Note had been completed on 30 July 2020 (“First Payment Date”) and the Proposed Acquisition of Unencumbered Assets had been completed on 24 December 2021.

2. Tri-partite Settlement Agreement dated 3 July 2018 (“Agreement”) entered into among Oriental Shield Sdn Bhd (now known as Lion Steel Sdn Bhd) (“Lion Steel”), a wholly-owned subsidiary of the Company, Megasteel and Tenaga Nasional Berhad (“TNB”) and letters of extension of time from TNB dated 13 September 2018, 11 March 2019 and 11 July 2019 for the proposed supply of electricity to the Company and its subsidiaries in Banting to facilitate the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million (“Full Settlement Sum”).

The Agreement became unconditional on 29 November 2019 following which payment obligations by Lion Steel commenced on 27 December 2019 (“TNB First Payment”) and the Full Settlement Sum shall be settled over 4 years from the TNB First Payment.

3. Settlement Cum Share Sale Agreement dated 16 December 2020 (“Settlement Agreement”) between Antara Steel Mills Sdn Bhd (“Antara”), Lion Waterway Logistics Sdn Bhd (“LWL”), Posim Marketing Sdn Bhd (“Posim Marketing”) (collectively, the “Secured Parties”), and Lion Diversified Holdings Berhad (In liquidation) (“LDHB”), acting by and through the appointed liquidator, Datuk Tee Guan Pian, for the settlement of the entire outstanding secured debts of approximately RM210.35 million (“Outstanding Secured Amount”) due and owing by certain subsidiaries of LDHB to the Secured Parties for an aggregate settlement amount of approximately RM210.35 million (“Settlement Amount”), by way of the transfer of the 1 ordinary share in Well Morning Limited (“Well Morning”) of HKD1.00, representing 100% equity interest in Well Morning (“Well Morning Share”) held by LDHB to the Secured Parties according to the agreed proportion pursuant to the Settlement Agreement (“Agreed Proportion”) where the Secured Parties have agreed to settle and transfer the Well Morning Share on an “as is where is” basis in the Agreed Proportion (“Proposed Settlement”) in accordance with the terms of the Settlement Agreement in which case, the parties thereto had mutually agreed that being enforcement of the share charge over the Well Morning Share granted to Posim Marketing as the Security Agent for the Secured Parties, the Settlement Amount for the transfer of the Well Morning Share shall be deemed paid by the Secured Parties to LDHB by way of an equivalent reduction in the Outstanding Secured Amount in the Agreed Proportion.

Antara and LWL are wholly-owned subsidiaries of Amsteel Mills Sdn Bhd (“AMSB”), a 99% owned subsidiary of the Company while Posim Marketing is a wholly-owned subsidiary of Lion Posim Berhad, which is in turn a 74% owned subsidiary of the Company.

LDHB is a company wherein a major shareholder of the Company is deemed to have substantial interest.

Antara had on 30 December 2020, being the completion date of the Proposed Settlement, novated all its benefits, rights and interest in relation to and in connection with the Settlement Agreement to AMSB, its holding company pursuant to a Deed of Assignment dated 30 December 2020.

4. Assets Sale Agreement dated 15 December 2021 between Lion DRI Sdn Bhd (“Lion DRI”), a wholly-owned subsidiary of LDHB, Lion DRI’s lender (as Security Trustee and Lender) and AMSB, for the acquisition of the direct reduced iron plant located in Banting for a cash consideration of USD9 million (equivalent to approximately RM38.07 million) (“Proposed Acquisition of DRI Plant”).

The Proposed Acquisition of DRI Plant was completed on 16 December 2021.

5. Novation Agreement dated 6 January 2022 between Premier Land Resources Sdn Bhd (“Vendor”), Grandprop Sdn Bhd (“Grandprop”), a company wherein a major shareholder of the Company has interest, and LLB Bina Sdn Bhd (“LLB Bina”), a wholly-owned subsidiary of the Company, for the purchase of 80 acres of land being part of an undivided share forming part of the land held under Pajakan Negeri 113455, Lot 8590, Mukim Labu, Daerah Sepang, Negeri Selangor by way of novation of all of Grandprop’s rights, benefits, interests, obligations and liabilities under the conditional sale and purchase agreement dated 20 November 2020 entered into between the Vendor and Grandprop, to LLB Bina for a cash consideration of RM23 million.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to External Auditors by the Group and Company for the 18-month financial period was RM16,500 and RM9,000 respectively (RM14,000 and RM8,000 respectively in 2020).

(III) STATUS OF UTILISATION OF PROCEEDS RAISED FROM A CORPORATE EXERCISE

Amsteel Mills Sdn Bhd, a 99% owned subsidiary of the Company had on 10 December 2021 completed the disposal of its entire 100% equity interest in Antara Steel Mills Sdn Bhd to Estee Enterprise Pte Ltd for a Final Adjusted Consideration of approximately USD165.63 million (equivalent to approximately RM697.74 million) as announced on 8 April 2022 ("Disposal")

The status of the utilisation of proceeds from the Disposal as at 31 March 2022 was as follows:

Proposed Utilisation of Proceeds	Updated Proposed Utilisation of Proceeds* RM'million	Actual Utilisation as at 31 March 2022 RM'million
(a) Proposed Expansion into Flat Steel Business (as defined in the Company's Circular to Shareholders dated 5 November 2019) that includes investment/cost for the following:		
- Proposed Acquisition of Unencumbered Assets	22.14	22.14
- partial payment of deferred payables in relation to the Proposed Acquisition of Encumbered Assets which was completed on 30 July 2020	40.00	40.00
- estimated start-up cost for the Flat Steel Assets to resume operation which includes cost for the replacement of parts, testing of machinery and hiring of manpower	150.00	126.50
(b) Funding requirement for any new investment/business and/or the existing businesses (including any upgrading of plant and equipment and production process/methodology) comprising investment/business such as upstream and/or downstream steel/property related businesses	190.30	-
Identified allocation under item (b):		
(i) Proposed acquisition of DRI Plant (as announced by the Company on 16 December 2021)	40.80	38.25
(ii) Working capital for the Group (as announced by the Company on 7 March 2022)	200.00	83.43
	431.10	121.68
(c) Working capital for the Group	50.00	50.00
(d) Estimated expenses in relation to the Disposal	4.50	4.50
Total	697.74	364.82

Note:

* as announced by the Company on 8 April 2022

(IV) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the 18-month financial period ended 31 December 2021 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group") ⁽¹⁾	3,424
(ii) Purchase of scrap iron and other related products and services	LCB Group ⁽¹⁾ Lion Asiapac Limited Group ("LAP Group") ⁽¹⁾	423 34,263
		34,686
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group ⁽¹⁾	2,148
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LAP Group ⁽¹⁾	549

Notes:

"Group" includes subsidiary and associated companies, excluding public companies.

(1) Companies in which a major shareholder of the Company has a substantial interest.