

General Announcement

Reference No **HI-100330-65092**

Company Name : **HONG LEONG INDUSTRIES BERHAD**
Stock Name : **HLIND**
Date Announced : **30/03/2010**

Type : Reply to query
Reply to Bursa : NE-100329-38372
Malaysia's Query Letter
- Reference ID

Subject : REPLY TO QUERY IN RESPECT OF THE COMPANY'S ANNOUNCEMENT ON THE PROPOSED JOINT VENTURE BETWEEN GUOCERA HOLDINGS SDN BHD AND INFRASTRUCTURE DEVELOPMENT AND CONSTRUCTION CORPORATION TO OPERATE A TILE PRODUCTION COMPANY IN VIETNAM

Contents : Your query dated 29 March 2010 on the above captioned matter refers.

We wish to inform that words and expressions used in this reply shall have the same meanings as those attributed to them in our announcement dated 26 March 2010.

Q1. Basis and Justification in arriving at the Purchase Consideration of USD5,450,000 for the Acquisition of the Factory

The Purchase Consideration for the Acquisition was arrived at on a willing buyer willing seller basis after taking into consideration the adjusted unaudited net book value ("NBV") of the Factory as at 31 July 2009.

Q2. NBV of the factory based on the latest audited Financial Statement.

There is no statutory requirement for financial statements to be audited in Vietnam. The latest audited financial statements of LICOGL were as at 31 December 2007. Unaudited financial statements as at 31 December 2008 and 31 July 2009 were furnished and made available for the due diligence exercise carried out by BDO Consulting Sdn Bhd. The adjusted unaudited NBV of the Factory as at 31 July 2009 was USD5,408,000.

Q3. The risks in relation to the Proposed JV and Acquisition of the Factory?

Hong Leong Industries Berhad is of the view that the prospects of the Proposed JV are positive and is not aware of any risk factors arising from the Proposed JV and Acquisition other than the usual market, global economic and currency risks.

Q4. To specify the liabilities that is stated in the Joint Venture Contract.

GTI(V) will acquire such mutually agreed liabilities of the Factory as at 31 March 2010 and the liabilities of the Factory had already been taken into account in arriving at the Purchase Consideration.

Q5. Highest % ratio applicable to the Proposed JV and Acquisition of Factory pursuant to Paragraph 10.02(g) of the Listing Rules

The highest % ratio as per Paragraph 10.02(g) of the Main Market Listing Requirements ("LR") is 1.40%.

The Proposed JV and Acquisition does not trigger 5% or more of the % ratio as stipulated in Paragraph 10.06 of the LR.

Q6. Brief description of factory.

GRALICO was established on 12 January 2001. The construction of the Factory commenced in year 2001 and was completed in early 2002. The total land area is approximately 46,216.40 square metres.

The land is leased from the Vietnamese government for a term of 50 years, expiring on 31 December 2050.

Q7. Commencement date of business

GRALICO was issued with the Branch operational registration certificate on 14 March 2001 by the Dept of Planning and Investment of Dong Nai Province under its former name, Dong Nai Granite Tile Factory. GRALICO was established on 12 January 2001 and the Factory started operation in year 2002.

Q8. Whether any market valuation was conducted on the factory?

No valuation was conducted on the Factory.

This announcement is dated 30 March 2010.