

HONG LEONG INDUSTRIES BERHAD (“HLI” OR “COMPANY”)

I. PROPOSED DISPOSALS

II. PROPOSED CAPITAL DISTRIBUTION (COLLECTIVELY, “THE PROPOSALS”)

1. INTRODUCTION

1.1 On behalf of HLI, Hong Leong Investment Bank Berhad (*formerly known as MIMB Investment Bank Berhad*) (“**HLIB**”) wishes to announce that the Company had on 10 September 2013 entered into the following agreements with Narra Industries Berhad (“**Narra**”):

- (i) a conditional Shares Sale Agreement (“**HIMSB SSA**”) for the proposed disposal to Narra of the entire issued and paid-up share capital of Hume Industries (Malaysia) Sdn Bhd (“**HIMSB**”), which shall comprise 30,000,000 ordinary shares of RM1.00 each (“**HIMSB Shares**”), for a total disposal consideration of RM48,000,000 to be satisfied by the issuance of 48,000,000 new ordinary shares of RM1.00 each in Narra (“**Narra Shares**”) at an issue price of RM1.00 per share (“**HIMSB SSA Consideration Shares**”) (“**Proposed Disposal of HIMSB**”); and
- (ii) a conditional Shares Sale Agreement (“**ICPS SSA**”) for the proposed disposal to Narra of the entire 175,000,000 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each in Hume Cement Sdn Bhd (“**HCement**”) (“**HCement ICPS**”) for a total disposal consideration of RM300,000,000 to be satisfied by the issuance of 300,000,000 new Narra Shares at an issue price of RM1.00 per share (“**ICPS SSA Consideration Shares**”) (“**Proposed Disposal of HCement ICPS**”)

(collectively, the “**Proposed Disposals**”).

For the purposes of this announcement, the HIMSB SSA Consideration Shares and ICPS SSA Consideration Shares shall be collectively referred to as the “**Consideration Shares**”.

1.2 As at the date of this announcement, HIMSB is undergoing an internal restructuring (“**HIMSB Internal Restructuring**”) involving the disposal of the following subsidiaries to HLI:

Company	Effective interest	Principal activities
Hume Cemboard Industries Sdn Bhd (“ HCI ”)	100%	Manufacture and sale of fibre cement products
Malex Industrial Products Sdn Bhd (“ MIP ”)	100%	Manufacture and sale of fibre cement products and investment holding
Hume Roofing Products Sdn Bhd (“ HRP ”)	100%	Manufacture and sale of concrete roofing tiles
Hume Fibreboard Sdn Bhd (“ HF ”)	100%	Investment trading

Consequently, the above subsidiaries of HIMSB will be excluded from the Proposed Disposals. The restructured HIMSB group to be disposed of to Narra pursuant to the Proposed Disposals shall comprise HIMSB and the following subsidiaries (collectively, the “**Target Companies**”):

Company	Effective interest	Principal activities
Hume Concrete (EM) Sdn Bhd (“ HCEM ”)	100%	Manufacture and sale of concrete and related products
Hume Concrete Marketing Sdn Bhd (“ HCM ”)	100%	Marketing of concrete and related products
Hume Concrete Products Research Centre Sdn Bhd (“ HCPRC ”)	100%	Research and development of concrete products

- 1.3 Upon completion of the Proposed Disposals, HLI shall, subject to all requisite approvals being obtained, implement a proposed capital distribution comprising:
- (i) a proposed reduction of the capital of HLI in accordance with Section 64 of the Companies Act, 1965 (“Act”) (“**Proposed Capital Reduction**”) involving a reduction of share premium reserve; and
 - (ii) a capital repayment exercise involving the distribution of 345,030,635 Narra Shares on the basis of 1,080 Narra Shares for every 1,000 ordinary shares of RM0.50 each held in HLI, representing substantially all the Consideration Shares to be received by HLI pursuant to the Proposed Disposals, to shareholders whose names appear in HLI’s Record of Depositors (“**Entitled Shareholders**”) as at the close of business on a date to be determined and announced later (“**Entitlement Date**”)

(collectively, the “**Proposed Capital Distribution**”).

2. DETAILS OF THE PROPOSALS

2.1 Proposed Disposals

2.1.1 Salient terms of the Shares Sale Agreements

2.1.1.1 Salient terms of the HIMSB SSA

Subject to the terms and conditions of the HIMSB SSA, HLI agrees to sell and Narra agrees to purchase all the HIMSB Shares free from all claims and encumbrances whatsoever and together with all rights, benefits, title and interest attached thereto, and all bonuses, dividends and distributions declared, paid or made in respect thereof as from the date of completion of HIMSB SSA.

Disposal Consideration

Narra shall settle the purchase consideration by issuing 48,000,000 new Narra Shares at an issue price of RM1.00 per share to HLI within 60 days from the date on which the last of the conditions precedent is fulfilled or such other extended period as may be mutually agreed by the parties.

Conditions Precedent

The HIMSB SSA shall be conditional upon, inter-alia, the following conditions being fulfilled within 9 months from the date of the HIMSB SSA (“**HIMSB SSA Conditional Period**”):

- (i) the approval of the shareholders of HLI at a general meeting to be convened for the Proposals;
- (ii) the receipt by Narra of HLI’s holding company’s members’ resolution approving the Proposed Disposal of HIMSB;
- (iii) the receipt by HLI of Narra’s holding company’s members’ resolution approving the proposed acquisition of HIMSB by Narra;
- (iv) the receipt by Narra of the approval from the Securities Commission (“**SC**”) for the proposed acquisition by Narra of HIMSB Shares, HCement ICPS and the entire issued and paid-up ordinary share capital in HCement (collectively, the “**Inter-conditional Transactions**”) on terms and conditions acceptable to the respective parties;
- (v) the receipt by Narra of the approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the proposed consolidation of Narra Shares pursuant to the Proposed Narra Capital Restructuring (as defined in Section 2.1.3 of this announcement) and the listing of and quotation for the HIMSB SSA Consideration Shares on the Official List of Bursa Securities on terms and conditions acceptable to Narra;

- (vi) the approval of the shareholders of Narra at a general meeting to be convened for the Inter-conditional Transactions, the issuance of the HIMSB SSA Consideration Shares, the ICPS SSA Consideration Shares and the Narra Shares to be issued for the proposed acquisition by Narra of the entire issued and paid-up ordinary share capital in HCement (“**HCement SSA Consideration Shares**”), the proposed increase in the authorised share capital of Narra, the proposed reduction of capital and proposed consolidation of shares by Narra in accordance with the terms and conditions of the SSAs (as defined below);
- (vii) the receipt by Narra of the court order sanctioning the proposed reduction of capital by Narra and lodgement of a copy of such court order with the Registrar of Companies;
- (viii) the receipt by HLI of the approval of the shareholders of Narra, if required and the SC for the waiver from the mandatory general offer obligation on Narra arising from the issuance of the HIMSB SSA Consideration Shares and ICPS SSA Consideration Shares on terms and conditions acceptable to HLI;
- (ix) the completion of the HIMSB Internal Restructuring and HCement Internal Restructuring (as defined in Section 3.5 of this announcement) (collectively, the “**Internal Restructuring**”); and
- (x) confirmation by Narra that the conditions precedent in the ICPS SSA and the agreement for the proposed acquisition by Narra of the entire issued and paid-up ordinary share capital in HCement (“**HCement SSA**”) have been fulfilled or waived.

If any of the conditions precedent is not fulfilled upon the expiry of the HIMSB SSA Conditional Period, either party shall be entitled by written notice to the other party either to extend the HIMSB SSA Conditional Period for the parties to fulfil the outstanding conditions precedent or to terminate the HIMSB SSA. In the event the HIMSB SSA is terminated, neither party shall have any further claims or actions against the other party arising from the HIMSB SSA.

Completion

On a day falling within the period of 60 days from the date of fulfilment of the last of the conditions precedent or such other extended period as may be mutually agreed by the parties:

- (i) the HIMSB SSA, ICPS SSA and HCement SSA (collectively, the “**SSAs**”) shall be completed simultaneously in the manner stated in the respective agreements;
- (ii) Narra shall issue the HIMSB SSA Consideration Shares to HLI; and
- (iii) HLI shall deliver the original certificates in respect of the HIMSB Shares, duly signed share transfer form and the resolution of the board of directors of HIMSB approving the transfer and registration of the HIMSB Shares to Narra and thereafter, Narra shall effect the transfer of the HIMSB Shares to Narra.

2.1.1.2 Salient terms of the ICPS SSA

Subject to the terms and conditions of the ICPS SSA, HLI agrees to sell and Narra agrees to purchase all the HCement ICPS free from all claims and encumbrances whatsoever and together with all rights, benefits, title and interest attached thereto, and all bonuses, dividends and distributions declared, paid or made in respect thereof as from the date of completion of the ICPS SSA.

Disposal Consideration

Narra shall settle the purchase consideration by issuing 300,000,000 new Narra Shares at an issue price of RM1.00 per share to HLI within 60 days from the date on which the last of the conditions precedent is fulfilled or such other extended period as may be mutually agreed by the parties.

Conditions Precedent

The ICPS SSA shall be conditional upon, inter-alia, the following conditions being fulfilled within 9 months from the date of the ICPS SSA ("**ICPS SSA Conditional Period**"):

- (i) the receipt by Narra of HCement's written consent in respect of the Proposed Disposal of HCement ICPS pursuant to Article 18 of HCement's Articles of Association;
- (ii) the approval of the shareholders of HLI at a general meeting to be convened for the Proposals;
- (iii) the receipt by Narra of HLI's holding company's members' resolution approving the Proposed Disposal of HCement ICPS;
- (iv) the receipt by HLI of Narra's holding company's members' resolution approving the proposed acquisition of HCement ICPS by Narra;
- (v) the receipt by Narra of the approval from the SC for the Inter-conditional Transactions on terms and conditions acceptable to the respective parties;
- (vi) the receipt by Narra of the approval from Bursa Securities for the proposed consolidation of Narra Shares pursuant to the Proposed Narra Capital Restructuring (as defined in Section 2.1.3 of this announcement) and the listing of and quotation for the ICPS SSA Consideration Shares on the Official List of Bursa Securities on terms and conditions acceptable to Narra;
- (vii) approval of the shareholders of Narra at a general meeting to be convened for the Inter-conditional Transactions, the issuance of the HIMSB SSA Consideration Shares, the ICPS SSA Consideration Shares and the HCement SSA Consideration Shares, the proposed increase in the authorised share capital of Narra, the proposed reduction of capital and proposed consolidation of shares by Narra in accordance with the terms and conditions of the SSAs;
- (viii) the receipt by Narra of the court order sanctioning the proposed reduction of capital by Narra and lodgement of a copy of such court order with the Registrar of Companies;
- (ix) the receipt by HLI of the approval of the shareholders of Narra, if required and the SC for the waiver from the mandatory general offer obligation on Narra arising from the issuance of the HIMSB SSA Consideration Shares and ICPS SSA Consideration Shares on terms and conditions acceptable to HLI;
- (x) the completion of the Internal Restructuring; and
- (xi) confirmation by Narra that the conditions precedent in the HIMSB SSA and the HCement SSA have been fulfilled or waived.

If any of the conditions precedent is not fulfilled upon the expiry of the ICPS SSA Conditional Period, either party shall be entitled by written notice to the other party either to extend the ICPS SSA Conditional Period for the parties to fulfil the outstanding conditions precedent or to terminate the ICPS SSA. In the event the ICPS SSA is terminated, neither party shall have any further claims or actions against the other party arising from the ICPS SSA.

Completion

On a day falling within the period of 60 days from the date of fulfilment of the last of the conditions precedent or such other extended period as may be mutually agreed by the parties:

- (i) the HIMSB SSA, ICPS SSA and HCement SSA shall be completed simultaneously in the manner stated in the respective agreements;
- (ii) Narra shall issue the ICPS SSA Consideration Shares to HLI; and

- (iii) HLI shall deliver the original certificates in respect of the HCement ICPS, duly signed share transfer form and the resolution of the board of directors of HCement approving the transfer and registration of the HCement ICPS to Narra and thereafter, Narra shall effect the transfer of the HCement ICPS to Narra.

2.1.1.3 Other salient terms of the HIMSB SSA and ICPS SSA

- (i) Prior to the date of completion of the SSAs and as part of the Internal Restructuring, HIMSB is entitled to declare the following distributions to the Company:
 - (a) HIMSB has declared and paid to the Company a cash dividend (less tax) of RM20,000,000 and a tax-exempt cash dividend of RM15,450,000; and
 - (b) HIMSB shall undertake a cash distribution of not more than RM170,569,793 to HLI, by way of, inter alia, cancellation of the HIMSB Class B ordinary shares and cancellation of part of its ordinary share capital.
- (ii) In addition, prior to the date of completion of the SSAs, HCement and HIMSB shall be entitled to declare the following distributions:
 - (a) HCement may pay dividends to HLI on the HCement ICPS in accordance with its Articles of Association;
 - (b) HCement may pay dividends to HLMG on its ordinary shares out of its profits for the period commencing from 1 July 2013 and ending on the date of completion of the SSAs subject to its Articles of Association; and
 - (c) HIMSB may pay dividends to HLI on its ordinary shares out of its profits for the period commencing from 1 July 2013 and ending on the date of completion of the SSAs subject to its Articles of Association.

2.1.2 Basis and justification of arriving at the disposal consideration

- (i) The disposal consideration of RM48,000,000 for the Proposed Disposal of HIMSB was arrived at on a willing-buyer willing-seller basis, after taking into account the following:
 - (a) the proforma aggregate profit after tax ("**PAT**") based on the audited PAT of the Target Companies for the financial year ended ("**FYE**") 30 June 2013 after adjusting for the HIMSB Internal Restructuring of approximately RM7.0 million, which represents a price-earnings ratio of 6.9 times; and
 - (b) the proforma aggregate net assets ("**NA**") based on the audited NA of the Target Companies as at 30 June 2013 after adjusting for the HIMSB Internal Restructuring of RM61.1 million, which represents a price-to-book ratio of 0.8 times.
- (ii) The disposal consideration of RM300,000,000 for the Proposed Disposal of HCement ICPS was arrived at on a willing-buyer willing-seller basis, after taking into account the following:
 - (a) the range of indicative value of RM362.0 million to RM418.0 million of the entire equity interest in HCement (inclusive of the HCement ICPS) as at 30 June 2013, by BDO Capital Consultants Sdn Bhd ("**BDO**"), the independent valuer, using the discounted cash flow valuation approach;
 - (b) the future prospects of HCement; and
 - (c) HLI's equity interest of 75% in HCement upon the full conversion of the HCement ICPS.

2.1.3 Basis of arriving at the Issue Price for the Consideration Shares

The issue price of RM1.00 per Consideration Share was arrived at after taking into consideration the following:

- (i) the par value of the Consideration Shares of RM1.00;
- (ii) the estimated proforma consolidated NA per Narra Share of RM0.76 based on the audited consolidated NA of Narra as at 30 June 2013 after adjusting for a restructuring exercise by Narra involving the proposed share capital reduction by the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 each in Narra and proposed share consolidation of 2 ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each (collectively, the “**Proposed Narra Capital Restructuring**”); and
- (iii) the adjusted 5-day volume-weighted average market price (“**VWAMP**”) of Narra Shares up to 9 September 2013, being the market day immediately preceding the date of the HIMSB SSA and ICPS SSA, of RM0.93* after adjusting for the Proposed Narra Capital Restructuring.

* *Computed based on the 5-day VWAMP of Narra Shares up to 9 September 2013 of RM0.4630.*

The issue price of RM1.00 per Consideration Share represents:

- (i) a premium of approximately RM0.07 or 7.5% over the 5-day VWAMP of Narra Shares up to 9 September 2013, after adjusting for the Proposed Narra Capital Restructuring of RM0.93; and
- (ii) a premium of approximately RM0.24 or 31.6% over the estimated proforma consolidated NA per new Narra Share of RM0.76 after adjusting for the Proposed Narra Capital Restructuring.

2.1.4 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank pari passu in all respects with the new Narra Shares after the completion of the Proposed Narra Capital Restructuring, save and except that they shall not be entitled to any dividends, rights, allotment and/ or other distributions which are declared, made or paid prior to the date of allotment of the Consideration Shares.

2.1.5 Liabilities to be assumed by Narra

There are no other liabilities arising from the Proposed Disposals including contingent liabilities and guarantee to be assumed by Narra.

2.1.6 Date and original cost of investment

The Company entered into a share sale agreement on 16 November 2010 to acquire the HIMSB Shares for a total purchase consideration of RM235.2 million. The acquisition was completed on 22 February 2011. The cost of investment attributed to HIMSB (after the HIMSB Internal Restructuring) is RM61.0 million.

The Company entered into a subscription agreement with HCement and HLMG to subscribe for the HCement ICPS for a total cash subscription of RM175 million from 30 March 2011 to 18 January 2012.

2.1.7 Expected net gain arising from the Proposed Disposals

HLI does not expect to recognise a gain or loss arising from the Proposed Disposals as the Proposed Disposals and Proposed Capital Distribution are, from an accounting perspective, treated as a distribution of the Target Companies and HCement ICPS to the shareholders of HLI.

2.1.8 Take-over implications on Narra

As at 30 August 2013, HLI does not have any equity interest in Narra. Upon completion of the Proposed Disposals and pending the Proposed Capital Distribution, the direct shareholding of HLI in Narra will increase to more than 33% and thus, HLI would be obliged to extend a mandatory offer to acquire the remaining Narra Shares not already held by HLI and the concert parties pursuant to the Malaysian Code on Take-overs and Mergers 2010 (“Code”). HLI intends to seek a waiver from the SC from the obligation to undertake a mandatory offer (“Proposed HLI Exemption”) pursuant to Section 219 of the Capital Markets and Services Act, 2007 (“CMSA”).

2.2 Proposed Capital Distribution

Upon completion of the Proposed Disposals, HLI shall, subject to all requisite approvals being obtained, implement a capital repayment exercise involving the distribution of 345,030,635 Narra Shares on the basis of 1,080 Narra Shares for every 1,000 ordinary shares of RM0.50 each held in HLI, representing substantially all the Consideration Shares to its Entitled Shareholders on the Entitlement Date.

The Proposed Capital Distribution will be implemented through a reduction of the capital of HLI in accordance with Section 64 of the Act involving a reduction of amounts standing to the credit of its share premium account.

The entitlement of HLI’s shareholders to the Consideration Shares shall be based on the number of ordinary shares of RM0.50 each in HLI (“HLI Shares”) held by them as at the Entitlement Date. Fractional entitlements to the Consideration Shares, if any, shall be disregarded and shall be dealt with by the Board of Directors of the Company (“Board”) as it may in its absolute discretion deem fit or expedient and in the best interests of the Company.

As at 30 August 2013, HLMG holds 61.6% of the issued and paid-up share capital of Narra directly. Upon the completion of the Inter-conditional Transactions, HLMG will hold 24.9% directly in Narra. Following the implementation of the Proposed Capital Distribution, the direct shareholding of HLMG in Narra will increase to 78.6%. Pursuant to the Code, HLMG would be obliged to extend a mandatory offer for the remaining Narra Shares not already held by HLMG and the concert parties upon the completion of the Proposed Capital Distribution.

HLMG intends to seek an exemption from the SC from the obligation to undertake a mandatory offer (“Proposed HLMG Exemption”) pursuant to Section 219 of the CMSA.

3. INFORMATION ON THE TARGET COMPANIES

3.1 HIMSB

HIMSB was incorporated in Malaysia under the Companies Ordinances, 1940 to 1946 on 31 October 1961 as a private company under the name of Hume Industries (Malaya) Limited. HIMSB changed its name from Hume Industries (Malaya) Limited to Hume Industries (Malaysia) Berhad on 20 October 1970. It was a listed company on Bursa Securities but was delisted on 21 April 2010 pursuant to a privatisation exercise undertaken by HLMG on 14 January 2010. It was subsequently converted to a private limited company and assumed its present name of Hume Industries (Malaysia) Sdn Bhd on 29 October 2010.

HIMSB is principally involved in the manufacture of concrete products and investment holding. The company supplies its concrete products to various construction projects, including highways, stadiums, airport, crossings, tunnel lining segments, maritime structures and buildings. The current principal market for HIMSB’s products is Malaysia.

As at 30 August 2013, the authorised share capital of HIMSB is RM1,010,000,000 comprising 1,010,000,000 ordinary shares of RM1.00 each, of which RM183,142,871 comprising 182,932,871 ordinary shares of RM1.00 each and 210,000 Class B ordinary share of RM1.00 each have been issued and fully paid-up.

Upon completion of the HIMSB Internal Restructuring and prior to the completion of the Inter-conditional Transactions, the issued and paid-up share capital of HIMSB will be reduced to RM30,000,000 comprising 30,000,000 ordinary shares of RM1.00 each.

A summary of the financial information of HIMSB (after adjusting for the HIMSB Internal Restructuring) for the FYE 30 June 2009 to 30 June 2013 is set out in Appendix I.

3.2 HCEM

HCEM was incorporated in Malaysia under the Act on 13 July 1984 as a private limited company under the name of Hume Development (Sabah) Sdn Bhd and assumed its present name on 18 January 2000. HCEM is principally engaged in the manufacture and sale of concrete and related products. The current principal market for HCEM's products is Malaysia.

As at 30 August 2013, the authorised share capital of HCEM is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and 10,000 Class B ordinary shares of RM1.00 each have been issued and fully paid-up.

A summary of the financial information of HCEM for the FYE 30 June 2009 to 30 June 2013 is set out in Appendix I.

3.3 HCM

HCM was incorporated in Malaysia under the Act on 8 February 1969 under the name of Ban Seng Plastics Berhad. It changed its name to Hume Rubber Products Berhad on 25 March 1976 and was converted to a private company under the name of Hume Rubber Products Sdn Berhad on 13 June 1983. It changed its name to Hume-Forseda Sdn Bhd on 31 May 1984 and thereafter to Hume Industrial Rubber Products Sdn Bhd on 29 November 1989. It assumed its present name on 16 April 1994. HCM is principally engaged in the marketing of concrete and related products. The current principal market for HCM's products is Malaysia.

As at 30 August 2013, the authorised share capital of HCM is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM4,900,000 comprising 4,900,000 ordinary shares of RM1.00 each and 10,000 Class B ordinary shares of RM1.00 each have been issued and fully paid-up.

A summary of the financial information of HCM for the FYE 30 June 2009 to 30 June 2013 is set out in Appendix I.

3.4 HCPRC

HCPRC was incorporated in Malaysia under the Act on 22 January 1993 as a private limited company. HCPRC is principally engaged in the research and development of concrete products. The current principal market for HCPRC's products is Malaysia.

As at 30 August 2013, the authorised share capital of HCPRC is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM2,200,002 comprising 2,200,002 ordinary shares of RM1.00 each have been issued and fully paid-up.

A summary of the financial information of HCPRC for the FYE 30 June 2009 to 30 June 2013 is set out in Appendix I.

3.5 HCement

HCement was incorporated in Malaysia under the Act on 8 December 1990 as a private limited company under the name of Newquest (M) Sdn Bhd. It changed its name to Hume Precast Concrete Sdn Bhd on 2 September 1992 and assumed its present name on 22 February 1995.

HCement is principally involved in the manufacture and sale of cement and cement related products. It commenced commercial operations on 1 April 2013 and operates from a plant which is situated at Gopeng, Perak with a plant rated capacity of 5,000 tonnes per day. The current principal market for HCement's products is Malaysia.

On 28 August 2013, HCement disposed of its sole subsidiary, Tokoh Kurnia Sdn Bhd, which was dormant ("**HCement Internal Restructuring**").

As at 30 August 2013, HCement has an authorised share capital of RM241,000,000 comprising 60,000,000 ordinary shares of RM1.00 each, 10,000 preference shares of RM100 each and 180,000,000 preference shares of RM1.00 each, and an issued and paid-up share capital of RM233,000,000 comprising 58,000,000 ordinary shares of RM1.00 each and 175,000,000 irredeemable convertible preference shares of RM1.00 each.

The HCement ICPS are convertible into new ordinary shares of RM1.00 each in HCement upon maturity on the 6th anniversary date from the date of issuance of the first tranche of the HCement ICPS on 30 March 2011 at the conversion price of RM1.00 for each ordinary share of HCement. Upon full conversion of the HCement ICPS, the holder of the HCement ICPS will have an equity interest of 75% in HCement.

A summary of the financial information of HCement for the FYE 30 June 2009 to 30 June 2013 is set out in Appendix I.

4. INFORMATION ON NARRA

Narra was incorporated in Malaysia as a private limited company under the name of Cement-Board (Malaysia) Sdn Bhd on 9 September 1980. On 9 September 1981, its name was changed to Cemboard (Malaysia) Sdn Bhd and subsequently changed to Hume Cemboard (Malaysia) Sdn Bhd on 6 March 1991. It was then changed to Hume Cemboard Sdn Bhd on 15 December 1993 and on 12 August 1996, it was converted to a public limited company and assumed its present name.

Narra was listed on the Main Board (now known as the Main Market) of Bursa Securities on 16 March 1998. Narra is an investment holding company, and its wholly-owned subsidiary is currently involved in the design, manufacture and supply of furniture and interior design fit-out works.

As at 30 August 2013, the authorised share capital of Narra is RM350,000,000 comprising 350,000,000 Narra Shares, of which RM62,187,600 comprising 62,187,600 Narra Shares have been issued and fully paid-up.

The directors and substantial shareholders of Narra and their respective shareholdings in Narra as at 30 August 2013 are set out in Appendix II.

5. RATIONALE FOR THE PROPOSALS

The Proposed Disposals will allow HLI to realise its investments in the HCement ICPS and the concrete business division in a manner favourable to the shareholders of HLI.

The HCement ICPS currently held by HLI is only convertible into new ordinary shares in HCement after March 2017. The Proposed Disposal of HCement ICPS will accelerate the participation of HLI's shareholders in HCement.

Through the Proposed Capital Distribution, HLI shareholders will be able to participate directly in two listed companies, i.e. in HLI via the existing equity held by them and in Narra which will focus on concrete and cement business.

6. RISK FACTORS

6.1 Non-completion of the Proposed Disposals

The completion of the Proposed Disposals is conditional upon the conditions precedent being satisfied and/or waived (as the case may be) in accordance with the provisions of the HIMSB SSA and ICPS SSA. There can be no assurance that all such conditions precedent will be satisfied. Notwithstanding this, HLI will take reasonable steps to ensure the satisfaction and/or waiver (as the case may be) of the conditions precedent in order to complete the Proposed Disposals in a timely manner.

6.2 Risk of delay or non-completion of the Proposed Capital Distribution

The Proposed Capital Reduction is subject to sanction by the High Court of Malaya (“**High Court**”) pursuant to Section 64 of the Act.

If the High Court’s sanction for the Proposed Capital Reduction is delayed or not obtained, the shareholders of HLI will have to wait for a longer period or may not receive any distribution pursuant to the Proposed Capital Distribution. In such event, the Company may consider other options available to return the distribution to the shareholders.

Further, as the Proposed Capital Distribution is conditional upon the completion of the Proposed Disposals, any delay in the completion of the Proposed Disposals would have a consequential impact on the timeliness of the implementation of the Proposed Capital Distribution.

7. FINANCIAL EFFECTS

7.1 Issued and Paid-Up Share Capital and Substantial Shareholders’ Shareholdings

The Proposed Disposals will not have any effect on the issued and paid-up share capital of HLI and the shareholdings of the substantial shareholders in the Company.

The Proposed Capital Reduction will not have any effect on the issued and paid-up ordinary share capital of HLI.

7.2 NA and gearing

For illustration purposes, based on the latest audited consolidated statement of financial position of HLI as at 30 June 2013 and on the assumption that the Proposals had been effected on that date, the proforma effects of the Proposals on the consolidated NA and gearing of HLI are as follows:

	Audited as at 30 June 2013	(I) After the Proposed Disposals	(II) After (I) and the Proposed Capital Distribution
	RM’000	RM’000	RM’000
Share capital	163,953	163,953	163,953
Share premium	387,038	387,038	⁽¹⁾ 152,953
Other reserves	22,396	22,396	22,396
Reserves for own shares	(41,459)	(41,459)	⁽²⁾ (33,313)
Retained profits	701,042	701,042	⁽³⁾ 700,042
Treasury shares	(63,318)	(63,318)	(63,318)
NA	1,169,652	1,169,652	942,713
No. of HLI Shares in issue (’000)	327,905	327,905	327,905
Treasury shares	(8,432)	(8,432)	(8,432)
HLI Shares held in trusts for HLI’s Executive Share Option Scheme (“ ESOS Trust Shares ”)	(11,117)	(11,117)	(11,117)
No. of HLI Shares in issue (excluding treasury shares and ESOS Trust Shares) (’000)	308,356	308,356	308,356
NA per share (RM)	3.79	3.79	3.06
Total borrowings	835,093	835,093	807,610
Gearing ratio (times)	0.71	0.71	0.86

Notes:

- (1) After taking into account the reduction in share premium account of RM234.1 million arising from the distribution of 345,030,635 Narra Shares pursuant to the Proposed Capital Distribution.
- (2) After taking into account 12,006,504 Narra Shares distributed pursuant to the Proposed Capital Distribution to HLI trusts, which were set up to purchase and hold ESOS Trust Shares.
- (3) After deducting estimated expenses of RM1.0 million in relation to the Proposals.

HLI does not expect to recognise a gain or loss arising from the Proposed Disposals as the Proposed Disposals and Proposed Capital Distribution are, from an accounting perspective, treated as a distribution of the Target Companies and HCement ICPS to the shareholders of HLI.

7.3 Earnings and Earnings per Share

For the FYE 30 June 2013, the Target Companies, which contributed RM7.0 million to the audited consolidated profit after tax and minority interest (“**PATMI**”) of HLI of RM147.6 million, representing approximately 4.7% of the Group’s audited PATMI, will cease to contribute to the future earnings of HLI and its subsidiaries (the “**HLI Group**”) after the completion of the Proposals.

As an ICPS holder, HLI is entitled to an annual non-cumulative preferential dividend of 2% or RM3.5 million per annum. HLI will cease to accrue such dividend income upon the completion of the Proposals.

7.4 Dividend

The Proposals are not expected to have any immediate effect on the dividends to be declared by the Company. Any dividends to be declared and paid by HLI in the future will depend on, amongst others, the profitability and cash flow position of the HLI Group.

8. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSALS

8.1 The Proposed Disposals are subject to, inter-alia, the following being obtained:

- (i) approval of the shareholders of HLI for the Proposals at an extraordinary general meeting (“**EGM**”) to be convened; and
- (ii) approvals of the members of the respective holding companies of HLI and Narra, as may be required by Section 132E of the Act for the relevant proposals.

The Proposed Disposals are also subject to, inter-alia, the following being obtained by Narra:

- (i) approval of the SC for:
 - (a) the proposed acquisitions by Narra of HIMSB Shares, HCement ICPS and all the ordinary share capital of HCement (collectively, the “**Proposed Acquisitions by Narra**”);
 - (b) the resultant equity structure of Narra upon completion of the Proposed Acquisitions by Narra; and
 - (c) the Proposed HLI Exemption and the Proposed HLMG Exemption;
- (ii) approval-in-principle of Bursa Securities for:
 - (a) the proposed consolidation of the Narra Shares pursuant to the Proposed Narra Capital Restructuring; and
 - (b) the listing of and quotation for the Consideration Shares;
- (iii) the grant of an order by the High Court pursuant to Section 64 of the Act for the proposed share capital reduction by Narra; and

- (iv) approval of the shareholders of Narra for its corporate proposals (comprising Proposed Narra Capital Restructuring, Proposed Acquisitions by Narra and proposed increase in authorised share capital of Narra) at an EGM to be convened.

8.2 The Proposed Capital Distribution is subject to the following being obtained:

- (i) the grant of an order by the High Court pursuant to Section 64 of the Act for the Proposed Capital Reduction; and
- (ii) approval of the shareholders of HLI for the Proposals at an EGM to be convened.

8.3 Inter-Conditionality of the Proposals

The Proposed Disposal of HIMSB, Proposed Disposal of HCement ICPS and the proposed acquisition by Narra of the entire issued and paid-up ordinary share capital of HCement are inter-conditional upon each other.

The Proposed Capital Distribution (which includes the Proposed Capital Reduction) is conditional upon the Proposed Disposals.

Save for the above, the Proposals are not conditional upon any other corporate proposal of the Company.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposals pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”) is 29.8%.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of HLI and/or persons connected with them have any interest, direct or indirect, in the Proposed Capital Distribution, save for their respective entitlements (if any) under the Proposed Capital Distribution as shareholders of HLI.

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

HLCM is a major shareholder of HLI and Narra through HLMG. YBhg Tan Sri Quek Leng Chan is a major shareholder of HLI and Narra, and a Director and major shareholder of HLCM. YBhg Datuk Kwek Leng San is a Director of HLI, Narra and HLCM, and a shareholder of HLI and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of HLI, Narra and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of HLI, Narra and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers.

The Directors, major shareholders of the Company and/or persons connected to them, who have an interest, direct or indirect, in the Proposed Disposals are as follows:

	←-----As at 30 August 2013-----→			
	Direct No. of shares ('000)	%	Indirect No. of shares ('000)	%
HLMG	238,217	74.57	-	-
HLCM	-	-	^240,855	75.39
YBhg Tan Sri Quek Leng Chan	-	-	*246,137	77.04
YBhg Datuk Kwek Leng San	2,520	0.79	-	-
HL Holdings Sdn Bhd	-	-	**240,855	75.39
Hong Realty (Private) Limited	-	-	#242,875	76.02
Hong Leong Investment Holdings Pte. Ltd.	-	-	#242,875	76.02
Kwek Holdings Pte Ltd	-	-	#242,875	76.02
Mr. Kwek Leng Beng	-	-	#242,875	76.02
Mr. Kwek Leng Kee	-	-	#242,875	76.02
Davos Investment Holdings Private Limited	-	-	#242,875	76.02
Mr. Quek Leng Chye	-	-	#242,875	76.02

Notes:

^ Held through subsidiaries.

* Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.

** Held through HLCM.

Held through HLCM and a company in which the substantial shareholder has interest.

Accordingly, YBhg Datuk Kwek Leng San has abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of HLI in respect of the Proposed Disposals. He will also abstain from voting in respect of his direct and indirect shareholdings in HLI, if any, on the resolutions pertaining to the Proposed Disposals to be tabled at the EGM to be convened. YBhg Datuk Kwek Leng San has also undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to the Proposed Disposals at the EGM to be convened.

The interested major shareholders, namely HLMG, HLCM, YBhg Tan Sri Quek Leng Chan, HL Holdings Sdn Bhd, Hong Realty (Private) Limited, Hong Leong Investment Holdings Pte. Ltd., Kwek Holdings Pte Ltd, Mr Kwek Leng Beng, Mr Kwek Leng Kee, Davos Investment Holdings Private Limited and Mr Quek Leng Chye will abstain and have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolutions pertaining to the Proposed Disposals at the EGM to be convened.

11. RELATED PARTY TRANSACTIONS

In view of the interests disclosed in Section 10 of this Announcement, the Proposed Disposals is a related party transaction pursuant to Chapter 10.08 of the Listing Requirements.

As at the date of this announcement, save for the recurrent related parties transactions that are disclosed in the Circular to Shareholders dated 24 September 2012 and had been approved by the shareholders of the Company on 16 October 2012, there were no other related party transactions transacted with the interested Directors and interested major shareholders (including persons connected with them) for the 12 months preceding the date of this announcement.

12. ADVISER AND INDEPENDENT ADVISER

HLIB has been appointed by the Company to act as its Adviser in relation to the Proposals.

Inter-Pacific Securities Sdn Bhd has been appointed by the Company as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of the Company on whether the terms of the Proposed Disposals are fair and reasonable so far as the non-interested shareholders are concerned and whether the transactions are to the detriment of the non-interested shareholders of the Company.

13. DIRECTORS' STATEMENT

The Board (save for YBhg Datuk Kwek Leng San, who has abstained from all deliberation on the Proposed Disposals), having considered and deliberated on all aspects of the Proposed Disposals, particularly the rationale for the Proposed Disposals and the financial effects of the Proposed Disposals, and after taking into consideration the preliminary opinion of the Independent Adviser and the indicative valuation range by BDO, is of the opinion that the Proposed Disposals are in the best interest of HLI.

In view that the Proposed Capital Distribution is intended to facilitate the distribution of substantially all of the disposal consideration arising from the Proposed Disposals to the Entitled Shareholders, the Board is of the opinion that the Proposed Capital Distribution is in the best interest of the shareholders of HLI.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of HLI, after having considered all aspects of the Proposals, is of the view that the Proposals are:

- (i) in the best interests of the Company;
- (ii) fair and reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested shareholders of the Company.

In arriving at the above view, the Audit Committee had taken into consideration, among others, the following:

- (i) the preliminary opinion of the Independent Adviser;
- (ii) the basis of arriving at the disposal consideration and the indicative valuation range by BDO;
- (iii) the basis of pricing of the Consideration Shares; and
- (iv) the rationale of the Proposals.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed by the second quarter of 2014.

16. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the HIMSB SSA and ICPS SSA 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 hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 11 September 2013.

1. SUMMARY PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE CONCRETE GROUP

The concrete group of companies consists of HIMSB, HCM, HCEM and HCPRC (collectively referred to as the “Concrete Group”).

FYE 30 June	←----- ⁽¹⁾ Unaudited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	251,050	210,058	187,132	206,444	221,777
Profit before tax (“PBT”)	12,799	3,482	5,599	4,866	8,554
Profit after tax and minority interest (“PATMI”)	11,753	2,872	3,835	3,767	6,996
Shareholders' funds / NA	69,250	68,121	71,624	73,391	⁽³⁾ 78,387
NA per share (RM) ⁽²⁾	N/A	N/A	N/A	N/A	N/A
Total borrowings	5,000	5,000	-	-	⁽³⁾ 3,500
Gearing ratio (times)	0.07	0.07	-	-	0.04

Note:

N/A Not applicable.

(1) The audit on the proforma consolidated financial information of the Concrete Group is currently being undertaken and is envisaged to be completed prior to the submission of the application to the relevant authorities in relation to the Proposals.

(2) The financial information of the Concrete Group above is prepared based on the following:

- (i) the financial information of HIMSB as extracted by the management of HLI based on the audited financial statements of HIMSB to reflect solely the concrete business which is a division in HIMSB; and
- (ii) the financial information of HCEM, HCM and HCPRC based on their respective audited financial statements.

In this regard, the computation of NA per share is not applicable as the concrete business is a division in HIMSB.

(3) The NA and total borrowings of the Concrete Group as at 30 June 2013 has not taken into consideration the HIMSB Internal Restructuring which was implemented after 30 June 2013. Upon completion of the HIMSB Internal Restructuring, the proforma NA and total borrowings of the Concrete Group will be RM61.1 million and RM27.5 million respectively.

FYE 30 June 2010

For the FYE 30 June 2010, the Concrete Group posted lower revenue of RM210.06 million, as compared to RM251.05 million for the FYE 30 June 2009, representing a decrease of approximately RM40.99 million or 16.33%. The decrease in revenue was mainly due to decrease in sales volume and decrease in average selling price due to unfavourable sales mix. Further thereto, coupled with provision being made for slow moving stocks which amounted to RM2.1 million, the Concrete Group's PBT decreased from RM12.80 million for the FYE 30 June 2009 to RM3.48 million for the FYE 30 June 2010, representing a decrease of RM9.32 million or approximately 72.79%. The Concrete Group's PAT had in turn decreased from RM11.75 million for the FYE 30 June 2009 to RM2.87 million for the FYE 30 June 2010, representing a decrease of RM8.88 million or 75.56%, which is in line with the decrease in PBT. As a result of the global financial crisis, the Concrete Group experienced a slow down in market demand for concrete products which had affected the construction sector and its related industries.

FYE 30 June 2011

The Concrete Group had recorded a decrease in revenue of RM22.93 million or 10.91% from RM210.06 million for the FYE 30 June 2010 to RM187.13 million for the FYE 30 June 2011. The decrease was mainly due to decrease in sales volume and decrease in average selling price due to unfavourable sales mix. Despite the decrease in revenue, PBT of the Concrete Group had increased from RM3.48 million for the FYE 30 June 2010 to RM5.60 million for the FYE 30 June 2011, representing an increase of RM2.12 million or 60.80%. This was mainly due to a write back of provision for doubtful debts which amounted to RM1.70 million. As a result of the increase in PBT, the PAT of the Concrete Group had also increased from RM2.87 million for the FYE 30 June 2010 to RM3.84 million for the FYE 30 June 2011, representing an increase of RM0.97 million or 33.53%.

FYE 30 June 2012

Revenue of the Concrete Group had increased from RM187.13 million for the FYE 30 June 2011 to RM206.44 million for the FYE 30 June 2012, representing an increase of RM19.31 million or 10.32%. This was mainly due to increase in sales volume and increase in average selling price due to favourable sales mix. In line with the increase in revenue, PBT of the Concrete Group had increased from RM3.90 million (excluding RM1.70 million write back of provision for doubtful debts) in FYE 30 June 2011 to RM4.87 million in FYE 30 June 2012, representing an increase of RM0.97 million or 24.80%. The Concrete Group recorded a marginal decrease in PAT from RM3.84 million for the FYE 30 June 2011 to RM3.77 million for the FYE 30 June 2012, representing a decrease of RM0.07 million or 1.77%.

FYE 30 June 2013

The Concrete Group had posted a revenue of RM221.78 million for the FYE 30 June 2013, being an increase of RM15.33 million or 7.43% from RM206.44 million for the FYE 30 June 2012. This increase was due to an increase in sales volume and increase in average selling price due to favourable sales mix. In line with the increase in revenue, the Concrete Group had managed to achieve an increase in PBT of RM3.69 million or 75.79% from RM4.87 million for the FYE 30 June 2012 to RM8.56 million for the FYE 30 June 2013. The increase in PBT was also contributed by a reduction in operating expenses mainly employee cost. Consequently, the Concrete Group had further achieved an increase in PAT of RM3.23 million or 85.74% from RM3.77 million for the FYE 30 June 2012 to RM7.00 million for the FYE 30 June 2013.

1.1 SUMMARY FINANCIAL INFORMATION OF HIMSB, HCEM, HCM AND HCPRC

1.1.1 HIMSB

FYE 30 June	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	208,017	169,543	152,613	166,360	179,542
PBT	9,444	1,839	2,728	3,019	4,983
PATMI	9,087	1,367	1,984	1,943	4,215
NA ⁽¹⁾	53,423	50,790	58,374	58,317	⁽²⁾ 60,532
NA per share ⁽¹⁾ (RM)	N/A	N/A	N/A	N/A	N/A
Total borrowings	5,000	5,000	-	-	⁽²⁾ 3,500
Gearing ratio (times)	0.09	0.10	-	-	0.08

Notes:

N/A Not applicable

(1) The financial information of HIMSB above as extracted by the management of HLI based on the audited financial statements of HIMSB to reflect solely the concrete business which is a division in HIMSB. In this regard, the computation of NA per share is not applicable.

(2) The NA and total borrowings of HIMS B as at 30 June 2013 has not taken into consideration the HIMS B Internal Restructuring which was implemented after 30 June 2013. Upon completion of the HIMS B Internal Restructuring, the proforma NA and total borrowings of the concrete business of HIMS B will be RM49.0 million and RM27.5 million respectively.

1.1.2 HCEM

FYE 30 June	←-----Audited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	26,974	21,918	21,915	26,518	26,517
PBT	1,369	1,865	1,037	1,493	1,441
PATMI	1,195	1,488	818	1,039	1,140
Shareholders' funds / NA	6,800	8,288	6,659	7,698	8,838
NA per share (RM)	6.80	8.29	6.59	7.62	8.75
Total borrowings	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

1.1.3 HCM

FYE 30 June	←-----Audited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	224,902	188,415	162,498	183,265	187,805
PBT/Loss before taxation ("LBT")	2,001	(222)	1,751	411	2,152
PATMI	1,486	17	950	842	1,663
Shareholders' funds / NA	8,394	8,411	5,877	6,718	8,381
NA per share (RM)	1.71	1.72	1.20	1.37	1.71
Total borrowings	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

1.1.4 HCPRC

FYE 30 June	←-----Audited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	632	615	636	633	723
(LBT)/PBT	(15)	*-	83	(57)	(22)
(Loss after taxation and minority interest ("LATMI")) / PATMI	(15)	*-	83	(57)	(22)
Shareholders' funds / NA	633	633	715	658	636
NA per share (RM)	0.29	0.29	0.33	0.30	0.29
Total borrowings	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

Note:

* Negligible.

1. SUMMARY FINANCIAL INFORMATION OF HCEMENT

FYE 30 June	←-----Audited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	-	-	-	-	197,898
PBT/(LBT)	(1,349)	(744)	(331)	2,838	22,446
PATMI/(LATMI)	(1,349)	(745)	(339)	⁽¹⁾ 2,809	⁽²⁾ 22,105
NA/(Net liabilities ("NL")) ⁽³⁾	(1,041)	(1,786)	208,876	228,524	249,141
NA/(NL) per share ⁽⁴⁾ (RM)	(0.30)	(0.51)	0.96	0.97	1.05
Total borrowings ⁽³⁾	-	-	49,967	297,870	351,182
Gearing ratio (times)	-	-	0.24	1.30	1.41

Notes:

- (1) Inclusive of income from investment in unit trust of RM1.9 million.
- (2) Inclusive of dividend income from its subsidiary, Tokoh Kurnia Sdn Bhd ("TK") of RM25.5 million and an impairment of investment in TK of RM11.7 million.
- (3) Liability portions of the HCement ICPS are excluded from the NA and total borrowings respectively.
- (4) NA per share is calculated based on net assets excluding assets attributable to the holders of the Redeemable Preference Shares, divided by the existing number of ordinary shares and the assumed new ordinary shares to be issued upon the conversion of the HCement ICPS.

For the FYE 30 June 2009 to FYE 30 June 2013, HCement had a sole subsidiary, TK, which was dormant but owned a piece of quarry land. The said quarry land was transferred into HCement during the FYE 30 June 2013. Subsequent to the FYE 30 June 2013, TK has been disposed.

For a better reflection of the financial position of HCement, the proforma consolidated financial information of the cement group consisting of HCement and TK ("**Cement Group**") below has been prepared by the management of HCement based on the audited financial statements of HCement and TK.

FYE 30 June	←----- ⁽¹⁾ Unaudited-----→				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	-	-	-	-	172,391
PBT/(LBT)	(2,029)	(1,405)	(1,573)	2,159	8,054
PATMI/(LATMI)	(2,029)	(1,406)	(1,428)	2,283	7,713
NA ⁽²⁾ / (NL)	(8,069)	14,608	217,557	236,610	243,064
NA/(Net liabilities) per share ⁽³⁾ (RM)	(2.31)	3.17	1.00	1.00	1.03
Total borrowings ⁽²⁾	-	-	49,967	297,870	351,182
Gearing ratio (times)	-	-	0.23	1.26	1.44

Notes:

- (1) The audit on the proforma consolidated financial information of the Cement Group is currently being undertaken and is envisaged to be completed prior to the submission of the application to the relevant authorities in relation to the Proposals.
- (2) Liability portions of the HCement ICPS are excluded from the NA and total borrowings respectively.
- (3) NA per share is calculated based on net assets excluding assets attributable to the holders of the Redeemable Preference Shares, divided by the existing number of ordinary shares and the assumed new ordinary shares to be issued upon the conversion of the HCement ICPS.

FYE 30 June 2009 to FYE 30 June 2011

The LBT incurred by the Cement Group between FYE 30 June 2009 to FYE 30 June 2011 was mainly due to pre-operating expenses, amongst others, quit rent and depreciation charges in relation to 3 parcels of land owned by the Cement Group ("**Cement Land**").

FYE 30 June 2012

The Cement Group had achieved an increase in PBT from a LBT of RM1.41 million for the FYE 30 June 2010 to a PBT of RM2.16 million for the FYE 30 June 2012, representing an increase of RM3.57 million or 253.56%. This was mainly due to a dividend income of RM1.91 million generated from investment in unit trust fund and reversal of a previously recognised liability portion of Irredeemable Convertible Preference Shares ("**ICPS**") of RM3.22 million net of ICPS interest expense of RM1.56 million. Due to non-chargeable income and deferred tax income recognised on reversal of temporary differences, the Cement Group had managed to further improve its PAT to RM2.28 million for the FYE 30 June 2012 from a LATMI of RM1.41 million for the FYE 30 June 2010, representing an increase of RM3.69 million or 262.38%.

FYE 30 June 2013

Upon commencing operations during the FYE 30 June 2013, the Cement Group achieved revenue of RM197.90 million for the FYE 30 June 2013. Further to the commencement of the operations, the Cement Group achieved an increased PBT of RM8.05 million and PAT of RM7.71 million for the FYE 30 June 2013 as compared to a PBT of RM2.16 million and PAT of RM2.28 million for the FYE 30 June 2012. Included in PBT and PAT of FYE 30 June 2013 were a reversal of previously recognised liability portion of ICPS of RM2.63 million net of ICPS interest expense of RM1.14 million.

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DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF NARRA

The directors and substantial shareholders of Narra and their respective shareholdings in Narra as at 30 August 2013 are as follows:

	Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%
Directors				
YBhg Datuk Kwek Leng San	-	-	-	-
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	-	-	-	-
YBhg Dato' Rosman bin Abdullah	-	-	-	-
Mr Terence Lee Chai Koon	-	-	-	-
Mr Seow Yoo Lin	-	-	-	-
Substantial shareholders				
HLMG	38,304	61.59	-	-
Hong Leong Company (Malaysia) Berhad (" HLCM ")	-	-	[^] 38,304	61.59
YBhg Tan Sri Quek Leng Chan	8,150	13.11	[*] 38,314	61.61
HL Holdings Sdn Bhd	-	-	[#] 38,304	61.59
Hong Realty (Private) Limited	-	-	[*] 38,314	61.61
Hong Leong Investment Holdings Pte Ltd	-	-	[*] 38,314	61.61
Kwek Holdings Pte Ltd	-	-	[*] 38,314	61.61
Mr Kwek Leng Beng	-	-	[*] 38,314	61.61
Mr Kwek Leng Kee	-	-	[*] 38,314	61.61
Davos Investment Holdings Private Limited	-	-	[*] 38,314	61.61
Mr Quek Leng Chye	-	-	[*] 38,314	61.61

Notes:

[^] Held through HLMG.

^{*} Held through HLCM and a company in which the substantial shareholder has interest.

[#] Held through HLCM.

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