

# HONG LEONG INDUSTRIES BERHAD

## RELATED PARTY TRANSACTION

### - CASH ADVANCE TO AN ASSOCIATED COMPANY

#### 1. Introduction

Hong Leong Industries Berhad (“HLI” or “the Company”) writes to inform that HLI Trading Limited (“HLIT”), a wholly-owned subsidiary of the Company, Norske Skog Papers (Malaysia) Sdn Bhd (“Norske”), Rimbunan Hijau Estate Sdn Bhd (“RHE”) and R.H. Development Corporation Sdn Bhd (“RHD”) (HLIT, Norske, RHE and RHD shall be collectively referred to as “Lenders”) have, on 27 February 2017, entered into a Loan Agreement with Malaysian Newsprint Industries Sdn Bhd, a 33.65% associated company of the Company (“MNI” or “Borrower”), to grant and/or make available cash advances to MNI (“Loan”) on a clean basis.

Pursuant to the Loan Agreement, HLIT agrees to grant and/or make available a cash advance of United States Dollar One Million Six Hundred and Sixty Thousand (USD1,660,000) [equivalent to approximately RM7.4 million at the exchange rate of USD1:RM4.45] to MNI (“Cash Advance”).

#### 2. Information on HLIT and MNI

##### 2.1 HLIT

HLIT is a corporation incorporated in Hong Kong and having its registered office at 50<sup>th</sup> Floor, The Center, 99 Queen’s Road Central, Hong Kong. HLIT is an investment holding company.

##### 2.2 MNI

MNI is a company incorporated in Malaysia and having its registered office at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur. MNI is principally engaged in the manufacturing and sale of newsprint and related paper products.

#### 3. Salient Features of the Loan Agreement

3.1 The Borrower agrees to pay the Lenders interest of nine (9) per centum per annum on the outstanding amount of the Loan (“Interests”), on a semi-annual basis in arrears to each Lender calculated on the respective outstanding Lender’s advance commencing from the disbursement date of the full amount of the Loan (“Disbursement Date”) and ending on the full repayment of the Loan.

3.2 The Borrower shall repay to each Lender the principal sum of the Lender’s advance within five (5) years from the Disbursement Date by way of five (5) equal instalments on each anniversary of the Disbursement Date or in such manner or extended date as may be mutually agreed between all the parties.

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- 3.3 The Borrower shall always pay the Interests and repay the Loan to the Lenders in the proportion which each Lender's advance bears to the Loan.
- 3.4 Save for the existing and future banking facilities of the Borrower, which the Lenders acknowledge shall rank in priority to the liabilities of the Borrower under the Loan Agreement, all obligations and liabilities of the Borrower under the Loan Agreement rank, and will rank, pari passu in right of payment with all other present and future advances or loans granted to the Borrower by other shareholders of the Borrower, and pari passu with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Borrower.
- 3.5 Upon the declaration by the majority Lenders (which is two (2) or more Lenders, representing not less than sixty-five per cent (65%) of the Loan amount then outstanding) that an event of default has occurred, all moneys owing thereunder shall immediately become due and payable by the Borrower without further demand or notice and each Lender shall be entitled to institute such proceedings and take such steps as each Lender may think fit to enforce payment of all amounts due and payable to each Lender under or pursuant to the Loan Agreement.

4. **Rationale**

The Cash Advance is to facilitate MNI to meet its short term commitments with banks.

5. **Source of Fund**

The Cash Advance is fully financed from internally generated funds.

6. **Effects of the Cash Advance**

6.1 Issued Share Capital and Substantial Shareholders' Shareholdings

The Cash Advance will not have any effect on the issued share capital and the shareholdings of the substantial shareholders in the Company.

6.2 Earnings Per Share, Net Assets Per Share and Gearing

The Cash Advance will not have any material effect on HLI Group's earnings per share and net assets per share for the current financial year. The Cash Advance will not have any effect on the gearing of the HLI Group for the current financial year.

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7. **Risk Factors**

The Board of Directors of HLI (“the Board”) does not envisage any specific risk associated with the Cash Advance, apart from the default risk to HLIT due to the general business risks faced by MNI.

8. **Interests of Directors, Major Shareholders and Persons Connected with Them**

Save as disclosed below, none of the Directors and/or major shareholders of HLI and/or persons connected with them has any interest, direct or indirect, in the Cash Advance.

Hong Leong Company (Malaysia) Berhad (“HLCM”) is a major shareholder of HLI, HLIT and MNI. YBhg Tan Sri Quek Leng Chan is a Director of HLCM and a major shareholder of HLI, HLIT, MNI and HLCM. YBhg Datuk Kwek Leng San is a Director of HLI, HLIT, MNI and HLCM and has interest in the shares of HLI and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers.

9. **Approval Required**

The Cash Advance is not subject to the approval of the shareholders of HLI nor from any relevant governmental authorities.

10. **Directors’ Statement**

The Board (save for YBhg Datuk Kwek Leng San who has abstained from all deliberation and voting on the Cash Advance), having considered all aspects of the Cash Advance (including but not limited to the terms and the rationale), is of the opinion that the Cash Advance is fair and reasonable, in the best interest of HLI Group and is not detriment to HLI Group.

11. **Related party transactions**

The Cash Advance is a provision of financial assistance under Chapter 8.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and in view of the interests disclosed in Section 8 of this announcement, the Cash Advance is deemed a related party transaction pursuant to Chapter 10.08 of the MMLR.

There were no other related party transactions between HLIT and MNI for the 12 months preceding the date of this announcement.

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**12. Estimated Timeframe for Completion**

The Cash Advance was completed on the Disbursement Date, 27 February 2017.

**13. Highest Percentage Ratio**

The highest percentage ratio applicable to the Cash Advance pursuant to Paragraph 10.02(g) of the MMLR is 0.57%. In this regard, the approval of the shareholders of HLI is not required for the Cash Advance. This announcement is made pursuant to Paragraph 10.08(1) of the MMLR.

**14. Document for Inspection**

A copy of the Loan Agreement will be made available for inspection at the Company's registered office at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur during normal business office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of the announcement.

This announcement is dated 28 February 2017.