

LIION AMB RESOURCES BERHAD

PROPOSED DISPOSAL OF 47.73% EQUITY INTEREST IN NANJING JINCHENG MACHINERY CO LTD

1. INTRODUCTION

The Board of Directors of Lion AMB Resources Berhad (“**AMB**” or the “**Company**”) wishes to announce that Willet Investment Pte Ltd (“**Willet**”) and AMB Aerovest Limited (“**AMB Aerovest**”) had on 14 October 2011 entered into a conditional sale and purchase agreement (“**SPA**”) with Jincheng Group Co Ltd (“**Jincheng Group**”) for the disposal of their entire 47.73% equity interest in Nanjing Jincheng Machinery Co Ltd (“**NJJC**”) held by Willet to Jincheng Group for a total cash consideration of Rmb120 million (equivalent to approximately RM56.04 million) (“**Proposed Disposal**”).

Willet is a 70% owned subsidiary of AMB whereas AMB Aerovest is a wholly-owned subsidiary of AMB.

For the purpose of this announcement, the exchange rates of Rmb1:RM0.4670 and USD1:RM3.00 have been assumed.

2. DETAILS OF THE PROPOSED DISPOSAL

AMB proposes to dispose of the entire 47.73% equity interest in NJJC held by Willet (38.64%) and AMB Aerovest (9.09%) to Jincheng Group for a total cash consideration of Rmb120 million (equivalent to approximately RM56.04 million) (“**Disposal Consideration**”).

a) Information on NJJC

NJJC was incorporated in Nanjing, the People's Republic of China (“**PRC**”) on 18 March 1994 as a joint-venture company, wherein Jincheng Group, Willet and AMB Aerovest hold 52.27%, 38.64% and 9.09% interests respectively. NJJC is principally involved in the manufacturing of motorcycles in the People's Republic of China (“**PRC**”).

The original date and cost of investment are set out below:

	Original Cost of Investment	Original Date of Investment*
Willet	SGD63.57 million	18 March 1994
AMB Aerovest	USD 9.82 million	18 March 1994

**LFIB acquired 84.16% of AMB in November 2008*

As at 30 June 2011, NJJC has a registered capital of USD118 million (equivalent to approximately RM354.00 million), which has been fully paid-up. Based on the latest available audited accounts as at 31 December 2010, the audited net asset of NJJC was Rmb445.56 million (equivalent to approximately RM208.08 million) and recorded a loss of Rmb59.68 million (equivalent to approximately RM27.87 million).

b) Basis of arriving at the Disposal Consideration and Mode of Payment

The Disposal Consideration of Rmb120 million represents approximately 40% discount based on NJJC’s unaudited net assets as at 30 June 2011 of approximately Rmb199.83 million (equivalent to approximately RM93.32 million) (i.e. 47.73% x Rmb418.67

million). The Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration NJJC's losses in previous years.

The Disposal Consideration shall be paid in full by Jincheng Group to Willet and AMB Aerovest in the following manner:

	%	Willet (38.64%)		AMB Aerovest (9.09%)		Total (47.73%)	
		Rmb'mil	RM'mil	Rmb'mil	RM'mil	Rmb'mil	RM'mil
Within 5 working days from the signing of the SPA*	50	48.58	22.68	11.43	5.34	60.00	28.02
30 days from the completion date of the SPA**	50	48.57	22.68	11.42	5.33	60.00	28.02
	100	97.15	45.37	22.85	10.67	120.00	56.04

Notes

* The 50% Disposal Consideration shall be placed in an account designated by Willet and AMB Aerovest to be released to Willet and AMB Aerovest 30 days from the completion of the SPA

** the date of issuance of a new business licence by the State Administration of Industry and Commerce in the PRC reflecting Jincheng Group as the sole shareholder of NJJC.

c) Salient terms of the Proposed Disposal

- i. Willet and AMB Aerovest shall dispose of the entire 47.73% equity interest in NJJC to Jincheng Group free from encumbrances and with all rights attaching thereto.
- ii. In the event Jincheng Group fails to pay the Disposal Consideration to Willet and AMB Aerovest, Willet and AMB Aerovest shall be entitled to charge interest at the rate of 0.05% per day on such unpaid amount, calculated from the day following the due date for payment until the date of full payment.
- iii. Effective from 1 July 2011, any economic profit or loss of NJJC shall be solely accrued to Jincheng Group.
- iv. There are no liabilities to be assumed by Jincheng Group arising from the Proposed Disposal.

d) Proposed utilisation of the Disposal Consideration

The Disposal Consideration is proposed to be utilised for working capital and/or investment of the Group.

3. RATIONALE FOR THE PROPOSED DISPOSAL

As NJJC has experienced losses in previous years, the Proposed Disposal would provide an opportunity for the AMB Group to unlock the investment which will result in a cash inflow of approximately RM56.04 million, and the amount is proposed to be utilized for the working capital and/or investment of the Group.

4. EFFECTS OF THE PROPOSED DISPOSAL

4.1 Share Capital and Substantial Shareholders' Shareholdings

There will be no effect on the issued and paid-up capital of AMB and the substantial shareholders' shareholdings in AMB as the Proposed Disposal does not involve the issuance of new shares by AMB.

4.2 Earnings and Earnings Per Share ("EPS")

The Proposed disposal is expected to result in an estimated gain of approximately RM31 million or 9.1 sen per AMB share for the financial year ending 30 June 2012.

4.3 Net Assets ("NA") and NA Per Share

On a proforma basis, the Proposed Disposal is not expected to have a material impact on the NA and NA per share of the AMB Group based on the audited consolidated balance sheet of AMB as at 30 June 2010.

4.4 Gearing

The Proposed Disposal is not expected to have an impact on the gearing of the AMB Group based on the audited consolidated balance sheet of AMB as at 30 June 2010.

5. APPROVAL REQUIRED FOR THE PROPOSED DISPOSAL

The Proposed Disposal shall be subject to the approval being obtained from the Department of Commerce of Jiangsu Province, the PRC.

The Proposed Disposal does not require the approval of the shareholders of AMB.

6. DIRECTORS' INTERESTS

None of the Directors of the Company has any interest, direct and/or indirect, in the Proposed Disposal.

7. STATEMENT BY THE DIRECTORS

The Board of AMB, having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company, is fair and reasonable and not detrimental to the interest of the shareholders of AMB.

8. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED DISPOSAL

Subject to all the required approvals being obtained, the Proposed Disposal is expected to be completed by end of December 2011.

9. APPLICATION TO THE RELEVANT AUTHORITIES

Save as disclosed under Section 5 herein, the AMB Group is not required to seek any other authorities' approval in relation to the Proposed Disposal.

10. DOCUMENTS FOR INSPECTION

The SPA is available for inspection at the Registered Office at AMB, Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur, during normal business hours from Mondays to Fridays (except for public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 17 October 2011.