

NARRA INDUSTRIES BERHAD (“NARRA” OR “COMPANY”)

- I. PROPOSED CAPITAL REDUCTION
- II. PROPOSED SHARE CONSOLIDATION
- III. PROPOSED ACQUISITIONS
- IV. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

(COLLECTIVELY, “THE PROPOSALS”)

1. INTRODUCTION

1.1 On behalf of Narra, 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:

- (i) a conditional Shares Sale Agreement (“**HIMSB SSA**”) with Hong Leong Industries Berhad (“**HLI**”) for the proposed acquisition of 30,000,000 ordinary shares of RM1.00 each in Hume Industries (Malaysia) Sdn Bhd (“**HIMSB**”) (“**HIMSB Shares**”) which shall represent the entire issued and paid-up share capital of HIMSB for a total purchase consideration of RM48,000,000 to be satisfied by the issuance of 48,000,000 New Narra Shares (as defined in Section 1.2 below) at an issue price of RM1.00 per New Narra Share (“**Proposed Acquisition of HIMSB**”);
- (ii) a conditional Shares Sale Agreement (“**HCement SSA**”) with Hong Leong Manufacturing Group Sdn Bhd (“**HLMG**”) for the proposed acquisition of the entire issued and paid-up ordinary share capital in Hume Cement Sdn Bhd (“**HCement**”) comprising 58,000,000 ordinary shares of RM1.00 each (“**HCement Shares**”) for a total purchase consideration of RM100,000,000 to be satisfied by the issuance of 100,000,000 New Narra Shares at an issue price of RM1.00 per New Narra Share (“**Proposed Acquisition of HCement**”); and
- (iii) a conditional Shares Sale Agreement (“**ICPS SSA**”) with HLI for the proposed acquisition of the entire 175,000,000 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each in HCement (“**HCement ICPS**”) for a total purchase 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 New Narra Share (“**Proposed Acquisition of HCement ICPS**”)

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

1.2 In conjunction with the Proposed Acquisitions, the Board of Directors of Narra (“**Board**”) has also resolved to undertake the following:

- (i) 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 (“**Narra Shares**”) and the credit arising therefrom to be offset against the accumulated losses of the Company (“**Proposed Capital Reduction**”);
- (ii) Proposed share consolidation of 2 ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in the Company (“**New Narra Share**”) after the Proposed Capital Reduction (“**Proposed Share Consolidation**”); and
- (iii) Proposed increase in the authorised share capital of Narra from RM350,000,000 comprising 350,000,000 ordinary shares of RM1.00 each to RM600,000,000 comprising 600,000,000 ordinary shares of RM1.00 each (“**Proposed Increase in Authorised Share Capital**”).

2. DETAILS OF THE PROPOSALS

2.1 Proposed Capital Reduction

As at 30 August 2013, Narra has an issued and paid-up ordinary share capital of RM62,187,600 comprising 62,187,600 ordinary shares of RM1.00 each and, based on its audited financial statements as at 30 June 2013, accumulated losses of approximately RM32,492,000.

The Board proposes to reduce the existing issued and paid-up ordinary share capital of Narra from RM62,187,600 to RM31,093,800 to be made up of 62,187,600 ordinary shares of RM0.50 each, by cancelling RM0.50 of the par value of each existing ordinary share of RM1.00 each in issue pursuant to Section 64(1) of the Companies Act, 1965 (“Act”).

The Proposed Capital Reduction will give rise to a credit of RM31,093,800, which would be utilised to partially set-off the accumulated losses of Narra. For illustration purposes, the effect of the Proposed Capital Reduction on the accumulated losses of the Company, based on the latest audited statement of financial position of the Company as at 30 June 2013 is set out below:

Company level	Audited as at 30 June 2013 RM'000
Accumulated losses	(32,492)
Add: Credit arising from the Proposed Capital Reduction	31,094
Accumulated losses after the Proposed Capital Reduction	<u>(1,398)</u>

2.2 Proposed Share Consolidation

Upon completion of the Proposed Capital Reduction, Narra will undertake the Proposed Share Consolidation which will involve the consolidation of every 2 ordinary shares of RM0.50 each into 1 New Narra Share of RM1.00 each. The issued and paid-up share capital of the Company after the Proposed Share Consolidation will remain unchanged at RM31,093,800 with the total number of shares in issue reduced from 62,187,600 ordinary shares of RM0.50 each to 31,093,800 New Narra Shares.

The New Narra Shares shall rank pari passu in all respects with each other. In determining the shareholders' entitlements to the Proposed Share Consolidation, fractional entitlements of the New Narra Shares, if any, will be disregarded and shall be dealt with in such manner as the Board in its absolute discretion deems fit and expedient in order to minimise the incidence of odd lots and in the interest of the Company.

2.3 Proposed Acquisitions

2.3.1 Information on the Target Companies

(i) 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 Malaysia Securities Berhad (“**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 the date of this announcement, HIMSB is undergoing an internal restructuring (“**HIMSB Internal Restructuring**”) so that Narra will acquire HIMSB and the following subsidiaries pursuant to terms and conditions of the HIMSB SSA:

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

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 shares 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 Proposed Acquisitions, 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 financial years ended (“**FYE**”) 30 June 2009 to 30 June 2013 is set out in Appendix I.

(ii) **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.

The salient terms of the HCement ICPS are set out in Appendix III.

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

2.3.2 Salient terms of the Shares Sale Agreements

2.3.2.1 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.

Purchase Consideration

Narra shall settle the purchase consideration by issuing 48,000,000 New Narra Shares at an issue price of RM1.00 per share ("**HIMSB SSA Consideration Shares**") 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 proposed disposals of HIMSB and HCement ICPS to Narra, and the proposed capital distribution and capital reduction by HLI;
- (ii) the receipt by Narra of HLI's holding company's members' resolution approving the proposed disposal of HIMSB to Narra;
- (iii) the receipt by HLI of Narra's holding company's members' resolution approving the Proposed Acquisition of HIMSB;
- (iv) the receipt by Narra of the approval from the Securities Commission ("**SC**") for the Proposed Acquisitions on terms and conditions acceptable to the respective parties;
- (v) the receipt by Narra of the approval from Bursa Securities for the Proposed Share Consolidation 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 Proposed Acquisitions, the issuance of the Consideration Shares (as defined in Section 2.3.4 below), the Proposed Increase in Authorised Share Capital, the Proposed Capital Reduction and Proposed Share Consolidation in accordance with the terms and conditions of the HIMSB SSA, HCement SSA and ICPS SSA (collectively, the "**SSAs**");
- (vii) the receipt by Narra of the court order sanctioning the Proposed Capital Reduction 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 (as defined in Section 2.3.2.3 below) on terms and conditions acceptable to HLI;
- (ix) the completion of the HIMSB Internal Restructuring and HCement Internal Restructuring (collectively, the "**Internal Restructuring**"); and
- (x) confirmation by Narra that the conditions precedent in the ICPS SSA and 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 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.

2.3.2.2 Salient terms of the HCement SSA

Subject to the terms and conditions of the HCement SSA, HLMG agrees to sell and Narra agrees to purchase all the HCement 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 the HCement SSA.

Purchase Consideration

Narra shall settle the purchase consideration by issuing 100,000,000 New Narra Shares at an issue price of RM1.00 per share ("**HCement SSA Consideration Shares**") to HLMG 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 HCement SSA shall be conditional upon, inter-alia, the following conditions being fulfilled within 9 months from the date of the HCement SSA ("**HCement SSA Conditional Period**"):

- (i) the receipt by Narra of HLI's written consent in respect of the Proposed Acquisition of HCement pursuant to Article 20 of HCement's Articles of Association;
- (ii) the receipt by Narra of HLMG's members' resolution approving the proposed disposal of HCement to Narra;
- (iii) the receipt by Narra of HLMG's holding company's members' resolution approving the proposed disposal of HCement to Narra;
- (iv) the receipt by HLMG of Narra's holding company's members' resolution approving the Proposed Acquisition of HCement;
- (v) the receipt by Narra of the approval from the SC for the Proposed Acquisitions on terms and conditions acceptable to the respective parties;
- (vi) the receipt by Narra of the approval from Bursa Securities for the Proposed Share Consolidation and the listing of and quotation for the HCement SSA Consideration Shares on the Official List of Bursa Securities on terms and conditions acceptable to Narra;

- (vii) the approval of the shareholders of Narra at a general meeting to be convened approving the Proposed Acquisitions, the issuance of the Consideration Shares (as defined in Section 2.3.4 below), the Proposed Increase in Authorised Share Capital, the Proposed Capital Reduction and Proposed Share Consolidation in accordance with the terms and conditions of the SSAs;
- (viii) the receipt by Narra of the court order sanctioning the Proposed Capital Reduction and lodgement of a copy of such court order with the Registrar of Companies;
- (ix) the receipt by HLMG of the waiver, if required, from the SC from the mandatory general offer obligation arising from the capital distribution by HLI on terms and conditions acceptable to HLMG;
- (x) the completion of the Internal Restructuring; and
- (xi) confirmation by Narra that the conditions precedent in the ICPS SSA and HIMSB SSA have been fulfilled or waived.

If any of the conditions precedent is not fulfilled upon the expiry of the HCement SSA Conditional Period, either party shall be entitled by written notice to the other party either to extend the HCement SSA Conditional Period for the parties to fulfil the outstanding conditions precedent or to terminate the HCement SSA. In the event the HCement SSA is terminated, neither party shall have any further claims or actions against the other party arising from the HCement 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 SSAs shall be completed simultaneously in the manner stated in the respective agreements;
- (ii) Narra shall issue the HCement SSA Consideration Shares to HLMG; and
- (iii) HLMG shall deliver the original certificates in respect of the HCement Shares, duly signed share transfer form and the resolution of the board of directors of HCement approving the transfer and registration of the HCement Shares to Narra and thereafter, Narra shall effect the transfer of the HCement Shares to Narra.

2.3.2.3 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.

Purchase Consideration

Narra shall settle the purchase consideration by issuing 300,000,000 New Narra Shares at an issue price of RM1.00 per share ("**ICPS SSA Consideration Shares**") 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 Acquisition 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 proposed disposals of HCement ICPS and HIMSB to Narra, and the proposed capital distribution and capital reduction by HLI;
- (iii) the receipt by Narra of HLI’s holding company’s members’ resolution approving the proposed disposal of HCement ICPS to Narra;
- (iv) the receipt by HLI of Narra’s holding company’s members’ resolution approving the Proposed Acquisition of HCement ICPS;
- (v) the receipt by Narra of the approval from the SC for the Proposed Acquisitions on terms and conditions acceptable to the respective parties;
- (vi) the receipt by Narra of the approval from Bursa Securities for the Proposed Share Consolidation 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) the approval of the shareholders of Narra at a general meeting to be convened for the Proposed Acquisitions, the issuance of the Consideration Shares (as defined in Section 2.3.4 below), the Proposed Increase in Authorised Share Capital, the Proposed Capital Reduction and Proposed Share Consolidation in accordance with the terms and conditions of the SSAs;
- (viii) the receipt by Narra of the court order sanctioning the Proposed Capital Reduction 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 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 SSAs 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.

2.3.2.4 Other salient terms of the SSAs

- (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 HLI:
 - (a) HIMSB has declared and paid 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.

2.3.3 Basis and justification of arriving at the Purchase Consideration

- (i) The purchase consideration of RM48,000,000 for the Proposed Acquisition 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 HIMSB, HCEM, HCM and HCPRC for the 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 HIMSB, HCEM, HCM and HCPRC 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 purchase consideration of RM100,000,000 for the Proposed Acquisition of HCement 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) HLMG's equity interest of 25% in HCement upon the full conversion of the HCement ICPS by HLI.

- (iii) The purchase consideration of RM300,000,000 for the Proposed Acquisition of HCement ICPS was arrived at on a willing-buyer willing-seller basis, after taking into account the following:
 - (a) the indicative valuation by BDO as set out in Section 2.3.3(ii)(a) above;
 - (b) the future prospects of HCement; and
 - (c) HLI's equity interest of 75% in HCement upon the full conversion of the HCement ICPS.

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

The issue price for the HCement SSA Consideration Shares, ICPS SSA Consideration Shares and HIMSB SSA Consideration Shares (collectively, the "**Consideration Shares**") was arrived at after taking into consideration the following:

- (i) the par value of the New Narra Shares of RM1.00;
- (ii) the estimated proforma consolidated NA per New Narra Share of RM0.76 based on the audited consolidated NA of Narra as at 30 June 2013 after adjusting for the Proposed Capital Reduction and Proposed Share Consolidation; and
- (iii) the adjusted 5-day volume weighted average market prices ("**VWAMP**") of Narra Shares up to 9 September 2013, being the market day immediately preceding the date of the SSAs, of RM0.93* after adjusting for the Proposed Capital Reduction and the Proposed Share Consolidation.

* *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 Capital Reduction and the Proposed Share Consolidation, of RM0.93; and
- (iii) a premium of approximately RM0.24 or 31.6% over the estimated proforma consolidated NA per New Narra Share of RM0.76.

2.3.5 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank pari passu in all respects with the Narra Shares after the Proposed Capital Reduction and Proposed Share Consolidation, 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.

2.3.6 Listing of the Consideration Shares

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities pursuant to the Proposed Acquisitions.

2.3.7 Liabilities to be assumed by Narra

There are no other liabilities including contingent liabilities and guarantee to be assumed by Narra pursuant to the Proposed Acquisitions.

2.3.8 Additional financial commitment required

There are no additional financial commitments required by Narra to put the assets and/or business of the subject companies on-stream.

2.3.9 Date and original cost of investment

The total original cost of investment made from 13 November 2010 to 18 January 2012 by HLMG for the HCement Shares amounted to RM58.0 million.

HLI subscribed for the HCement ICPS for a total cash subscription of RM175.0 million from 30 March 2011 to 18 January 2012.

HLI 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.

2.3.10 Proposed capital distribution by HLI

Subject to all requisite approvals being obtained, HLI is proposing to undertake a capital repayment exercise involving the distribution to its shareholders of 345,030,635 Narra Shares on the basis of 1,080 Narra Shares for every 1,000 ordinary shares held in HLI on an entitlement date to be determined and announced later, representing substantially all the ICPS SSA Consideration Shares and HIMSB SSA Consideration Shares by way of a capital reduction involving its share premium account ("**Proposed HLI Capital Distribution**"). The Proposed HLI Capital Distribution will be implemented after the date of completion of the Proposed Acquisitions.

Upon completion of the Proposed Acquisitions and the Proposed HLI Capital Distribution, the public shareholding spread of the Company is expected to be approximately 17.5% based on the Record of Depositors of Narra and HLI as at 2 September 2013.

2.3.11 Take-over implications

(i) HLI

As at 30 August 2013, HLI does not have any equity interest in Narra. Upon completion of the Proposed Acquisitions and pending the Proposed HLI 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**").

(ii) HLMG

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 Proposed Acquisitions, the direct shareholding of HLMG in Narra will reduce to 24.9%, and thereafter increase to 78.6% after the implementation of the Proposed HLI Capital Distribution. 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 HLI Capital Distribution. HLMG intends to seek a waiver from the SC from the obligation to undertake a mandatory offer ("**Proposed HLMG Exemption**") pursuant to Section 219 of the CMSA.

2.4 Proposed Increase in Authorised Share Capital

The Proposed Increase in Authorised Share Capital will increase the authorised share capital of the Company from RM350,000,000 comprising 350,000,000 ordinary shares of RM1.00 each to RM600,000,000 comprising 600,000,000 ordinary shares of RM1.00 each, and the Memorandum of Association of the Company will be altered accordingly.

3. INFORMATION ON THE VENDORS

3.1 HLMG

HLMG was incorporated in Malaysia under the Act as a private limited company under the name of Spectrum Arrangement Sdn Bhd on 13 September 2006. It assumed its present name on 20 October 2010. HLMG is an investment holding company.

As at 30 August 2013, HLMG has an authorised share capital of RM800,000,000 comprising 799,990,000 ordinary shares of RM1.00 each and 10,000 preference shares of RM1.00 each, of which RM700,000,000 comprising 700,000,000 ordinary shares of RM1.00 each have been issued and fully-paid up.

HLMG is a wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad (“**HLCM**”).

The directors of HLMG and their respective shareholdings in HLMG as at 30 August 2013 are set out in Appendix IV.

3.2 HLI

HLI was incorporated in Malaysia under the Companies Ordinance 1940 to 1946 as a private limited company under the name of Fancy Tile Works Limited on 5 May 1964. It was converted to a public company on 28 January 1970 and was admitted to the official list of the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 14 July 1970. It subsequently changed its name to HLI on 4 October 1979.

HLI is principally an investment holding company. The activities of its subsidiaries include manufacturing and assembling of motorcycles, scooters and related parts and products; distribution of motorcycles and motorcycle components; manufacturing and sale of ceramic tiles; provision of research and development services for ceramic tiles and concrete products; distribution of building materials; manufacturing and sale of concrete and related products; and manufacturing and sale of fibre cement products and concrete roofing tiles.

As at 30 August 2013, the authorised share capital of HLI is RM300,000,000 comprising 600,000,000 ordinary shares of RM0.50 each. The adjusted issued and paid-up share capital (after deducting treasury shares of 8,432,500) is RM159,736,405 comprising 319,472,810 ordinary shares of RM0.50 each.

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

4. CHANGE IN CONTROLLING SHAREHOLDER AND/OR BOARD COMPOSITION

The Proposed Acquisitions and the Proposed HLI Capital Distribution are not expected to give rise to a change in the controlling shareholder of the Company.

Upon the completion of the Proposals, the Company may make such changes to its Board as it deems fit.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Capital Reduction and Proposed Share Consolidation

The Proposed Capital Reduction serves to rationalise the balance sheet by writing off the accumulated losses against part of the share capital.

The Proposed Share Consolidation forms part of Narra's plan to improve the Company's capital structure. As a result of the Proposed Share Consolidation, there would be an immediate reduction in the number of Narra shares.

The Proposed Capital Reduction and Proposed Share Consolidation are conditions precedent to the Proposed Acquisitions.

5.2 Proposed Acquisitions

Narra is principally an investment holding company and its wholly-owned subsidiary (the “**Narra Group**”) is currently involved in the design, manufacture and supply of furniture, and interior design fit-out works.

The Proposed Acquisitions will allow the Narra Group to diversify its business into the concrete and cement-related industry, and provide it with an immediate stream of revenue and earnings. The Proposed Acquisitions will enable the Narra Group to reduce its reliance on its existing business, and allow the Narra Group to participate in the concrete and cement-related industry.

5.3 Proposed Increase in Authorised Share Capital

The Proposed Increase in Authorised Share Capital is to facilitate the increase in the issued and paid-up share capital of Narra pursuant to the Proposed Acquisitions.

6. OUTLOOK AND PROSPECTS

6.1 The Malaysian economy

The Malaysian economy expanded by 4.3% (1Q 2013: 4.1%) in the second quarter of 2013. While domestic demand remained firm, growing by 7.3% (1Q 2013: 8.2%), exports registered a larger decline, amid weakness across most export products. On the supply side, the major economic sectors expanded further in the second quarter, supported by the continued strength in domestic demand. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.4% (1Q 2013: -0.4%).

Going forward, the global economy continues to face downside risks, emanating from developments in several major economies. Policy uncertainty surrounding the quantitative easing (QE) programme in the United States and European sovereign debt concerns are expected to weigh on market sentiment and growth prospects. While overall growth performance in most emerging economies, including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

For the Malaysian economy, the prolonged weakness in the external environment has affected the overall growth performance of the economy going forward. While domestic demand is expected to remain firm, supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects, the weak external sector in the first half of this year will affect our overall growth performance for the year. The overall growth of the economy for this year has now been revised to 4.5 - 5.0%. Going forward, domestic demand is expected to remain on its steady growth trajectory and will continue to be supported by an accommodative monetary policy.

(Source: Bank Negara Malaysia, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013)

6.2 The construction industry

The construction sector utilises raw materials such as concrete, cement, steel and iron products. The output of these materials increases in tandem with the boom in construction.

In the second quarter of 2013, growth in the construction sector remained strong (9.9%; 1Q 2013: 14.2%), driven by the civil engineering and residential sub-sectors. Infrastructure and oil and gas projects, such as the MRT, Tanjung Bin and Janamanjung power plants, and Sabah-Sarawak Gas Pipeline, remained the key drivers of growth in the sub-sector. The construction of high-end residential properties in Klang Valley, Penang and Sabah supported growth in the residential sub-sector.

The construction sector is envisaged to expand strongly by 11.2% in 2013 (2012: 15.5%), with all sub-sectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the Economic Transformation Programme (ETP) and second rolling plan (RP2) construction-related projects. Of significance, exploration activities in oil and gas industries and major projects such as the electrified double-tracking between Ipoh-Padang Besar, the East Coast Expressway Phase 2 (LPT2) Jabur – Kuala Terengganu, My Rapid Transit (MRT) and the River of Life are expected to drive the growth of the civil engineering sub-sector. The non-residential sub-sector is expected to expand spurred by the industrial building segment and the commencement of construction of the Tun Razak Exchange. The residential sub-sector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

Strong construction activities with continued expansion in the housing sector and civil engineering activities will augur well for the iron and steel as well as concrete and cement segments.

(Source: Bank Negara Malaysia, Quarterly Bulletin, Second Quarter 2013; Economic Report 2012/013)

6.3 Prospects of the enlarged Narra Group

As stated in Section 5.2 of this announcement, the Proposed Acquisitions will allow the Narra Group to diversify its business into the concrete and cement-related industry, and provide it with an immediate stream of revenue and earnings.

Malaysia's economy is expected to continue its growth trend on the back of the expected roll-out of more infrastructure investments by the private and public sectors.

Premised on the above, the prospects of the concrete and cement-related business are expected to be optimistic going forward and, subject to the completion of the Proposed Acquisitions, the business would contribute positively to the Narra Group.

(Source: Management of Narra)

7. RISK FACTORS

Upon completion of the Proposed Acquisitions, the enlarged Narra Group would be exposed to the inherent risks associated with the concrete and cement-related industry as well as the construction industry, in addition to the current inherent risks associated with its existing business of furniture manufacturing. Details of the inherent risks associated with the concrete and cement-related industry as well as the construction industry, which are not exhaustive, are set out below.

7.1 Cyclical nature of demand for concrete and cement-related materials in the construction industry

Demand for concrete and cement depends largely on the level of activity in the construction sector. The construction sector tends to be cyclical and depends on various factors such as the level of infrastructure spending, the level of residential and commercial construction activity, interest rates, and, more generally, the level of economic activities. The cyclicity of the construction sector together with its dependence on economic activities could have an impact on the financial performance and profitability of the target companies.

7.2 Quarries, permits and reserves

Access to raw materials necessary for operations (limestone, gypsum, aggregates and other raw materials) is essential for sustainability and profitability of the operations of the target companies. Failure to obtain, maintain or renew these land and mining rights as well as any other permits, licenses, rights and titles necessary to carry out the target companies' operations or expropriation as a result of local legislative, regulatory or political action could have a negative impact on the results of the target companies or on the development of their activities.

7.3 Seasonality and weather

Construction activity, and thus demand for concrete and cement-related materials is susceptible to adverse weather conditions. Extended period of inclement weather, such as sustained rainfall, storm and flood, impacts construction activity and has a negative effect on the demand for concrete and cement-related materials.

7.4 Competition

Competition is strong in the markets in which the target companies operate. Competition, whether from established market participants or new entrants could cause the target companies to lose market share, increase expenditures or reduce pricing, any one of which could have a material adverse effect on business, financial condition, results of operations or prospects. This risk is, however, partially compensated by certain characteristics of the concrete and cement industry, which include capital intensiveness of the cement industry, posing as a significant barrier to entry; regulatory constraints for obtaining licenses; marketing and innovative actions in developing new products, services and solutions as differentiating factors.

With the coming into force of the Competition Act 2010 and the Malaysian Competition Commission putting the cement industry on its watchlist, the conduct of cement industry players in dealing with their suppliers, distributors, customers and competitors may result in potential exposure under competition law.

7.5 Dependence on Directors and Key Management

The success of the target companies relies on the combined efforts of their existing Directors and key management, who play an extensive role in contributing to the growth of the business performance of the target companies. Any loss of their Directors and key management team could have an unfavourable and material impact on the business operations and future prospects of the target companies.

7.6 Non-completion of the Proposed Acquisitions

The completion of the Proposed Acquisitions is conditional upon the conditions precedent being satisfied and/or waived (as the case may be) in accordance with the provisions of the shares sale agreements. There can be no assurance that all such conditions precedent will be satisfied. Notwithstanding this, Narra 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 Acquisitions in a timely manner.

8. FINANCIAL EFFECTS

8.1 The Proposed Increase in Authorised Share Capital will not have any effect on the issued and paid-up share capital, substantial shareholders' shareholdings, NA, gearing and earnings of Narra.

8.2 Issued and paid-up share capital

The proforma effects of the Proposed Capital Reduction, Proposed Share Consolidation and Proposed Acquisitions on the issued and paid-up share capital of Narra are as follows:

	No. of Narra Shares	Par value RM	Share capital RM
Existing as at 30 August 2013	62,187,600	1.00	62,187,600
Reduction of share capital pursuant to the Proposed Capital Reduction	-	(0.50)	31,093,800
Share capital after the Proposed Capital Reduction	62,187,600	0.50	31,093,800
After the Proposed Share Consolidation	31,093,800	1.00	31,093,800
To be issued pursuant to the Proposed Acquisitions	448,000,000	1.00	448,000,000
Enlarged issued and paid-up share capital	479,093,800	1.00	479,093,800

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8.3 Substantial shareholders' shareholding

The proforma effects of the Proposed Capital Reduction, Proposed Share Consolidation, Proposed Acquisitions and the Proposed HLI Capital Distribution on the shareholdings of the substantial shareholders in Narra are as follows:

	Existing as at 30 August 2013				(I) After Proposed Capital Reduction and Proposed Share Consolidation				(II) After (I) and Proposed Acquisitions				(III) After (II) and Proposed HLI Capital Distribution			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
HLMG	38,304	61.59	-	-	19,152	61.59	-	-	119,152	24.87	##348,000	72.64	376,426	78.57	##2,969	0.62
HLI	-	-	-	-	-	-	-	-	348,000	72.64	-	-	2,969	0.62	-	-
HLCM	-	-	^38,304	61.59	-	-	^19,152	61.59	-	-	^467,152	97.51	-	-	^382,245	79.79
YBhg Tan Sri Quek Leng Chan	8,150	13.11	*38,314	61.61	4,075	13.11	*19,157	61.61	4,075	0.85	*467,157	97.51	4,075	0.85	**387,954	80.98
HL Holdings Sdn Bhd	-	-	#38,304	61.59	-	-	#19,152	61.59	-	-	#467,152	97.51	-	-	#382,245	79.79
Hong Realty (Private) Limited	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Hong Leong Investment Holdings Pte Ltd	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Kwek Holdings Pte Ltd	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Kwek Leng Beng	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Kwek Leng Kee	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Davos Investment Holdings Private Limited	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24
Quek Leng Chye	-	-	*38,314	61.61	-	-	*19,157	61.61	-	-	*467,157	97.51	-	-	*384,431	80.24

Notes:

^ Held through HLMG.

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

Held through HLCM.

Held through HLI.

^^ Held through subsidiaries.

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

8.4 NA and gearing

For illustration purposes, based on the latest audited consolidated statement of financial position of Narra as at 30 June 2013 and on the assumption that the Proposed Capital Reduction, Proposed Share Consolidation and Proposed Acquisitions had been effected on that date, the proforma effects of the Proposed Capital Reduction, Proposed Share Consolidation and Proposed Acquisitions on the audited consolidated NA and gearing of Narra are as follows:

	Audited as at 30 June 2013	(I) After the Proposed Capital Reduction and Proposed Share Consolidation	(II) After (I) and the Proposed Acquisitions
	RM'000	RM'000	RM'000
Share capital	62,188	31,094	479,094
Other reserves	1	1	1
Accumulated losses	(38,659)	(7,565)	⁽¹⁾ (150,805)
NA	23,530	23,530	328,290
No. of shares in issue ('000)	62,188	31,094	479,094
NA per share (RM)	0.38	0.76	0.69
Total borrowings	-	-	⁽²⁾ 378,665
Gearing ratio (times)	-	-	1.15

Notes:

- (1) *The accumulated losses are arrived at after taking into account RM141.2 million adjusted directly to the equity which represents the difference between the purchase consideration and the net assets of the target companies to be acquired pursuant to the Proposed Acquisition; and estimated expenses of RM2.0 million in relation to the Proposals.*
- (2) *Arising from the borrowings in the target companies to be acquired pursuant to the Proposed Acquisition.*

8.5 Earnings and Earnings per Share ("EPS")

Narra had recorded an audited consolidated PAT of approximately RM73,000 for the FYE 30 June 2013 while the target companies had registered an aggregate proforma PAT of RM14.7 million based on the audited PAT of the target companies for the FYE 30 June 2013.

For illustration purposes, based on the above and assuming that the Proposals had been completed on 1 July 2012, the combined PAT of the enlarged Narra Group after the Proposals would be approximately RM14.8 million. Based on the enlarged issued and paid-up share capital after the Proposals of 479,093,800 New Narra Shares, the EPS of the Narra Group will increase from 0.12 sen to approximately 3.09 sen.

The Proposals are expected to contribute positively to the future earnings of the Narra Group.

8.6 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 Narra in the future will depend on, among others, the profitability and cash flow position of the enlarged Narra Group.

9. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSALS

9.1 The Proposals are subject to, inter-alia, the following being obtained:

- (i) approval of Bursa Securities for:
 - (a) the Proposed Share Consolidation; and
 - (b) the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisitions;
- (ii) approval of the SC for:
 - (a) the Proposed Acquisitions;
 - (b) the resultant equity structure of Narra upon completion of the Proposed Acquisitions;
 - (c) the Proposed HLI Exemption; and
 - (d) the Proposed HLMG Exemption;
- (iii) the grant of an order by the High Court of Malaya pursuant to Section 64 of the Act for the Proposed Capital Reduction;
- (iv) approval of the shareholders of Narra for the Proposals at an extraordinary general meeting ("**EGM**") to be convened;
- (v) approval of the shareholders of HLI for its corporate proposal comprising the proposed disposal of HIMSB Shares, proposed disposal of the HCement ICPS and Proposed HLI Capital Distribution at an EGM to be convened
- (vi) approval of the shareholders of HLMG for the proposed disposal of HCement Shares; and
- (vii) approvals of the members of the respective holding companies of HLMG, HLI and Narra, as may be required by Section 132E of the Act for the relevant proposals.

9.2 Inter-Conditionality of the Proposals

The Proposed Acquisition of HIMSB, the Proposed Acquisition of HCement and the Proposed Acquisition of HCement ICPS are inter-conditional upon one another.

The Proposed Acquisitions will only be implemented after the completion of the Proposed Capital Reduction and the Proposed Share Consolidation.

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

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") is above 100%.

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

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

None of the Directors and/or major shareholders of Narra and/or persons connected with them have any interest, direct or indirect, in the Proposed Increase in Authorised Share Capital.

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

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 with them, who have an interest, direct or indirect, in the Proposed Acquisitions are as follows:

	<-----As at 30 August 2013----->			
	Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%
HLMG	38,304	61.59	-	-
HLCM	-	-	^38,304	61.59
YBhg Tan Sri Quek Leng Chan	8,150	13.11	*38,314	61.61
YBhg Datuk Kwek Leng San	-	-	-	-
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.

Accordingly, YBhg Datuk Kwek Leng San has abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of Narra in respect of the Proposed Acquisitions. He will also abstain from voting in respect of his direct and indirect shareholdings, if any, in Narra on the resolutions pertaining to the Proposed Acquisitions 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 Acquisitions 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 Acquisitions at the EGM to be convened.

12. RELATED PARTY TRANSACTIONS

In view of the interests disclosed in Section 11 of this Announcement, the Proposed Acquisitions are 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.

13. ADVISER AND INDEPENDENT ADVISER

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

TA Securities Holdings Berhad 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 Acquisitions 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.

14. DIRECTORS' STATEMENT

The Board (save for YBhg Datuk Kwek Leng San who has abstained from all deliberation on the Proposed Acquisitions), having considered and deliberated on all aspects of the Proposed Acquisitions, particularly the rationale for the Proposals, the financial effects of the Proposals, the prospects of the target companies, 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 Acquisitions are in the best interest of the Company.

The Board, having considered and deliberated on all aspects of the Proposed Capital Reduction, Proposed Share Consolidation and Proposed Increase in Authorised Share Capital, is of the opinion that the Proposed Capital Reduction, Proposed Share Consolidation and Proposed Increase in Authorised Share Capital are in the best interests of the Company.

15. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Narra, after having considered all aspects of the Proposed Acquisitions, is of the view that the Proposed Acquisitions 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 purchase consideration and the indicative valuation range by BDO;
- (iii) the basis of pricing of the Consideration Shares;
- (iv) the rationale for the Proposed Acquisitions; and
- (v) the prospects of the industry in which the target companies operate.

16. APPLICATIONS TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

The applications to the relevant authorities in relation to the Proposals is expected to be submitted within a period of 3 months from the date of this announcement.

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.

17. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the HCement SSA, ICPS SSA and HIMSB 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

Notes:

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 have 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 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 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	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 HIMSB as at 30 June 2013 have 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 business of HIMSB 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 portion of the HCement ICPS is 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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SALIENT TERMS OF THE HCEMENT ICPS

The principal terms of the HCement ICPS are set out below:

Par Value	: RM1.00 per ICPS.
Issue size	: 175 million ICPS.
Issue price	: At par value of RM1.00 per ICPS.
Form and denomination	: The ICPS will be issued in registered form and in multiples of RM1.00 each.
Ranking	: The ICPS shall rank in priority to all ordinary and other preference shares of HCement. The ICPS are unsecured and shall rank pari passu amongst themselves in all respects and without discrimination or preference.
Redemption	: The ICPS are not redeemable.
Tenure/ Maturity Date	: The ICPS shall mature on the 6 th anniversary date of the date of issuance of the first tranche of the ICPS on 30 March 2011*.
Dividend rate	: Annual non-cumulative preferential dividend rate of 2% per annum calculated based on the Par Value.
Conversion Price	: The conversion price is fixed at RM1.00 per ordinary share for every ICPS held as at the date of conversion.
Conversion rights	: The ICPS holder shall only be entitled to convert the ICPS after the expiry of the Maturity Date at the Conversion Price into new ordinary shares of RM1.00 each in HCement.
Voting rights	: The ICPS shall carry no right to receive notice of or attend or to vote at any general meeting of HCement, save and except for any proposal to reduce the capital of HCement, to dispose of the whole of HCement's property, business and undertaking, voluntary liquidation of HCement or any proposal which varies the rights attached to the ICPS.
Transferability of ICPS	: The ICPS shall not be sold, transferred, assigned, pledged or otherwise disposed of without the prior written consent of HLMG, save and except for any transfer to a related corporation (as defined in Section 6 of the Act) of HLI.
Transferability of ordinary shares of HCement	: For as long as any ICPS remains unconverted, the ordinary shares in the capital of HCement shall not be sold, transferred, assigned, pledged or otherwise disposed of without the written consent of HLI, save and except for any transfer to a related corporation (as defined in Section 6 of the Act) of HLMG.
Listing	: The ICPS will not be listed on Bursa Securities or any other stock exchange.
Ranking of the new HCement Shares	: The new HCement Shares to be issued upon conversion of the ICPS shall upon allotment and issue, rank pari passu with all the existing HCement Shares.

- Priority on liquidation and on return on capital : In the event of a liquidation of HCement, the holders of the ICPS shall rank in priority to all holders of redeemable preference shares of RM100.00 each in HCement (“**HCement RPS**”) and HCement Shares on return on capital. The Articles of Association of HCement do not provide for priority in any other situation involving a return on capital.
- Participation in surplus assets and profits : Any surplus assets after the distribution of the return on capital attributable to the holders of the ICPS, HCement RPS and ordinary shares shall be applied on a pari passu basis and shall be paid to the holders pro rata to the amount of capital credited as paid-up in respect of ICPS, HCement RPS and ordinary shares held by each holder.
- Adjustment of Conversion Price : The Conversion Price shall, where applicable, be adjusted by HCement upon consultation with its advisers (auditors or merchant banks) in the event of any change in the share capital structure of HCement which would have the effect of diluting the interest of the holders of the ICPS upon conversion.
- Governing law : Malaysian Law.

Note:

- * *By way of clarification, after the Maturity Date, the ICPS will be compulsorily converted unless mutually agreed otherwise by HCement and the ICPS holder.*

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1. DIRECTORS OF HLMG

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

	Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%
Directors				
YBhg Tan Sri Quek Leng Chan	-	-	*700,000	100.00
YBhg Datuk Kwek Leng San	-	-	-	-
Mr Tang Hong Cheong	-	-	-	-

Note:

* Held through HLCLM.

2. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF HLI

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

	Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%
Directors				
YBhg Datuk Kwek Leng San	2,520	0.79	-	-
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	-	-	-	-
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	17.6	0.01	-	-
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	-	-	-	-
Mr Chuah Chuan Thye	-	-	^2,298	0.72
Dr Zaha Rina binti Zahari	-	-	-	-
Substantial shareholders				
HLMG	238,217	74.57	-	-
HLCLM	-	-	^240,855	75.39
YBhg Tan Sri Quek Leng Chan	-	-	*246,137	77.04
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 HLCLM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.

^ Held through subsidiaries.

Held through HLCLM.

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

^^ Held through companies in which Mr Chuah Chuan Thye has interests.