

OTHER INFORMATION

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

Corporate Guarantee dated 1 July 2014 issued by the Company for the sum of RM30 million in favour of Tenaga Nasional Berhad to secure the supply of electricity to Megasteel Sdn Bhd, a 78.89%-owned subsidiary of the Company wherein certain Directors and major shareholders of the Company have interests other than through the Company.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM10,000 (2014 : RM20,000).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2015 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of hot rolled coils, steel plates, scrap iron, gases and other related products and services	Lion Asiapac Limited Group ("LAP Group") ⁽¹⁾	2,953
	Lion Diversified Holdings Berhad Group ("LDHB Group") ⁽¹⁾	36,844
	Lion Forest Industries Berhad Group ("LFIB Group") ⁽¹⁾	16
	Lion Industries Corporation Berhad Group ("LICB Group") ⁽¹⁾	72,520
	Megasteel Sdn Bhd Group ("Megasteel Group") ⁽³⁾	405
	Parkson Holdings Berhad Group ⁽¹⁾	1,056
	Ributasi Sdn Bhd Group ⁽²⁾	44,000
		157,794
(ii) Purchase of direct reduced iron, hot briquetted iron, scrap iron and other related products and services	LAP Group ⁽¹⁾	14,900
	LDHB Group ⁽¹⁾	1,102,851
	Lion Holdings Pte Ltd Group ⁽²⁾	67,075
	LICB Group ⁽¹⁾	68,831
	Megasteel Group ⁽³⁾	164,388
Mitsui & Co., Ltd ⁽⁴⁾	56,565	
		1,474,610

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2015 were as follows:
(continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related (continued) (iii) Purchase of machinery, spare parts, lubricants, security equipment, tools and dies and other related products and services (iv) Obtaining of marketing, distribution and transportation services (v) Provision of storage, leasing and rental of properties, management and support and other related services (vi) Obtaining of storage, leasing and rental of properties, management and support and other related services	LFIB Group ⁽¹⁾ Secom (Malaysia) Sdn Bhd ⁽¹⁾	2,231 64 <hr/> 2,295 <hr/>
	LFIB Group ⁽¹⁾ LICB Group ⁽¹⁾	18,015 12,924 <hr/> 30,939 <hr/>
	LDHB Group ⁽¹⁾ LICB Group ⁽¹⁾	1,142 187 <hr/> 1,329 <hr/>
	LICB Group ⁽¹⁾	744 <hr/>

Notes:

"Group" includes subsidiaries and associates

- (1) Companies in which certain Directors and major shareholders of the Company have substantial interests.
- (2) Companies in which a Director of the Company has substantial interests.
- (3) A subsidiary in which certain Directors and major shareholders of the Company have substantial interests other than through the Company.
- (4) 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 and Risk Management Committee which comprises a majority of independent Directors. The Audit and Risk Management 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 (Per GWRS)	Divestment concluded Total	(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2015)		
			Jan - June 2015	Projected for July - Dec 2015	Projected Jan - Dec 2015
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003 Shares in listed and unlisted companies	33.3	2.7	–	–	–
By December 2004 Shares in unlisted company	38.6	13.0	–	–	–
	<u>71.9</u>	<u>15.7</u>	<u>–</u>	<u>–</u>	<u>–</u>

(ii) Transaction completed during the financial year

There were no transactions completed during the financial year.

(iii) 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/RCSLS 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/RCSLS.