



annual report **2011**

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Form of Proxy

# Company Profile



**Narra Industries Berhad (“Narra”)** is principally an investment holding company whilst its subsidiaries are engaged in the design, manufacture and supply of furniture, and interior design fit-out works.

**Narra** is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

# Corporate Information

## DIRECTORS

**YBhg Tan Sri Quek Leng Chan**

*Executive Chairman*

**YBhg Datuk Kwek Leng San**

*Managing Director*

**Tuan Syed Zaid bin Syed Jaffar Albar**

**YBhg Dato' Rosman bin Abdullah**

**Mr Terence Lee Chai Koon**

## COMPANY SECRETARY

Ms Joanne Leong Wei Yin

## AUDITORS

KPMG

Level 10, KPMG Tower

8, First Avenue

Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

Tel : 03-7721 3388

Fax : 03-7721 3399

## REGISTRAR

Hong Leong Share Registration Services Sdn Bhd

Level 5, Wisma Hong Leong

18 Jalan Perak

50450 Kuala Lumpur

Tel : 03-2164 1818

Fax : 03-2164 3703

## REGISTERED OFFICE

Level 9, Wisma Hong Leong

18 Jalan Perak

50450 Kuala Lumpur

Tel : 03-2164 2631

Fax : 03-2164 2514

## COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company,  
incorporated and domiciled in Malaysia

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Thirty-first Annual General Meeting of Narra Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 18 October 2011 at 11.15 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2011.
2. To approve the payment of Director fees of RM210,000 for the financial year ended 30 June 2011 (2010: RM170,000), to be divided amongst the Directors in such manner as the Directors may determine. (Resolution 1)
3. To re-elect the following retiring Directors:
  - (a) YBhg Dato' Rosman bin Abdullah (Resolution 2)
  - (b) Mr Terence Lee Chai Koon. (Resolution 3)
4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

## SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:

### 5. Authority To Directors To Issue Shares

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 5)

### 6. Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 26 September 2011 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that:

- (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
- (ii) such approval shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
 whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 6)

### 7. Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Investment Holdings Pte. Ltd. ("HLIH") And Persons Connected With HLIH

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 26 September 2011 with HLIH and persons connected with HLIH ("HLIH Group") provided that:

## Notice of Annual General Meeting (cont'd)

- (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
- (ii) such approval shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
 whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 7)

8. To consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin  
Company Secretary

Kuala Lumpur  
26 September 2011

### Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time of the meeting or adjourned meeting.

### Explanatory Notes On Special Business

1. Authority To Directors To Issue Shares

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 20 October 2010 and which will lapse at the conclusion of the Thirty-first Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of, *inter alia*, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Shareholders' Mandate")

The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of the Narra Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 26 September 2011 which is despatched together with the Company's Annual Report.

## Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the Thirty-first Annual General Meeting of the Company.

## Directors' Profile

### YBHG TAN SRI QUEK LENG CHAN

*Executive Chairman/Non-Independent*

Tan Sri Quek Leng Chan, aged 68, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Executive Chairman of Narra Industries Berhad ("Narra") and was appointed to the Board of Directors ("Board") of Narra on 22 March 1996. He does not sit on any committee of Narra.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCM"), a public company, Executive Chairman of Hong Leong Industries Berhad ("HLI") and GuocoLand (Malaysia) Berhad, Chairman of Hong Leong Financial Group Berhad, Hong Leong Bank Berhad ("HLB"), Hong Leong Capital Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Chairman of Hong Leong Assurance Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Foundation ("HLF"), and a member of the Board of Trustees of The Community Chest, all public companies.

### YBHG DATUK KWEK LENG SAN

*Managing Director/Non-Independent*

Datuk Kwek Leng San, aged 56, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Narra on 1 July 2001 before assuming his present position as the Managing Director on 1 March 2003. He does not sit on any committee of Narra.

He is the Executive Chairman of Malaysian Pacific Industries Berhad ("MPI"), President & Chief Executive Officer of HLI, Chairman of Southern Steel Berhad and a Director of HLB, companies listed on the Main Market of Bursa Securities. He is also a Director of HLCM, Hong Leong Marketing Co Berhad and HLF, all public companies.

### SYED ZAID BIN SYED JAFFAR ALBAR

*Non-Executive Director/Independent*

Syed Zaid bin Syed Jaffar Albar, aged 57, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Law in the United Kingdom and qualified as a Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 26 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

Syed Zaid was appointed to the Board of Narra on 18 September 1995 and is presently the Chairman of the Board Audit & Risk Management Committee of Narra.

He is also a Director of MPI, Malaysia Building Society Berhad and Kencana Petroleum Berhad, companies listed on the Main Market of Bursa Securities, and a Director of Motorsports Commission of Malaysia Bhd and Motorsports Association of Malaysia Bhd, both public companies.

## Directors' Profile (cont'd)

### YBHG DATO' ROSMAN BIN ABDULLAH

*Non-Executive Director/Independent*

Dato' Rosman bin Abdullah, aged 44, a Malaysian, is a chartered member of the Malaysian Institute of Accountants and a member of the Australian Society of Certified Practising Accountants. He holds a Bachelor of Commerce (Accounting) degree from the Australian National University and had attended the Advanced Management Programme at the Oxford University.

Currently, he is the Chief Executive Officer of Syarikat Air Negeri Sembilan Sdn Bhd. He is also serving as a Non-Independent Non-Executive Director of Cuscapi Berhad and KUB Malaysia Berhad and as an Independent Non-Executive Director of Kumpulan Fima Berhad, companies listed on the Main Market of Bursa Securities.

Previously, he was with Arthur Andersen & Co., Malaysia Airport Holdings Berhad and PECD Berhad.

Dato' Rosman was appointed to the Board of Narra on 3 February 2006. He is a member of the Board Audit & Risk Management Committee of Narra.

### MR TERENCE LEE CHAI KOON

*Non-Executive Director/Non-Independent*

Mr Terence Lee, aged 53, a Malaysian, is a member of the Chartered Institute of Marketing, United Kingdom. He holds a diploma in Marketing from the Chartered Institute of Marketing, United Kingdom and another from Australia Council of Marketing. He has more than 20 years of extensive experience in the manufacturing of wood-based panels.

Mr Terence Lee joined the Hong Leong Group in 1993 as Export Manager of Guotrade (Malaysia) Sdn Bhd. He was appointed as the General Manager of Hume Fibreboard Sdn Bhd in 1996, a position he held until 2008. Currently, he is the Executive Director of Hume Furniture Industries Sdn Bhd, a subsidiary of Narra.

Mr Terence Lee was appointed to the Board of Narra on 1 December 2008. He is a member of the Board Audit & Risk Management Committee of Narra.

#### Notes

**1. Family Relationship with Director and/or Major Shareholder**

*YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye, a major shareholder of Narra, are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of Narra.*

**2. Conflict of Interest**

*None of the Directors has any conflict of interest with Narra.*

**3. Conviction of Offences**

*None of the Directors has been convicted of any offences within the past 10 years.*

**4. Attendance of Directors**

*Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance and Internal Control in the Annual Report.*

# Chairman's Statement



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2011.

## OPERATING ENVIRONMENT

The furniture manufacturing industry for the export market remains competitive and challenging as demand for household furniture stay soft due to uncertainties over economic recovery. The continued appreciation of the Ringgit Malaysia against the US Dollar has also affected our earnings.

## FINANCIAL REVIEW

For the year under review, the Group recorded lower revenue of RM32.3 million as compared with RM48.4 million recorded in the previous financial year ended 30 June 2010. The Group recorded a loss before taxation of RM3.6 million for the year under review which was mainly due to lower revenue and changes in sales mix.

## BUSINESS REVIEW

Our continuous efforts in promoting products and services to the hospitality and commercial markets which include interior fit-out contracting works in Malaysia and abroad have begun to bear fruit with increase in orders and contracts from these market segments.

In addition, we continue to develop and produce new furniture programmes to cater for the fast changing and competitive export market. Our juvenile furniture which was developed and launched during the year under review has been well received by our customers and we will continue to expand this new segment.

## FUTURE AND PROSPECTS

Although it is difficult to predict how the overall economy will perform, barring unforeseen circumstances, the Board expects the Group's performance to be able to turnaround in the financial year ending 30 June 2012.

## DIVIDEND

The Board does not recommend any dividend for the financial year ended 30 June 2011.

## APPRECIATION

On behalf of the Board, I would like to express my appreciation to the management team and all the employees for their dedication and commitment to the Group.

I would also like to extend my appreciation to our shareholders and business partners for their continued support and confidence in the Group.

**QUEK LENG CHAN**  
Chairman

# Corporate Social Responsibility

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was already well on its journey. Corporate Social Responsibility (CSR) for the Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, our customers, our employees and our stakeholders.



## ECONOMIC SUSTAINABILITY

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports, contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services in a global market that is increasingly becoming even more aggressive and competitive.

## Corporate Social Responsibility (cont'd)

### SOCIAL SUSTAINABILITY

#### Employee Development and Welfare

The Group has initiated structured development programmes to help develop leadership skills, technical and soft skills amongst different groups of employees.

The Group's Graduate Development Programme aims to identify and develop young graduates from various disciplines like engineering, research & development, sales & marketing, finance, human resource and information technology into talents to support the growth of the Group. Such programme entails classroom training, on-the-job familiarisation, projects or learning assignments as well as mentoring.

For the executives and non-executives, various in-house and external programmes are conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce.

The Group has also embarked on a Quality and Productivity Programme ("QPP") since 1991, with the aim of inculcating a continuous improvement culture amongst the workforce in the Group. Employees at various levels are trained in using the QPP Curriculum for their development and application at their workplace.



#### Diversity and Inclusion

The Group develops talent regardless of race, gender or religious belief. Employee advancement is based on merit and we believe that it is this variety of persuasions and cultures that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family and social initiatives. In this regard, various initiatives such as sports activities, social events and family day outings were carried out with the full support and commitment of the employees throughout the financial year.

#### Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Safety and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

In addition, we conduct regular occupational safety and awareness programmes for our employees.



## Corporate Social Responsibility (cont'd)

### SOCIAL SUSTAINABILITY (cont'd)

#### Environmental Preservation (cont'd)

Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change, was observed by the Group. Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world have adopted the event which is held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.



### COMMUNITY INVESTMENT

The Group conducts most of its philanthropic activities through Hong Leong Foundation ("Foundation"), the charitable arm of the Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by contributions from Group companies and the focus is on education and community welfare as its key thrusts.



#### Scholarship

The Foundation's Scholarship Programme benefits academically outstanding Malaysian students from low-income families and students with disabilities. The Foundation believes that providing scholarships is about providing opportunities – giving students the chance to have the higher education necessary to break the cycle of poverty.

Over RM2 million is allocated each year for diploma and undergraduate studies at local universities and selected institutions of higher learning within Malaysia. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

A separate fund has also been set aside for scholarship grants to deserving children of Group employees.

Both grants for the public and Group employees' children are unconditional - they do not carry any repayment requirement nor are the recipients bonded to work for the Group upon graduation.

## Corporate Social Responsibility (cont'd)

### COMMUNITY INVESTMENT (cont'd)

#### After School Care Programme

In a competitive and fast-paced society, latchkey children from under-served areas can get left behind academically. The After School Care Programme with the cooperation of several participating schools, caters to this group of children. The programme provides homework, tutoring, revision guidance and a hot meal.

The Foundation currently has such projects in Selangor, Negeri Sembilan, Johor and Sabah.



#### School Building Fund

To enhance existing facilities for a better learning environment, the Foundation has made donations to various academic and vocational training institutions nationwide.



## Corporate Social Responsibility (cont'd)

### COMMUNITY INVESTMENT (cont'd)

#### Community Welfare

Under the Foundation's Community Welfare Programme, contributions in cash and in-kind are distributed to charities nationwide.

For this financial year, contributions amounting to about RM2 million were made, amongst others, to Pertubuhan Keluarga Orang Orang Bermasalah Pembelajaran Wilayah Persekutuan dan Selangor, Perak Association for Intellectually Disabled, Vinashini Home Seremban, Women's Aid Organisation, Home For the Aged (CWS) Simee and Sabah Cheshire Home.



#### COMMUNITY PARTNER PROGRAMME

Our Community Partner Programme is based on the dual ideals of capacity building and empowerment. We work with a partner for a period of three years with an exit strategy. The aim of this programme is to provide holistic support from a wide range of issues from Human Resource to media to funding sustainability. At present, the Foundation works with its community partner, Science Of Life 24/7.



#### Small Enterprise Programme

The people behind the Group are core entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community.

This year, our Small Enterprise Programme supported Silent Teddies Bakery, a bakery project initiated by the Community Service Center for the Deaf. We have in the past supported United Voice's Art Gallery, a charity that works with people with learning disabilities, Good Shepherd Bakery, a charity that offers a half way home for gender based violence, micro finance for the single mothers of Chow Kit through Yayasan Nur Salam and people living with HIV with the Malaysian Aids Council.

*This Statement on Corporate Social Responsibility is made in accordance with the resolution of the Board of Directors.*

# Corporate Governance and Internal Control

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

~ Finance Committee on Corporate Governance

The Board of Directors has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

## A. DIRECTORS

### I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

### II Board Balance

The Board of Directors comprises five (5) directors, three (3) of whom are non-executive. Of the non-executive directors, two (2) of whom are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Executive Chairman leads the Board and is responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas and strategic developments.

The Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for operating companies, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholder wealth.

The Board has identified the Company Secretary of the Company to whom concerns may be conveyed, who would bring the same to the attention of the Board.

### III Board Meetings

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions.

## Corporate Governance and Internal Control (cont'd)

### A. DIRECTORS (cont'd)

#### III Board Meetings (cont'd)

The Board met four (4) times during the financial year ended 30 June 2011. Details of attendance of each director are as follows:

Directors	Attendance
YBhg Tan Sri Quek Leng Chan	4/4
YBhg Datuk Kwek Leng San	4/4
Tuan Syed Zaid bin Syed Jaffar Albar	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Terence Lee Chai Koon	4/4

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

#### IV Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Executive Chairman of the Company.

#### V Appointments To The Board

Given the current size of the Board, the Board is of the view that it is not necessary for the Company to establish a Nominating Committee for the time being and the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board. A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committee and the contribution and performance of each individual director and Board committee member, including the Executive Chairman and Managing Director.

Having reviewed the assessments in respect of the financial year ended 30 June 2011, the Board is satisfied that the Board and Board committee have continued to operate effectively in discharging their duties and responsibilities. The directors and Board committee members have also fulfilled their responsibilities as members of the Board and Board committee and are suitably qualified to hold their positions.

#### VI Re-election

All directors are required to submit themselves for re-election every three (3) years.

#### VII Training And Education

All directors of the Company have completed the Mandatory Accreditation Programme.

As part of the training programme for its Directors, the Company has prepared for the use of its Directors, the Director Manual, and regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

## Corporate Governance and Internal Control (cont'd)

### A. DIRECTORS (cont'd)

#### VII Training And Education (cont'd)

The Director Manual which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Group.

During the financial year ended 30 June 2011, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

The directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the financial year ended 30 June 2011, the directors of the Company, including members of the Board Audit & Risk Management Committee, attended the following training programmes, seminars, briefings and/or workshops:

- Corporate Governance - The Holistic Board
- The Board's Responsibility for Corporate Culture - Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance
- Yayasan 1 Malaysia Seminar
- Asean 100 Leadership Forum 2010
- Understanding Related Party And Conflict Of Interest Transactions Reporting Compliance
- Statutory Derivative Action In Malaysia
- MCG Updates On Regulatory Frameworks & Directors' Duties 2010
- Water Forum Conference 2011
- Assessing The Risk & Control Environment
- Seminar Pemantapan Professionalisma.

### B. DIRECTORS' REMUNERATION

#### I Level and Make-up of Remuneration

The Company does not have a Remuneration Committee. The Board is of the view that it is not necessary for the Company to establish a Remuneration Committee for the time being given the current size of the Board. The Board as a whole functions as the Remuneration Committee.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

#### II Procedure

The remuneration packages of executive directors are reviewed by the entire Board, with the presence of a majority of non-executive directors. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The Board, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

## Corporate Governance and Internal Control (cont'd)

### B. DIRECTORS' REMUNERATION (cont'd)

#### II Procedure (cont'd)

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

#### III Disclosure

The aggregate remuneration of directors for the financial year ended 30 June 2011 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	90,000	-	90,000
Non-Executive Directors	120,000	65,000	185,000

The number of directors whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	2	-
50,001 and 100,000	-	3

### C. SHAREHOLDERS

#### I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

The Company has a website at <http://www.narra.com.my> which the shareholders can access for information which includes corporate information, announcements, financial information, products information and investor relations.

In addition, the Chief Financial Officer could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the following person:

Name : Mr Chan Chee Keong  
 Tel No : 03-2164 2631  
 Fax No : 03-2715 4808  
 E-mail Address : IRelations@narra.com.my

#### II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

## Corporate Governance and Internal Control (cont'd)

### D. ACCOUNTABILITY AND AUDIT

The Board Audit & Risk Management Committee ("the Committee") was established on 20 October 1997. The financial reporting and internal control system of the Group is overseen by the Committee, which comprises all non-executive directors with a majority independent. The primary responsibilities of the Committee are set out in the Board Audit & Risk Management Committee Report.

The Committee met four (4) times during the financial year ended 30 June 2011. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 21 of the Annual Report. The head of finance, head of internal audit, risk manager, managing director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

The Committee is supported by the Internal Audit Department which principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the Committee and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Committee meetings where appropriate actions will be taken.

#### I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Committee which assesses the financial statements with the assistance of the external auditors.

#### II Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

#### III Relationship with Auditors

The appointment of external auditors is recommended by the Committee which determines the remuneration of the external auditors. The external auditors meet with the Committee members to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

At least twice a year, the Committee will have a separate session with the external auditors without the presence of the executive directors and management.

## Corporate Governance and Internal Control (cont'd)

### E. STATEMENT ON INTERNAL CONTROL

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has put in place a risk management framework for the Group to assist it in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures to manage these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the Committee with the responsibility to oversee the implementation of the risk management framework of the Group.

The Board, in concurrence with the Committee, has appointed a Risk Manager to administer the risk management framework. The Risk Manager is responsible to:

- periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework;
- assess adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- periodically report to the Committee on the state of internal controls and the management of risks throughout the Group.

The Committee, assisted by the Internal Audit Department, provides oversight on the implementation of the risk management framework of the Group.

These on-going processes have been in place for the year under review, and reviewed periodically by the Committee.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

### F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2011, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

*This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.*

# Board Audit & Risk Management Committee Report

## CONSTITUTION

The Board Audit & Risk Management Committee (the "Committee") of Narra Industries Berhad ("Narra" or "the Company") has been established since 20 October 1997.

## COMPOSITION

**Tuan Syed Zaid bin Syed Jaffar Albar**

*Chairman, Independent Non-Executive Director*

**YBhg Dato' Rosman bin Abdullah**

*Independent Non-Executive Director*

**Mr Terence Lee Chai Koon**

*Non-Independent Non-Executive Director*

## SECRETARY

The Secretary to the Committee is Ms Joanne Leong Wei Yin who is the Company Secretary of Narra.

## TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the officers of Narra and its subsidiaries to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

## Board Audit & Risk Management Committee Report (cont'd)

### AUTHORITY

The Committee is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

### MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, risk manager, Managing Director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

At least twice a year, the Committee will have a separate session with the external auditors without the presence of executive directors and management.

Two (2) independent and non-executive members of the Committee shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

### ACTIVITIES

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2011, four (4) Committee meetings were held and attendance of the Committee members are as follows:

Members	Attendance
Tuan Syed Zaid bin Syed Jaffar Albar	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Terence Lee Chai Koon	4/4

The Committee had two (2) separate sessions with the external auditors without the presence of executive directors and management.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

## Board Audit & Risk Management Committee Report (cont'd)

### ACTIVITIES (cont'd)

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The Committee reviewed various related party transactions carried out by the Group.

### Internal Audit

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for the financial year ended 30 June 2011 amounted to RM975,071.

The IA Department reports to the Committee of Narra. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of Narra in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. This is accomplished by the periodic assessment and internal audits conducted to ensure compliance with systems and standard operating procedures of the Group.

Audit plans developed by the IA Department are submitted to the Committee for review and agreement. Internal audits are implemented as agreed. The resulting salient control concerns raised are reviewed and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis.

*This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.*

# Financial Statements



## Narra Industries Berhad (62227-X)

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# Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Loss attributable to owners of the Company	2,419	5,318

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

## DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2011.

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

YBhg Tan Sri Quek Leng Chan (Executive Chairman)  
 YBhg Datuk Kwek Leng San (Managing Director)  
 Tuan Syed Zaid bin Syed Jaffar Albar  
 YBhg Dato' Rosman bin Abdullah  
 Mr Terence Lee Chai Koon

In accordance with Article 115 of the Company's Articles of Association, Mr Terence Lee Chai Koon and YBhg Dato' Rosman bin Abdullah retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## Directors' Report (cont'd)

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2011 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		At 1.7.2010	Acquired	Sold	At 30.6.2011
<i>Shareholdings in which Directors have direct interests</i>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Guoco Group Limited	US\$0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	∞	10,000,000	3,333,333~	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	US\$0.20	735,000	-	-	735,000
<b>Interests of YBhg Datuk Kwek Leng San in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	1,260,000~	1,260,000®	2,520,000
Malaysian Pacific Industries Berhad	0.50	315,000	945,000+	-	1,260,000
Hong Leong Capital Berhad (formerly known as HLG Capital Berhad)	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
<b>Interest of Tuan Syed Zaid bin Syed Jaffar Albar in:</b>					
Hong Leong Financial Group Berhad	1.00	38,151	-	-	38,151
<b>Interest of Mr Terence Lee Chai Koon in:</b>					
GuocoLeisure Limited	US\$0.20	68,250	-	-	68,250
<i>Shareholdings in which a Director has indirect interests</i>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Hong Leong Company (Malaysia) Berhad	1.00	13,019,100	50,000	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	300,000@@↔	-	824,737,300@@
	-	2,125,000*@@	-	300,000*@@↔	1,825,000*@@
Hong Leong Bank Berhad	1.00	967,739,600	603,200	126,700	968,216,100
Hong Leong MSIG Takaful Berhad (formerly known as Hong Leong Tokio Marine Takaful Berhad)	1.00	65,000,000	35,000,000	35,000,000	65,000,000
Hong Leong Assurance Berhad	1.00	200,000,000	-	60,000,000	140,000,000€
Hong Leong Industries Berhad	0.50	198,269,837@@	170,935,068@@♀	123,068,302@@®	246,136,603@@
Hong Leong Yamaha Motor Sdn. Bhd.	1.00	17,352,872	-	-	17,352,872
	1.00	-	6,941##	-	6,941##

## Directors' Report (cont'd)

### DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		At 1.7.2010	Acquired	Sold	At 30.6.2011
<i>Shareholdings in which a Director has indirect interests</i>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Guocera Tile Industries (Meru) Sdn. Bhd.	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn. Bhd. (In Members' Voluntary Liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn. Bhd.	1.00	6,545,001	-	-	6,545,001
Varinet Sdn. Bhd. (In Members' Voluntary Liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn. Bhd.	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	◆	-	5,286,500	-	5,286,500
Malaysian Pacific Industries Berhad	0.50	133,601,009	92,301,226+@@	23,400	110,245,457@@
			4,168,925Ø	119,802,303κ	
Carter Realty Sdn. Bhd.	1.00	7	-	-	7
Carsem (M) Sdn. Bhd.	1.00	84,000,000	-	-	84,000,000
	100.00	22,400##	-	-	22,400##
Hong Leong Capital Berhad (formerly known as HLG Capital Berhad)	1.00	195,263,227	-	-	195,263,227
Guoco Group Limited	US\$0.50	235,798,529	-	-	235,798,529
GuocoLand Limited	∞	614,133,274@@	205,111,089♀@@	-	819,244,363@@
	-	8,461,946*	-	94,625*	8,724,438*▲
First Garden Development Pte. Ltd.	∞	63,000,000	-	-	63,000,000
Sanctuary Land Pte. Ltd.	∞	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd. (In Members' Voluntary Liquidation)	^	150,000,000	-	-	150,000,000
GuocoLeisure Limited	US\$0.20	907,809,425	10,692,000	-	918,501,425
Shanghai Xinhaozhong Property Development Co., Ltd.	#	19,600,000	-	-	19,600,000
GuocoLand (Malaysia) Berhad	0.50	466,555,616@@	-	10,500,000@@	456,055,616
Guoman Hotel & Resort Holdings Sdn. Bhd.	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn. Bhd.	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000##	-	-	68,594,000##
Lam Soon (Hong Kong) Limited	HK\$1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HK\$100.00	9,800	-	-	9,800
M. C. Packaging Offshore Limited	HK\$0.01	812,695	-	-	812,695
Nanjing Xinhaoning Property Development Co., Ltd.	#	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd.	#	11,800,800	-	-	11,800,800
Nanjing Mahui Property Development Co., Ltd.	^	271,499,800	-	-	271,499,800
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	^	50,000,000	-	-	50,000,000
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000

## Directors' Report (cont'd)

### DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		At 1.7.2010	Acquired	Sold	At 30.6.2011
<i>Shareholdings in which a Director has indirect interests</i>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Bondway Properties Limited (In Members' Voluntary Liquidation)	GBP1.00	1,134,215 <sup>α</sup>	-	1,134,215 <sup>αψ</sup>	-
	GBP1.00	10,332 <sup>αα</sup>	-	10,332 <sup>ααψ</sup>	-
The Rank Group Plc	GBP13 <sup>β/ρ</sup>	220,225,312 <sup>▶</sup>	45,819,079 <sup>Δ</sup>	-	266,044,391
Park House Hotel Limited	GBP10 <sup>ρ</sup>	2,883,440 <sup>▶</sup>	-	-	2,883,440
Belmeth Pte. Ltd.	∞	-	40,000,000	-	40,000,000
Guston Pte. Ltd.	∞	-	8,000,000	-	8,000,000
Perfect Eagle Pte. Ltd.	∞	1	23,999,999	-	24,000,000 <sup>€</sup>

Legend:

- ^ Capital Contribution in RMB
- # Capital Contribution in US\$
- Ω Capital Contribution in HK\$
- ∞ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- ## Redeemable Preference Shares
- @@ Inclusive of shares held pursuant to Section 134(12)(c) of the Companies Act, 1965
- Δ Acceptances received for shares in respect of mandatory cash offer
- α Ordinary – Voting shares
- αα Ordinary – Non voting shares
- ◇ Exercise of share options
- ♀ Inclusive of shares acquired from rights issue
- ◆ Capital contribution in VND
- + Entitlement to Malaysian Pacific Industries Berhad shares pursuant to capital distribution by Hong Leong Industries Berhad ("HLI") to entitled shareholders of HLI via a reduction of the share capital and cancellation of the share premium reserve of HLI
- « Capital distribution by HLI to entitled shareholders of HLI
- ® Cancellation pursuant to a reduction of share capital
- ∅ Acquired from trusts set up for an approved executive share option scheme
- ψ Dissolved during the financial year
- € Became a non-wholly owned subsidiary during the financial year
- ▲ After adjustment of the conversion price of the convertible bonds
- ▶ Shareholding as at 7 June 2011 as the corporation became a related corporation
- ~ Shares acquired from rights issue

## Directors' Report (cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for: (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests; and (b) Tuan Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between related corporations and a firm in which Tuan Syed Zaid bin Syed Jaffar Albar has interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Executive Share Option Scheme.

### EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 24 October 2005, was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 13 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

## Directors' Report (cont'd)

### ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company and the Company has not issued any debentures during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

### OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on investment in a subsidiary as disclosed in Note 5 of the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **Directors' Report (cont'd)**

### **AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board

**Datuk Kwek Leng San**

**Syed Zaid bin Syed Jaffar Albar**

Kuala Lumpur  
17 August 2011

# Statements of Financial Position

as at 30 June 2011

	Note	Group			Company	
		30.6.2011 RM'000	30.6.2010 RM'000 restated	1.7.2009 RM'000 restated	30.6.2011 RM'000	30.6.2010 RM'000
<b>Assets</b>						
Property, plant and equipment	4	10,299	10,920	11,547	-	-
Investment in a subsidiary	5	-	-	-	50,534	55,534
Intangible assets	6	36,428	36,428	36,428	-	-
Deferred tax assets	7	1,094	1,632	1,271	-	-
<b>Total non-current assets</b>		<b>47,821</b>	48,980	49,246	<b>50,534</b>	55,534
Inventories	8	1,603	2,119	2,798	-	-
Trade and other receivables	9	10,441	14,434	7,629	12	15
Current tax assets		2	2	48	2	2
Cash and cash equivalents	10	11,711	11,653	10,122	7,203	7,570
<b>Total current assets</b>		<b>23,757</b>	28,208	20,597	<b>7,217</b>	7,587
<b>Total assets</b>		<b>71,578</b>	77,188	69,843	<b>57,751</b>	63,121
<b>Equity attributable to owners of the Company</b>						
Share capital	11	62,188	62,188	62,188	62,188	62,188
Reserves	12	(3,188)	(826)	(5,149)	(4,817)	501
<b>Total equity</b>		<b>59,000</b>	61,362	57,039	<b>57,371</b>	62,689
<b>Liabilities</b>						
Employee benefits	13	266	242	234	-	-
Deferred tax liabilities	7	135	746	-	-	-
<b>Total non-current liabilities</b>		<b>401</b>	988	234	-	-
Trade and other payables	14	10,741	8,329	4,209	380	432
Borrowings (unsecured)	15	1,400	4,823	8,361	-	-
Current tax liabilities		36	1,686	-	-	-
<b>Total current liabilities</b>		<b>12,177</b>	14,838	12,570	<b>380</b>	432
<b>Total liabilities</b>		<b>12,578</b>	15,826	12,804	<b>380</b>	432
<b>Total equity and liabilities</b>		<b>71,578</b>	77,188	69,843	<b>57,751</b>	63,121

The notes on pages 37 to 68 are an integral part of these financial statements.

# Income Statements

for the year ended 30 June 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue</b>	16	<b>32,257</b>	48,418	<b>185</b>	(1,168)
Cost of sales		<b>(19,376)</b>	(12,334)	-	-
Contract cost		<b>(9,528)</b>	(22,519)	-	-
<b>Gross profit/(loss)</b>		<b>3,353</b>	13,565	<b>185</b>	(1,168)
Distribution expenses		<b>(607)</b>	(575)	-	-
Administration expenses		<b>(5,404)</b>	(4,752)	<b>(517)</b>	(491)
Other operating expenses		<b>(1,714)</b>	(989)	<b>(5,003)</b>	(1)
Other operating income		<b>785</b>	1,169	-	-
<b>Results from operating activities</b>		<b>(3,587)</b>	8,418	<b>(5,335)</b>	(1,660)
Finance costs		<b>(69)</b>	(241)	-	-
Finance income		<b>60</b>	106	<b>17</b>	26
<b>(Loss)/profit before tax</b>	17	<b>(3,596)</b>	8,283	<b>(5,318)</b>	(1,634)
Taxation	18	<b>1,177</b>	(3,769)	-	1,294
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<b>(2,419)</b>	4,514	<b>(5,318)</b>	(340)
Basic (loss)/ earnings per ordinary share (sen)	19	<b>(3.9)</b>	7.3		

The notes on pages 37 to 68 are an integral part of these financial statements.

# Statements of Comprehensive Income

for the year ended 30 June 2011

Note	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>(Loss)/profit for the year attributable to owners of the Company</b>	<b>(2,419)</b>	4,514	<b>(5,318)</b>	(340)
Foreign currency translation differences for foreign operations	57	(191)	-	-
<b>Total comprehensive (expense)/income for the year attributable to owners of the Company</b>	<b>(2,362)</b>	4,323	<b>(5,318)</b>	(340)

The notes on pages 37 to 68 are an integral part of these financial statements.

# Statements of Changes in Equity

for the year ended 30 June 2011

Group	Share capital RM'000	Non-distributable Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 July 2009</b>	62,188	(13)	(5,136)	57,039
Other comprehensive expense for the year - foreign currency translation difference	-	(191)	-	(191)
Profit for the year	-	-	4,514	4,514
Total comprehensive (expense)/income for the year	-	(191)	4,514	4,323
<b>At 30 June 2010/1 July 2010</b>	62,188	(204)	(622)	61,362
Other comprehensive income for the year - foreign currency translation difference	-	57	-	57
Loss for the year	-	-	(2,419)	(2,419)
Total comprehensive income/(expense) for the year	-	57	(2,419)	(2,362)
<b>At 30 June 2011</b>	<b>62,188</b>	<b>(147)</b>	<b>(3,041)</b>	<b>59,000</b>
	Note 11	Note 12	Note 12	

Company	Share capital RM'000	Distributable Retained earnings/ (accumulated losses) RM'000	Total RM'000
<b>At 1 July 2009</b>	62,188	841	63,029
Loss/total comprehensive expense for the year	-	(340)	(340)
<b>At 30 June 2010/1 July 2010</b>	62,188	501	62,689
Loss/total comprehensive expense for the year	-	(5,318)	(5,318)
<b>At 30 June 2011</b>	<b>62,188</b>	<b>(4,817)</b>	<b>57,371</b>
	Note 11	Note 12	

The notes on pages 37 to 68 are an integral part of these financial statements.

# Statements of Cash Flows

for the year ended 30 June 2011

	Group		Company	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/profit before tax	(3,596)	8,283	(5,318)	(1,634)
Adjustments for:				
Depreciation of property, plant and equipment	765	743	-	-
Dividend income - unquoted fund	(185)	(126)	(185)	(126)
Dividend (Note 16)	-	-	-	1,294
Gain on disposal of property, plant and equipment	-	(110)	-	-
Fair value loss on derivative instruments	4	-	-	-
Finance costs	69	241	-	-
Finance income	(60)	(106)	(17)	(26)
Impairment loss on investment in a subsidiary	-	-	5,000	-
Property, plant and equipment written off	2	-	-	-
Provision for retirement benefits	45	9	-	-
Unrealised (gain)/loss on foreign exchange	(79)	78	-	-
<b>Operating (loss)/profit before working capital changes</b>	<b>(3,035)</b>	<b>9,012</b>	<b>(520)</b>	<b>(492)</b>
Changes in working capital:				
Inventories	516	679	-	-
Trade and other receivables	4,072	(6,883)	3	(1)
Trade and other payables	2,408	4,120	-	4
<b>Cash generated from/(used in) operations</b>	<b>3,961</b>	<b>6,928</b>	<b>(517)</b>	<b>(489)</b>
Taxation (paid)/refund	(546)	(1,592)	-	46
Finance costs paid	(69)	(241)	-	-
Finance income received	60	106	17	26
Retirement benefits paid	(21)	(1)	-	-
Dividend income received - unquoted fund	185	126	185	126
<b>Net cash generated from/(used in) operating activities</b>	<b>3,570</b>	<b>5,326</b>	<b>(315)</b>	<b>(291)</b>

The notes on pages 37 to 68 are an integral part of these financial statements.

## Statements of Cash Flows

for the year ended 30 June 2011  
(cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	-	160	-	-
Acquisition of property, plant and equipment	(146)	(166)	-	-
Net cash used in investing activities	(146)	(6)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of borrowings	(3,423)	(3,538)	-	-
Advances to a subsidiary	-	-	(52)	(83)
Net cash used in financing activities	(3,423)	(3,538)	(52)	(83)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>1,782</b>	<b>(367)</b>	<b>(374)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>11,653</b>	<b>10,122</b>	<b>7,570</b>	<b>7,944</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>57</b>	<b>(251)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>11,711</b>	<b>11,653</b>	<b>7,203</b>	<b>7,570</b>

### Cash and cash equivalents

- (i) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks	10	7,155	7,490	7,155	7,490
Cash and bank balances	10	4,556	4,163	48	80
		<b>11,711</b>	<b>11,653</b>	<b>7,203</b>	<b>7,570</b>

The notes on pages 37 to 68 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

Narra Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the principal place of business and registered office is at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd (formerly known as Spectrum Arrangement Sdn Bhd) and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries ("the Group"). The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2011 in accordance with a resolution.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 6 for measurement of the recoverable amounts of the cash-generating units.

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

### 2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements other than those disclosed in the following notes:

- Note 2.2(a) - Accounting for business combinations
- Note 2.2(c) - Leased assets
- Note 2.2(d) - Financial instruments

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing controls, potential voting rights that presently are exercisable are taken into account.

Under acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (ii) Accounting for business combinations

Business combinations are accounted using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 July 2010 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

##### **Acquisition on or after 1 July 2010**

For acquisition on or after 1 July 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (b) Property, plant and equipment

###### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing herein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

###### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

###### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• leasehold land	Over period of lease
• buildings and improvements	Lease period or 50 years, whichever is shorter
• plant and machinery	5 - 10 years
• office equipment	5 - 10 years
• motor vehicles	5 years

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (b) Property, plant and equipment (cont'd)

##### (iii) Depreciation (cont'd)

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

##### (c) Leased assets

##### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

##### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, Leases on 1 July 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively. The impact arising from reclassification is disclosed in Note 25.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

##### (d) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 July 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 July 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 2.3.1.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (d) Financial instruments (cont'd)

###### (i) Initial recognition and measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

###### (ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

###### *Financial assets*

###### (a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

###### (b) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.2(j)(i)).

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (d) Financial instruments (cont'd)

###### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### (e) Intangible assets

###### (i) Goodwill

Goodwill arising on business combinations are measured at cost less any accumulated impairment losses.

##### (f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (g) Receivables

Prior to the adoption of FRS 139, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2.2(d).

##### (h) Amounts due from contract customers

Amounts due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Amounts due from contract customers is presented as part of receivables, deposits and prepayments in the statement of financial position.

Where progress billings exceed the aggregate amount due from contract customers plus attributable profit recognised less recognised losses, the net credit balance is shown in trade and other payables amount due to contract customers.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.2(d).

##### (j) Impairment

###### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

###### (ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contract, deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (j) Impairment (cont'd)

###### (ii) Other assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

##### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

##### (l) Employee benefits

###### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the profit or loss in the period in which the associated services are rendered by the employees.

###### (ii) Defined contribution plans

The Company and its subsidiaries made contributions to the statutory pension scheme as required by the law. Such contributions are recognised as an expense in the profit or loss as and when incurred.

###### (iii) Defined benefit plans

The Group and the Company operate an unfunded defined benefit scheme for eligible employees. The present value of the defined benefit obligation as required by FRS 119, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

###### (iv) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Narra Industries Berhad's Executive Share Option Scheme ("ESOS"). The ESOS allows the eligible executives to purchase or acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee ("ESOS Trust"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the Company's shares from the open market for the ESOS Trust ("Trust Shares").

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (l) Employee benefits (cont'd)

##### (iv) Share-based payments (cont'd)

The fair value of the share options granted to employees is recognised as an employee cost with a corresponding increase in the Share Option Reserve over the vesting period.

The fair value of the share options is measured using an option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

##### (m) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

##### (ii) Financial statements of operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

##### (o) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### (p) Revenue and other income

###### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, traded discount and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

###### (ii) Contract revenue

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

###### (iii) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

###### (iv) Interest income

Interest income is recognised as it accrues using effective interest method in profit or loss.

##### (q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (q) Borrowing costs (cont'd)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

##### (r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

##### (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

##### (t) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

##### 2.3.1 FRS Issued and Effective

###### **FRS 139, Financial Instruments: Recognition and Measurement**

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

###### Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements.

###### Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies do not have any significant impact on the financial position and results of the Group and the Company.

###### **FRS 117, Leases**

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not have any impact on the results of the Group and the Company.

###### **FRS 101, Presentation of Financial Statements (revised)**

The Group applies FRS 101 (revised) which became effective as of 1 July 2010. As a result, the Group and the Company present all non-owner changes in equity in the statements of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on the results of the Group and the Company.

##### 2.3.2 FRSs, Amendments to FRSs and Interpretations Issued but Not Yet Effective

###### **FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2011**

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Share-based Payment: Group Cash-settled Share based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

##### 2.3.2 FRSs, Amendment to FRSs and Interpretations Issued but Not Yet Effective (cont'd)

###### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011**

- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*

###### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012**

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned FRS, Amendments to FRSs and Interpretations that will be effective for annual periods beginning on or after 1 January 2011 and 1 July 2011.

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any significant financial impact to the financial statements of the Group and the Company upon their first adoption.

Those standards and interpretations that are effective from 1 January 2012 will not be adopted by the Group and Company because following the announcement by the MASB on 1 August 2008, the Group's and Company's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning 1 July 2012. The management has yet to assess the impact of the adoption of the IFRS framework on the financial position and performance of the Group and the Company.

### 3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Narra Industries Berhad are shown below:

Name of Subsidiary	Incorporation	Effective	Interest	Principal Activities
		Country of 2011 %	2010 %	
Hume Furniture Industries Sdn Bhd and its subsidiaries:	Malaysia	100	100	Design, manufacture and supply of furniture and interior design fit-out works, and investment holding
Hume Furniture (Singapore) Pte. Ltd. *	Singapore	100	100	Supply of furniture and provision of interior design fit-out works for the hospitality industry
Hume Furniture (Philippines), Inc *	Philippines	100	100	Supply of furniture and provision of interior design fit-out works for the hospitality industry

Note:

\* Companies not audited by KPMG Malaysia.

## Notes to the Financial Statements (cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM'000	Buildings and improvements RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>						
At 1 July 2009, restated	2,922	7,908	4,296	1,312	305	16,743
Additions	-	-	9	17	140	166
Disposals	(14)	-	-	-	(165)	(179)
At 30 June 2010/ 1 July 2010, restated	2,908	7,908	4,305	1,329	280	16,730
Additions	-	30	7	109	-	146
Written off	-	-	-	(4)	-	(4)
<b>At 30 June 2011</b>	<b>2,908</b>	<b>7,938</b>	<b>4,312</b>	<b>1,434</b>	<b>280</b>	<b>16,872</b>
<b>Accumulated depreciation</b>						
At 1 July 2009, restated	418	1,027	2,753	809	189	5,196
Charge for the year	69	153	366	121	34	743
Disposals	(3)	-	-	-	(126)	(129)
At 30 June 2010/ 1 July 2010, restated	484	1,180	3,119	930	97	5,810
Charge for the year	72	182	356	109	46	765
Written off	-	-	-	(2)	-	(2)
<b>At 30 June 2011</b>	<b>556</b>	<b>1,362</b>	<b>3,475</b>	<b>1,037</b>	<b>143</b>	<b>6,573</b>
<b>Carrying amounts</b>						
At 1 July 2009, restated	2,504	6,881	1,543	503	116	11,547
At 30 June 2010/ 1 July 2010, restated	2,424	6,728	1,186	399	183	10,920
<b>At 30 June 2011</b>	<b>2,352</b>	<b>6,576</b>	<b>837</b>	<b>397</b>	<b>137</b>	<b>10,299</b>

The carrying amount of land at 1 July 2009 and 30 June 2010 have been adjusted following the adoption of the amendments to FRS 117, Leases, where leasehold land, which in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

## Notes to the Financial Statements (cont'd)

### 5. INVESTMENT IN A SUBSIDIARY

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	55,534	55,534
Less: Impairment loss	(5,000)	-
	<b>50,534</b>	55,534

Details of the subsidiaries (direct and indirect) are shown in Note 3 to the financial statements.

### 6. INTANGIBLE ASSETS

	Group	
	2011 RM'000	2010 RM'000
<b>Goodwill</b>		
At 1 July/30 June	<b>36,428</b>	36,428

#### *Impairment testing for cash-generating unit containing goodwill and investment in a subsidiary*

For the purpose of impairment testing, goodwill is allocated to the group operating furniture division which represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the cash-generating units ("CGU") were based on their value in use. The recoverable amount of the unit was determined to be higher than its carrying amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit or investment and was based on the recent financial projections approved by the directors. The discount rate used is based on 10%.

The revenue and gross margins used in the projections were based on past experience and expectations of market development. The projections are made based on estimates and assumptions with regards to the dependencies on certain projects and customers which are expected to be secured or sustained in the foreseeable future. Further, the projections have also included the assumption that the level of contributions and revenues can be sustained in the future.

The recoverable amount was also used to assess the impairment of the cost of investment in a subsidiary (Note 5). As the recoverable amount is lower than the cost of investment, an impairment loss of RM5,000,000 has been recognised in profit or loss in other operating expenses.

## Notes to the Financial Statements (cont'd)

### 7. DEFERRED TAXATION

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

Group	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	-	-	(798)	(883)	(798)	(883)
Other deductible temporary differences	244	325	-	-	244	325
Unabsorbed capital allowance	303	142	-	-	303	142
Tax losses carry forwards	1,360	2,028	-	-	1,360	2,028
Investment in a foreign subsidiary	-	-	(135)	(746)	(135)	(746)
Other items	(15)	20	-	-	(15)	20
Tax assets/(liabilities)	1,892	2,515	(933)	(1,629)	959	886
Set off of tax	(798)	(883)	798	883	-	-
<b>Net tax assets/(liabilities)</b>	<b>1,094</b>	<b>1,632</b>	<b>(135)</b>	<b>(746)</b>	<b>959</b>	<b>886</b>

Deferred tax assets and liabilities are offset only when the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

### 8. INVENTORIES

	Group	
	2011 RM'000	2010 RM'000
Raw materials	1,131	1,347
Work-in-progress	414	548
Finished goods	58	224
	<b>1,603</b>	<b>2,119</b>

### 9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	9.1	9,119	10,245	-	-
Less: Allowance for impairment loss		(40)	(40)	-	-
		<b>9,079</b>	10,205	-	-
Amount due from a contract customer		-	2,315	-	-
Other receivables		342	1,396	-	3
Deposits		36	58	2	2
Prepayments		984	460	10	10
		<b>10,441</b>	14,434	<b>12</b>	15

## Notes to the Financial Statements (cont'd)

### 9. TRADE AND OTHER RECEIVABLES (cont'd)

#### Note 9.1 Trade receivables

Included in trade receivables is a retention of RM3,301,000 (2010: RM3,030,000) relating to amounts due from a contract customer. The retention is unsecured, interest-free and is expected to be collected as follows:

	Group	
	2011 RM'000	2010 RM'000
Within 1 year	3,301	246
1 - 2 years	-	2,784
	<b>3,301</b>	<b>3,030</b>

### 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits placed with licensed financial institutions	7,155	7,490	7,155	7,490
Cash and bank balances	4,556	4,163	48	80
	<b>11,711</b>	<b>11,653</b>	<b>7,203</b>	<b>7,570</b>

Included in the cash and cash equivalents are the following balances placed with a related company arising from normal business transactions:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	320	187	48	80

### 11. SHARE CAPITAL

	Group and Company			
	2011		2010	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<b>Ordinary shares of RM1.00 each</b>				
Authorised:				
At 1 July/30 June	350,000	350,000	350,000	350,000
Issued and fully paid:				
At 1 July/30 June	62,188	62,188	62,188	62,188

## Notes to the Financial Statements (cont'd)

### 11. SHARE CAPITAL (cont'd)

#### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

### 12. RESERVES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Non-distributable</b>				
Translation reserve	(147)	(204)	-	-
<b>Distributable</b>				
(Accumulated losses)/retained earnings	(3,041)	(622)	(4,817)	501
	<b>(3,188)</b>	<b>(826)</b>	<b>(4,817)</b>	<b>501</b>

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Ringgit Malaysia.

#### Distributable reserve - Company

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 30 June 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

### 13. EMPLOYEE BENEFITS

#### Retirement Benefits

	Group	
	2011 RM'000	2010 RM'000
At 1 July	242	234
Provision	45	9
Payments	(21)	(1)
<b>At 30 June</b>	<b>266</b>	<b>242</b>

#### Share based payments

The shareholders of the Company had, at its Extraordinary General Meeting held on 24 October 2005, approved the establishment of a ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company ("ESOS").

No options were granted as at 30 June 2011 in respect of the ESOS.

## Notes to the Financial Statements (cont'd)

### 14. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	5,969	2,914	-	-
Related companies - Non trade	28	41	-	-
Subsidiary - Non trade	-	-	114	166
Other payables	3,330	1,163	-	-
Derivatives	4	-	-	-
Accrued expenses	1,410	4,211	266	266
	<b>10,741</b>	<b>8,329</b>	<b>380</b>	<b>432</b>

The amount due to related companies and subsidiary are unsecured, interest free and repayable on demand.

### 15. BORROWINGS (UNSECURED)

	Group	
	2011 RM'000	2010 RM'000
Current		
Bankers' acceptances	400	1,823
Revolving credits	1,000	3,000
	<b>1,400</b>	<b>4,823</b>

The borrowings are subject to interest at rates ranging from 3.26% to 3.58% (2010: 2.56% to 3.29%) per annum.

### 16. REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sales of goods	18,609	11,228	-	-
Contract revenue	13,463	37,064	-	-
Dividend income	185	126	185	(1,168)
	<b>32,257</b>	<b>48,418</b>	<b>185</b>	<b>(1,168)</b>

Included in dividend income of the Company in the previous financial year ended 30 June 2010 ("FY2010") was a credit amount of RM1,294,000 in respect of adjustment arising from dividends received from a subsidiary in the previous years where the subsidiary has converted these taxable dividends as tax exempt dividends in FY2010.

## Notes to the Financial Statements (cont'd)

### 17. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000
<b>(Loss)/profit before tax is arrived at after charging/ (crediting):</b>				
Auditors' remuneration				
Statutory audit				
- Holding company's auditor	<b>33</b>	33	<b>20</b>	20
- Other auditors	<b>14</b>	14	-	-
Other services				
- Holding company's auditor	<b>13</b>	11	<b>11</b>	3
Depreciation of property, plant and equipment	<b>765</b>	743	-	-
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees <sup>N1</sup>	<b>90</b>	80	<b>90</b>	80
Non-Executive Directors				
- Fees	<b>120</b>	90	<b>120</b>	90
- Other emoluments	<b>65</b>	65	<b>65</b>	65
	<b>185</b>	155	<b>185</b>	155
Personnel expenses:				
- Wages, salaries and others	<b>6,219</b>	5,231	-	-
- Contribution to Employees Provident Fund	<b>441</b>	419	-	-
Impairment loss on investment in a subsidiary (Reversal of)/allowance for impairment loss on inventories	-	-	<b>5,000</b>	-
	<b>(266)</b>	740	-	-
Property, plant and equipment written off	<b>2</b>	-	-	-
Rental of premises	<b>13</b>	13	<b>13</b>	13
Loss/(gain) on foreign exchange				
- Realised	<b>90</b>	(56)	-	-
- Unrealised	<b>(79)</b>	78	-	-
Fair value loss on derivative instruments	<b>4</b>	-	-	-
Provision for retirement benefits	<b>45</b>	9	-	-
Dividend income - unquoted fund	<b>(185)</b>	(126)	<b>(185)</b>	(126)
Gain on disposal of property, plant and equipment	-	(110)	-	-

<sup>N1</sup> These fees have been assigned in favour of the company where the Directors are employed.

## Notes to the Financial Statements (cont'd)

### 18. TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Current tax expense</b>				
Malaysian - current year	27	-	-	-
- prior years	(343)	39	-	(1,294)
Overseas - current year	487	3,345	-	-
- prior years	(1,275)	-	-	-
	<b>(1,104)</b>	3,384	-	(1,294)
<b>Deferred tax expense</b>				
Origination of temporary differences				
- Malaysia	530	151	-	-
- Overseas	(610)	746	-	-
Under/(over) provision in prior year	7	(512)	-	-
	<b>(73)</b>	385	-	-
	<b>(1,177)</b>	3,769	-	(1,294)
<b>Reconciliation of effective tax expense</b>				
(Loss)/profit before tax	<b>(3,596)</b>	8,283	<b>(5,318)</b>	(1,634)
Taxation at Malaysian statutory tax rate of 25%	<b>(899)</b>	2,071	<b>(1,330)</b>	(409)
Tax at foreign tax rates	<b>620</b>	2,265	-	-
Dividends converted to tax exempt	-	-	-	324
Non-deductible expenses	<b>968</b>	116	<b>1,376</b>	116
Non-taxable income	<b>(64)</b>	(91)	<b>(46)</b>	(31)
Tax incentive	<b>(208)</b>	(119)	-	-
Other items	<b>17</b>	-	-	-
	<b>434</b>	4,242	-	-
Over provision in prior years	<b>(1,611)</b>	(473)	-	(1,294)
<b>Taxation</b>	<b>(1,177)</b>	3,769	-	(1,294)

### 19. LOSS PER ORDINARY SHARE - GROUP

#### Basic loss per ordinary share

The basic loss per ordinary share is calculated by dividing the Group's loss attributable to owners of the Company of RM2,419,000 (2010: net profit of RM4,514,000) by the weighted average number of ordinary shares outstanding during the financial year of 62,188,000 (2010: 62,188,000).

### 20. OPERATING SEGMENT

The Board of Directors reviews internal management reports on at least a quarterly basis. Operating segments are components in which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance of the Group. The Group has identified the business of design, manufacture and supply of furniture and interior design fit-out works as its sole operating segment.

## Notes to the Financial Statements (cont'd)

### 20. OPERATING SEGMENT (cont'd)

#### Segment profit

Performance is measured based on segment profit before finance income, finance cost and taxation as included in the internal management reports that are reviewed by the Board of Directors.

#### Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

#### Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure is made on segment liability.

#### Information about reportable segment

	<b>Design, manufacturing supply of furniture and interior design fit-out works</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Reportable segment (loss)/profit	<b>(3,252)</b>	8,784

*Included in the measure of segment profit/(loss) are:*

Revenue from external customers	<b>32,072</b>	48,292
Depreciation	<b>(765)</b>	(743)

#### Reconciliation of reportable segment profit/(loss) and revenue

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit/(Loss)</b>		
Reportable segment	<b>(3,252)</b>	8,784
Non-reportable segment	<b>(335)</b>	(366)
Finance costs	<b>(69)</b>	(241)
Finance income	<b>60</b>	106
Consolidated (loss)/profit before tax	<b>(3,596)</b>	8,283
<b>Revenue</b>		
Reportable segment	<b>32,072</b>	48,292
Non-reportable segment	<b>185</b>	126
Consolidated revenue	<b>32,257</b>	48,418

## Notes to the Financial Statements (cont'd)

### 20. OPERATING SEGMENT (cont'd)

#### Geographical information

Revenue of the Group by geographical location of the customers are as follows:

	Revenue	
	2011 RM'000	2010 RM'000
United States	12,034	3,240
Malaysia	8,782	3,469
Philippines	4,777	28,721
Hong Kong	-	4,961
Others	6,664	8,027
	<b>32,257</b>	<b>48,418</b>

Non-current assets, other than deferred tax assets, of the Group by geographical location of the assets are as follows:

	Non-current assets	
	2011 RM'000	2010 RM'000
Malaysia	46,727	47,345
Philippines	-	3
	<b>46,727</b>	<b>47,348</b>

#### Major customers

Revenues from two customers of the Group amounted to RM11,334,000 (2010: RM33,664,000) contributed to more than 10% of the Group's revenues.

### 21. RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party to exercise significant influence over the party in making financial and operating decision or vice versa, or where the Group or the Company and the party are subject to common significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties maybe individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group and certain members of the senior management of the Group.

The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

- i. Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company. YBhg Tan Sri Quek Leng Chan is a Director and a major shareholder of the Company and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company and HLCM, and a shareholder of HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

## Notes to the Financial Statements (cont'd)

### 21. RELATED PARTIES (cont'd)

- ii. Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is a major shareholder of the Company through HLCM. YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee are Directors and major shareholders of HLIH. HLIH is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;
- iii. HLMG Management Co Sdn Bhd ("HMMC"), Hong Leong Assurance Berhad ("HLA") and GuoLine Intellectual Assets Limited ("GIAL") are subsidiaries of HLCM; and
- iv. Guardian Security Consultants Sdn. Bhd. ("GSC") is an indirect associate of HLCM.

**Significant transactions with related parties are as follows:**

Transaction	Related party	Group	
		2011 RM'000	2010 RM'000
a) Rental of shared office space	HLA	13	12
b) Receipt of security guard services	GSC	83	72
c) Receipt of corporate office support services	HMMC	278	236
d) Receipt of group management and/or support services	Subsidiaries of HLCM	159	177
e) Payment for usage of the Hong Leong logo and trade mark	GIAL	6	10
f) Sale of furniture	Subsidiaries of HLCM and HLIH Group	(4,373)	(3,664)

The above transactions have been carried out on normal commercial terms consistent with the usual business practices and policies of the Group and of the Company.

### 22. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

#### 22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL); and
- (c) Other financial liabilities measured at amortised cost (OL).

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.1 Categories of financial instruments (cont'd)

2011	Carrying amount RM'000	L&R RM'000
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (excluding prepayments)	9,457	9,457
Cash and cash equivalents	11,711	11,711
	<b>21,168</b>	<b>21,168</b>
<b>Company</b>		
Trade and other receivables (excluding prepayments)	2	2
Cash and cash equivalents	7,203	7,203
	<b>7,205</b>	<b>7,205</b>

2011	Carrying amount RM'000	OL RM'000	FVTPL RM'000
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	1,400	1,400	-
Trade and other payables, including derivatives	10,741	10,737	4
	<b>12,141</b>	<b>12,137</b>	<b>4</b>
<b>Company</b>			
Trade and other payables	<b>380</b>	<b>380</b>	-

#### 22.2 Net gains and losses arising from financial instruments:

	Group 2011 RM'000	Company 2011 RM'000
Net (losses)/gain arising on:		
Loans and receivables	<b>49</b>	17
Fair value through profit or loss	<b>(4)</b>	-
Other liabilities	<b>(69)</b>	-
	<b>(24)</b>	17

#### 22.3 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

##### Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on some customers requiring credit.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

As at end of reporting period, there were no significant concentrations of credit risk other than a customer which represents 51% (2010: 77%) of trade receivables. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:

	<b>Group 2011 RM'000</b>
Malaysia	<b>5,133</b>
Philippines	<b>3,190</b>
United States of America	<b>189</b>
Others	<b>567</b>
	<b>9,079</b>

*Impairment losses*

The ageing of receivables as at the end of the reporting period was:

<b>2011 Group</b>	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
Not past due	7,782	-	7,782
Past due 1 - 30 days	825	-	825
Past due 31 days to 120 days	98	-	98
Past due more than 120 days	414	(40)	374
	<b>9,119</b>	<b>(40)</b>	<b>9,079</b>

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.4 Credit risk (cont'd)

##### Receivables (cont'd)

###### *Impairment losses (cont'd)*

There were no movements in the allowance for impairment losses of receivables during the financial year.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

##### Cash and cash equivalents

###### *Risk management objectives, policies and processes for managing the risk*

The Group's and Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

###### *Exposure to credit risk and credit quality*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

###### *Impairment losses*

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

#### 22.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company actively manages their operating cash flows and the availability of fundings so as to ensure that all repayments and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.5 Liquidity risk (cont'd)

##### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2011	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
<b>Group</b>				
<i>Non-derivative financial liabilities</i>				
Bank borrowings	1,400	3.26% - 3.58%	1,400	1,400
Trade and other payables	10,737	-	10,737	10,737
<i>Derivative financial liabilities</i>				
<i>Forward exchange contracts (gross settled):</i>				
Outflow	-	-	553	553
Inflow	4	-	(549)	(549)
	<b>12,141</b>		<b>12,141</b>	<b>12,141</b>
<b>Company</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	<b>380</b>	-	<b>380</b>	<b>380</b>

#### 22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

##### 22.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Euro (EURO).

##### *Risk management objectives, policies and processes for managing the risk*

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000
<b>Group</b>	
Trade receivables denominated in:	
USD	<b>681</b>
EURO	<b>75</b>

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.6 Market risk (cont'd)

##### 22.6.1 Currency risk (cont'd)

###### *Currency risk sensitivity analysis*

A 5% strengthening/(weakening) of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) loss before tax of the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

2011 Group	Profit or loss RM'000
USD	34
EURO	4

#### 22.7 Interest rate risk

The Group's and the Company's borrowings are not exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

###### *Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's borrowings are short-term in nature. As such, the Group and the Company do not engage in any hedging activities to manage interest risk fluctuations.

###### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Fixed rate instruments</b>				
Financial assets	7,155	7,490	7,155	7,490
Financial liabilities	(1,400)	(1,823)	-	-
<b>Floating rate instruments</b>				
Financial assets	4,508	4,083	-	-
Financial liabilities	-	(3,000)	-	-

###### *Interest rate risk sensitivity analysis*

###### (a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the reporting period would not have financial impact.

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (cont'd)

#### 22.7 Interest rate risk (cont'd)

*Interest rate risk sensitivity analysis (cont'd)*

(b) *Cash flow sensitivity analysis for variable rate instruments*

The Group's bank balances with financial institution are exposed to a risk of change in cash flows due to changes in interest rates. The management monitors these rates on a regular basis and exposure is not expected to be material.

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/ (decreased) the loss before tax of the Group and the Company by RM23,000 respectively. This analysis assumes that all other variables remain constant.

#### 22.8 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

### 23. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

Under Practice Note No. 17/2005 of Bursa Malaysia Berhad Main Listing Requirements, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

### 24. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Plant and equipment</b>				
Authorised but not contracted for	1,190	-	-	-

## Notes to the Financial Statements (cont'd)

### 25. COMPARATIVE FIGURES

#### 25.1 FRS 101, *Presentation of Financial Statements (revised)*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 30 June 2010 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income.

#### 25.2 FRS 117, *Leases*

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	30.6.2010 Group		1.7.2009 Group	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Statement of financial position</b>				
Property, plant and equipment	10,920	8,496	11,547	9,043
Prepaid lease payments	-	2,424	-	2,504

## Notes to the Financial Statements (cont'd)

### 26. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	<b>Group 2011 RM'000</b>	<b>Company 2011 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
- realised	(3,168)	(4,817)
- unrealised	1,169	-
	(1,999)	(4,817)
Less: Consolidation adjustments	(1,042)	-
<b>Total retained earnings</b>	<b>(3,041)</b>	<b>(4,817)</b>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

## Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 31 to 67 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 26 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board

**Datuk Kwek Leng San**

**Syed Zaid bin Syed Jaffar Albar**

Kuala Lumpur  
17 August 2011

## Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Chan Chee Keong, the officer primarily responsible for the financial management of Narra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 17 August 2011.

**Chan Chee Keong**

Before me:

**MOHAN A.S. MANIAM**  
Pesuruhjaya Sumpah  
Commissioner For Oaths  
Kuala Lumpur

# Independent Auditors' Report

## to the members of Narra Industries Berhad

### Report on the Financial Statements

We have audited the financial statements of Narra Industries Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 67.

#### *Directors' responsibility for the financial statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 ("Act") in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and a subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanation required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **Independent Auditors' Report** to the members of Narra Industries Berhad (cont'd)

### **Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 26 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya, Selangor  
17 August 2011

#### **Thong Foo Vung**

Approval Number: 2867/08/12(J)  
Chartered Accountant

## Other Information

### 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2011

Location	Tenure	Approximate Area (Sq.Ft.)	Approximate Age of Buildings (Years)	Net Book Value (RM'000)
Industrial land with office and factory buildings at Lot 5777, Mukim Setul, Nilai Industrial Estate, Negeri Sembilan Darul Khusus.	Leasehold 60 years expiring 2046	602,206	17	8,928

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2011

Class of Shares : Ordinary shares of RM1.00 each

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each share held

#### Distribution Schedule of Shareholders As At 2 September 2011

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	8	0.40	400	0.00
100 – 1,000	858	43.18	795,600	1.28
1,001 – 10,000	898	45.19	3,695,100	5.94
10,001 – 100,000	208	10.47	6,299,000	10.13
100,001 – less than 5% of issued shares	13	0.66	4,943,300	7.95
5% and above of issued shares	2	0.10	46,454,200	74.70
	1,987	100.00	62,187,600	100.00

#### List Of Thirty Largest Shareholders As At 2 September 2011

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd- Hong Leong Manufacturing Group Sdn. Bhd.	38,304,000	61.59
2.	YBhg Tan Sri Quek Leng Chan	8,150,200	13.11
3.	Assets Nominees (Tempatan) Sdn Bhd- Law Hun Seang	2,200,000	3.54
4.	RHB Capital Nominees (Tempatan) Sdn Bhd- Poh Soon Sim	1,115,900	1.79
5.	Yoong Kin Pin	201,700	0.32
6.	YBhg Tan Sri Dato' Ir Talha Bin Haji Mohamad Hashim	200,000	0.32
7.	YBhg Tan Sri Dato' Zaki Bin Tun Azmi	165,000	0.27
8.	Lim Cheng Eam	158,000	0.25
9.	Chua Siew Lien	155,500	0.25
10.	Wong Ing Huong	151,300	0.24
11.	Kok Boon Lim	135,000	0.22
12.	Ng Sai How	128,000	0.21

## Other Information (cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2011 (cont'd)

#### List Of Thirty Largest Shareholders As At 2 September 2011 (cont'd)

	Name of Shareholders	No. of Shares	%
13.	Chim Luang Eng	119,000	0.19
14.	TA Nominees (Tempatan) Sdn Bhd- Ng Yong Keat	109,900	0.18
15.	Dato' Haji Shaharuddin Bin Haji Haron	104,000	0.17
16.	Andrew Lim Cheong Seng	100,000	0.16
17.	Citigroup Nominees (Tempatan) Sdn Bhd- Ta Kin Yan	100,000	0.16
18.	Lim Cheng & Sons Sdn Bhd	100,000	0.16
19.	Mah Ting Chong	100,000	0.16
20.	Shoptra Jaya (M) Sdn Bhd	100,000	0.16
21.	RHB Capital Nominees (Tempatan) Sdn Bhd- Leong Khai Shaun	95,500	0.15
22.	Mayban Nominees (Tempatan) Sdn Bhd- Tan Choon Hwa	93,500	0.15
23.	Onn Kok Puay (Weng Guopei)	89,700	0.14
24.	Goh Say Fatt	86,100	0.14
25.	Leong Sai Chai	80,000	0.13
26.	Ooi Chin Huat	80,000	0.13
27.	Ang Hong Mai	75,000	0.12
28.	Low Mon Tong	75,000	0.12
29.	Chim Luang Eng	73,300	0.12
30.	Huang Phang Lye	72,800	0.12
		52,718,400	84.77

## Other Information (cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2011 (cont'd)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2011 are as follows:

Name of Shareholders	Direct		Deemed	
	No. of shares	%	No. of shares	%
Hong Leong Manufacturing Group Sdn Bhd ("HLMG")	38,304,000	61.59	-	-
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	38,304,000 <sup>^</sup>	61.59
Tan Sri Quek Leng Chan	8,150,200	13.11	38,314,000 <sup>*</sup>	61.61
HL Holdings Sdn Bhd	-	-	38,304,000 <sup>#</sup>	61.59
Hong Realty (Private) Limited	-	-	38,314,000 <sup>*</sup>	61.61
Hong Leong Investment Holdings Pte Ltd	-	-	38,314,000 <sup>*</sup>	61.61
Kwek Holdings Pte Ltd	-	-	38,314,000 <sup>*</sup>	61.61
Kwek Leng Beng	-	-	38,314,000 <sup>*</sup>	61.61
Kwek Leng Kee	-	-	38,314,000 <sup>*</sup>	61.61
Davos Investment Holdings Private Limited	-	-	38,314,000 <sup>*</sup>	61.61
Quek Leng Chye	-	-	38,314,000 <sup>*</sup>	61.61

Notes:

<sup>^</sup> Held through HLMG.

<sup>\*</sup> Held through HLCM and a company in which the substantial shareholder has interest.

<sup>#</sup> Held through HLCM.

### 3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2011

Subsequent to the financial year end, there is no change, as at 2 September 2011, to the Directors' interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 25 to 27 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of ordinary shares or *shares to be issued arising from the conversion of bonds	%
<b>Direct Interest of</b>		
<b>Tuan Syed Zaid bin Syed Jaffar Albar in:</b>		
Hong Leong Financial Group Berhad	Nil	Nil
<b>Indirect Interests of</b>		
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
GuocoLand Limited ("GLL")	1,059,796 <sup>*</sup>	0.08 <sup>**</sup>
GuocoLeisure Limited	919,572,425	67.22
The Rank Group Plc	291,001,931	74.50

Note:

<sup>\*\*</sup> Based on the enlarged share capital of GLL assuming full conversion of S\$352,200,000 nominal value of GLL's convertible bonds as at 2 September 2011.

### 4. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## FORM OF PROXY

I/We \_\_\_\_\_  
 NRIC/Passport/Company No. \_\_\_\_\_  
 of \_\_\_\_\_  
 being a member of NARRA INDUSTRIES BERHAD ("the Company"), hereby appoint \_\_\_\_\_  
 \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him/her, \_\_\_\_\_  
 \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirty-first Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 18 October 2011 at 11.15 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Dato' Rosman bin Abdullah as a Director		
3.	To re-elect Mr Terence Lee Chai Koon as a Director		
4.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
<b>Special Business</b>			
5.	To approve the ordinary resolution on authority to Directors to issue shares		
6.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
7.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature(s) of Member

Notes:

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 7 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time of the meeting or adjourned meeting.
- In the event two proxies are appointed, please fill in the ensuing section.

Name of proxies	% of shareholdings to be represented

Fold This Flap for Sealing

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Then Fold Here

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The Company Secretary  
**Narra Industries Berhad**  
Level 9, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur

1st Fold Here

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**Narra Industries Berhad** (62227-X)  
Level 9, Wisma Hong Leong  
18 Jalan Perak, 50450 Kuala Lumpur  
Tel : 03-2164 2631  
Fax : 03-2164 2514

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