

Hong Leong Industries Berhad expands its building materials business with the acquisition of Hume Industries (Malaysia) Sdn Bhd and Hume Cement Sdn Bhd

KUALA LUMPUR, 16 NOVEMBER 2010: Hong Leong Industries Berhad (“HLI” or the “Company”) today announced that it will undertake the following proposals:

- to acquire the entire equity interest in Hume Industries (Malaysia) Sdn Bhd (“HIMB”) for a total purchase consideration of RM235.2 million (“**Proposed Acquisition**”);
- to subscribe up to RM175 million 6-year 2% non-cumulative irredeemable convertible preference shares (“**ICPS**”) of RM1.00 each in Hume Cement Sdn Bhd (“**Hume Cement**”) (“**Proposed Subscription**”);
- to raise gross proceeds of indicatively up to RM231.6 million via a proposed rights issue on the basis of 1 Rights Share for every 2 ordinary shares of RM0.50 each in HLI (“**HLI Shares**”) held after the Proposed Acquisition (“**Proposed Rights Issue**”); and
- to undertake a capital distribution of up to 119,802,304 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad (“**MPI**”) (“**MPI Shares**”), representing HLI’s entire investment in MPI on the basis of 75 MPI Shares for every 300 HLI Shares upon completion of the Proposed Acquisition and Proposed Rights Issue, to the shareholders of HLI at an entitlement date to be determined later (“**Proposed Demerger**”).

(1) **Proposed Acquisition**

HLI will acquire the entire equity interest in HIMB for a total purchase consideration of RM235.2 million to be satisfied by the issuance of 46,759,443 new HLI Shares at an issue price of RM5.03 per HLI Share.

The Proposed Acquisition will enable HLI to expand its building materials business as the HIMB Group is principally involved in (a) manufacture and sale of concrete and related products; (b) manufacture and sale of cellulose fibre cement products; and (c) manufacture and sale of concrete roofing tiles, which are complementary to the existing building materials business of HLI Group.

(2) Proposed Subscription

Hume Cement will issue and HLI will undertake the proposed subscription of up to 175 million ICPS (“**Subscription ICPS**”) at par value of RM1.00 per ICPS for a total subscription value of RM175 million to be satisfied by cash.

The Proposed Subscription will enable HLI to participate in the cement industry.

On 25 August 2010, Hume Cement entered into an engineering, procurement and construction contract to appoint Tianjin Cement Industry Design & Research Institute Co, Ltd for the design, procurement, construction and commission of a new clinker and cement plant ranging from raw materials crushing to cement packing and loading, with a capacity of 5,000 tons clinker per day on 3 parcels of land located in Daerah Kinta, Perak Darul Ridzuan.

(3) Proposed Rights Issue

The Proposed Rights Issue, indicatively priced at RM1.45 per Rights Share, will raise gross proceeds of up to RM231.6 million, which will be mainly utilised to repay bank borrowings.

The Proposed Rights Issue provides an opportunity for the entitled shareholders of HLI to participate in an equity offering in the Company on a pro-rata basis and to subscribe for new HLI Shares at a discount to prevailing market prices. In addition, the Proposed Rights Issue enables HLI to raise funds at an attractive and lower cost without incurring additional interest cost.

(4) Proposed Demerger

HLI proposes a capital distribution of up to 119,802,303 MPI Shares to the shareholders of HLI on the basis of 75 MPI Shares for every 300 HLI Shares held in HLI after completion of the Proposed Rights Issue.

MPI is also listed on the Main Market of the Bursa Malaysia Securities Berhad. The MPI Group is involved in manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers worldwide.

The Proposed Demerger will unlock shareholder value and enable shareholders of HLI to have a direct equity participation in MPI.

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