

PROPOSED AMENDMENTS TO CERTAIN TERMS OF HONG LEONG INDUSTRIES BERHAD ("HLI") EUROCONVERTIBLE BONDS ("ECB") ("PROPOSED AMENDMENTS")

1. INTRODUCTION

On 25 October 1996, HLI had issued US\$73.48 million ECB after receiving all the relevant approvals. Subsequently, during the financial year ended 30 June 2001, HLI proposed and was granted approvals for amendments to certain terms of the ECB. Among others, the exercise date of the put option was extended from 25 October 2001 to 25 October 2005.

On behalf of the Board of Directors of HLI ("Board"), Hwang-DBS Securities Berhad ("Hwang-DBS") wishes to announce that the Company is now proposing to further amend certain terms of the ECB.

2. DETAILS OF THE PROPOSED AMENDMENTS

The terms of the ECB which are proposed to be amended relate to the following:

		Existing terms	Proposed amendment
1	Principal Amount	US\$73,480,000	Up to US\$35,000,000* The final Principal Amount would be dependent upon the conversion price of the ECB to be determined such that the ECB will convert into 10% of the issued and paid up capital of HLI
2	Maturity	25 Oct 2005	3 years from date of completion of the Proposed Amendments
3	Coupon Rate	1.40% over the interbank offer rate per annum on 120.3% of the principal amount of the ECB outstanding	To be determined on a coupon-fixing date depending on the prevailing credit and interest rate environment at the time
4	Conversion Price	RM8.20 per share (@ RM2.50508 = US\$1.00)	To be determined on a price fixing date based on a premium to the five day weighted average price of HLI Shares at that time
5	Redemption Premium	20.3%	The premium will be set closer to the completion date in line with the prevailing credit and interest rate environment

Note:

** The balance principal amount of the existing ECB of approximately US\$53 million (including the redemption premium of approximately US\$15 million) will be repaid using internal funds and borrowings.*

3. RATIONALE FOR THE PROPOSED AMENDMENTS

The Proposed Amendments to the ECB will allow HLI continued access to US\$ denominated borrowings and upon conversion, will strengthen HLI's balance sheet.

4. EFFECTS OF THE PROPOSED AMENDMENTS

4.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Amendments will not result in any changes in the number of HLI shares to be issued arising from the conversion of the ECB. The ECB are convertible into up to 10% of the issued and paid-up share capital of HLI.

4.2 Net Tangible Assets ("NTA")

The effects of the Proposed Amendments on the NTA of the HLI group, assuming all of the amended ECB are converted into new HLI shares, are set out in Table 1 below.

4.3 Earnings and EPS

The Proposed Amendments are not expected to have any material effect on the earnings of the Group for the financial year ending 30 June 2005.

4.4 Dividend

The Proposed Amendments are not expected to have any material effect on the dividend policy of the Company.

5. APPROVALS REQUIRED

The Proposed Amendments are subject to and conditional upon the following approvals:

- (i) Securities Commission ("SC");
- (ii) Bank Negara Malaysia;
- (iii) the existing ECB holders; and
- (iv) any other relevant authorities/parties, if required.

Approval from shareholders of HLI is also required for the proposed amendment on the conversion price of the ECB.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors and/or substantial shareholders of HLI and/or persons connected to them has any interest, direct or indirect, in the Proposed Amendments.

7. DIRECTORS' STATEMENT

The Board, after careful deliberation, is of the opinion that the Proposed Amendments are fair and reasonable and are in the best interest of HLI Group.

8. DEPARTURE FROM POLICIES AND GUIDELINES ISSUED BY THE SC ("SC GUIDELINES")

The Proposed Amendments do not depart from the SC Guidelines.

9. DOCUMENTS FOR INSPECTION

The trust deed and the first supplemental trust deed dated 25 October 1996 and 20 March 2001 respectively constituting the ECB can be inspected at the registered office of HLI at Level 9, 18 Jalan Perak, 50450 Kuala Lumpur from Mondays to Fridays (except public holidays) during normal business hours from the date of this announcement up to and including the date of the Extraordinary General Meeting.

This announcement is dated 11 October 2004.

Table 1: The effects of the Proposed Amendments on the NTA and NTA per share

	Audited as at 30 June 2004	After Proposed Amendments	After ECB Conversion*
	RM'000	RM'000	RM'000
Share capital	112,661	112,661	123,918
Treasury stocks	(59,835)	(59,835)	(59,835)
Reserves	678,331	671,748 [^]	777,566
ICULS	206,957	206,957	206,957
Shareholders' funds	938,114	931,531	1,048,606
Less:			
Intangible assets	(460,088)	(460,088)	(460,088)
Goodwill on consolidation	(9,601)	(9,601)	(9,601)
NTA	468,425	461,842	578,917
Number of shares ('000)	217,977	217,977	240,491
NTA per share# (RM)	1.20	1.17	1.55

Notes:

[^] After taking into account the remaining balance of the Put Option liability up to 25 October 2005 amounting to RM6.58 million.

* Assuming full conversion of the ECB into new HLI Shares after the Proposed Amendments, at the assumed conversion price of RM5.20 per HLI Share, assume 12% premium over the 5-day weighted average share price of HLI Shares up to 6 October 2004 (Note: the final conversion price will be determined on a price-fixing date after SC approval has been obtained for the Proposed Amendments).

The computation of NTA per outstanding share does not include ICULS.