Narra Industries Berhad

A Member of the Hong Leong Group

Annual Report **2013**

Reaching out to you

Narra Industries Berhad (6227-X)

Annual Report 2013

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

www.narra.com.my

Narra Industries Berhad (62227-X)

Contents

2 Company Profile

3 Corporate Information

4 Notice of Annual General Meeting &
Statement Accompanying Notice of Annual General Meeting

7 Directors' Profile

10 Chairman's Statement

12 Corporate Social Responsibility

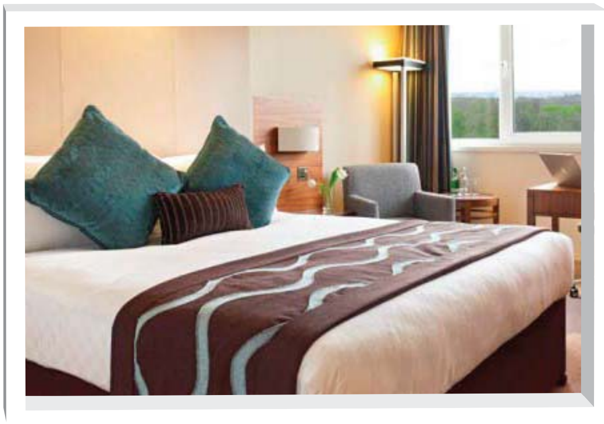
15 Corporate Governance, Risk Management and Internal Control

22 Board Audit & Risk Management Committee Report

25 Financial Statements

70 Other Information

Form of Proxy



Company **Profile**

Narra Industries Berhad ("Narra") is principally an investment holding company and its wholly-owned subsidiary is 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.

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

YBhg Datuk Syed Zaid bin Syed Jaffar Albar

YBhg Dato' Rosman bin Abdullah

Mr Terence Lee Chai Koon

Mr Seow Yoo Lin

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin
Ms Valerie Mak Mew Chan

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-third Annual General Meeting of Narra Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 17 October 2013 at 10.00 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 2013.

2. To approve the payment of Director fees of RM120,000 for the financial year ended 30 June 2013 (2012: RM210,000), 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 Datuk Kwek Leng San (Resolution 2)
   (b) YBhg Dato' Rosman bin Abdullah. (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:

5. **Ordinary Resolution**
   - 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. **Ordinary Resolution**
   - Proposed Renewal Of 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 Part A of the Circular to Shareholders dated 25 September 2013 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. **Ordinary Resolution**
- Proposed Renewal Of 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 Part A of the Circular to Shareholders dated 25 September 2013 with HLIH and persons connected with HLIH ("HLIH Group") provided that:

(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. **Special Resolution**
- Proposed Amendments To The Articles Of Association Of The Company

"**THAT** the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix III of the Circular to Shareholders dated 25 September 2013 be and are hereby approved." (Resolution 8)

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

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
25 September 2013

Notes

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

2. *Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but 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. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

3. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *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

1. Resolution 5 - 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 16 October 2012 and which will lapse at the conclusion of the Thirty-third 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. Resolutions 6 and 7 - Proposed Renewal Of Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Renewal Of 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.

3. Resolution 8 - Proposed Amendments To The Articles Of Association Of The Company ("Proposed Amendments")

   The proposed special resolution, if passed, will ensure clarity and enable the Company to align the Articles of Association of the Company with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Detailed information on the Proposed Renewal Of Shareholders' Mandate and Proposed Amendments are set out in the Circular to Shareholders dated 25 September 2013 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-third Annual General Meeting of the Company.

YBHG DATUK KWEK LENG SAN
Chairman; Non-Executive/Non-Independent

Datuk Kwek Leng San, aged 58, 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 Directors ("Board") of Narra Industries Berhad ("Narra") on 1 July 2001 and assumed the position of Managing Director on 1 March 2003. He was appointed as the Chairman of Narra on 21 February 2012. He is a member of the Nominating Committee of Narra.

He is the Chairman of Malaysian Pacific Industries Berhad ("MPI"), Hong Leong Industries Berhad and Southern Steel Berhad ("SSB"), and a Director of Hong Leong Bank Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation.

YBHG DATUK SYED ZAID BIN SYED JAFFAR ALBAR
Non-Executive Director/Independent

Datuk Syed Zaid bin Syed Jaffar Albar, aged 59, 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 30 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

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

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

YBHG DATO' ROSMAN BIN ABDULLAH
Non-Executive Director/Independent

Dato' Rosman bin Abdullah, aged 46, a Malaysian, is a chartered member of the Malaysian Institute of Accountants and a member of the Australian Society of Certified Practicing Accountants. He holds a Bachelor of Commerce (Accounting) degree from the Australian National University and had attended the Advanced Management Programme at the University of Oxford.

Dato' Rosman started his career with Arthur Andersen & Co from 1989 to 1997. He was an Executive Director of Malaysia Airport Holdings Berhad from 1997 to 2003 and a Non-Independent Non-Executive Director of KUB Malaysia Berhad from 2006 to 2011. In 2006, he was appointed as Group Chief Executive Officer of PECD Berhad and held the position until 2009. He then served as Chief Executive Officer of Syarikat Air Negeri Sembilan Sdn Bhd from 2009 to 2012.

Currently, he is the Executive Chairman of Putrajaya Perdana Berhad. He also serves as a Non-Independent Non-Executive Director of Cuscapi Berhad and as an Independent Non-Executive Director of Kumpulan Fima Berhad and CLIQ Energy Berhad, companies listed on the Main Market of Bursa Securities.

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 55, 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.

MR SEOW YOO LIN
Non-Executive Director/Independent

Mr Seow Yoo Lin, aged 57, a Malaysian, qualified as a Certified Public Accountant in 1981. He holds a Master in Business Administration from The International Management Centre, Buckingham, United Kingdom.

Mr Seow joined KPMG Malaysia in 1977. In 1983, he was seconded to the United States to gain overseas experience. He returned in 1985 and was admitted as Partner in 1990. He was the Managing Partner of KPMG Malaysia from 2007 to 2010 and retired from the firm in 2011. During his tenure with KPMG, he has been the Audit Partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services industries.

Mr Seow was a member of the Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2011 and was a Council member of the Malaysian Institute of Accountants from 2007 to 2011.

Mr Seow is a Director of SSB.

Mr Seow was appointed to the Board of Narra on 21 February 2012. He is a member of the Nominating Committee of Narra.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of Narra. 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, Risk Management and Internal Control in the Annual Report.

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 2013.

OPERATING ENVIRONMENT

The furniture export industry continued to be challenging and competitive with low gross domestic products growths in our major export markets in Europe and the United States of America.

The interior design fit-out industry in the domestic market was healthy under the Economic Transformation Programmes and from work on building new and refurbishing existing hotels.

FINANCIAL & BUSINESS REVIEW

For the financial year ended 30 June 2013 ("FY 2013"), the Group recorded a higher revenue of RM59.3 million as compared with RM53.3 million in the previous financial year ended 30 June 2012 ("FY 2012"), mainly contributed by higher sales recorded for hospitality and commercial projects. Despite a higher revenue, the Group recorded a slightly lower profit before taxation ("PBT") of RM0.07 million for FY 2013 as compared with a PBT of RM1.1 million in FY 2012, due mainly to unfavourable sales mix and increase in project expenses during FY 2013.

The furniture export segment was affected by lower sales and margin due to intense competition. Notwithstanding this, the Group is focusing its efforts on developing furniture for the juvenile furniture market.

SIGNIFICANT CORPORATE DEVELOPMENT

The Company had, on 10 September 2013, entered into agreements with Hong Leong Industries Berhad ("HLI") and Hong Leong Manufacturing Group Sdn Bhd ("HLMG") for the proposed acquisition of the entire share capital in Hume Industries (Malaysia) Sdn Bhd and 175,000,000 irredeemable convertible preference shares in Hume Cement Sdn Bhd ("HCement') from HLI for a total purchase consideration of RM48,000,000 and RM300,000,000 respectively; and the entire ordinary share capital in HCement from HLMG for a total purchase consideration of RM100,000,000. The purchase considerations are to be satisfied by the issuance of New Narra Shares (as defined below) at an issue price of RM1.00 per New Narra Share (collectively, the "Proposed Acquisitions").

The Proposed Acquisitions are inter-conditional upon one another and will only be implemented after the completion of the Company's proposed share capital reduction involving the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 in Narra and the proposed share consolidation of 2 resultant ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in Narra ("New Narra Share").

Further details on the proposals can be obtained from the Company's announcement on 11 September 2013. Subject to all requisite approvals being obtained, the proposals are expected to be completed by the fourth quarter of the financial year ending 30 June 2014 ("FY 2014").

PROSPECTS

Notwithstanding the challenging operating environment of the furniture industry, the Group will focus in promoting and expanding its furniture into the export market while continuing with its design and fit-out works in the hospitality and commercial sectors.

With the Proposed Acquisitions, the Group would be able to diversify its business into the concrete and cement-related business which are expected to contribute positively to the Group. The prospects of the concrete and cement-related business are positive on the back of the expected rollout of infrastructure investments by the private and public sectors.

Given the above and barring any unforeseen circumstances, the Board expects the Group to perform satisfactorily in FY 2014.

DIVIDEND

The Board does not recommend any dividend for FY 2013.

APPRECIATION

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

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

DATUK KWEK LENG SAN
Chairman

Corporate **Social Responsibility**

The Group believes that serving our communities is not only integral to running a business successfully --- it is also part of our individual responsibilities as citizens of the world. We continue to support communities in ways that enhance the company's reputation with employees, customers, business partners and other stakeholders.

Guided by our company value on Social Responsibility, we are committed to meeting the highest standards of corporate citizenship. The Group aims to ensure the health and safety of our employees and all who are affected by our business operations. We are also committed to protecting the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

The Group sees Corporate Social Responsibility ("CSR") beyond its core mission. The Group contributes to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practicing sustainable supply-chain in its operations. Below is our commitment to each of the focus areas under the Group's CSR.

WORKPLACE

The Group is committed to upholding the human rights of our employees and to treat them with dignity and respect. To maintain our market leadership in delivering innovative solutions, the Group consistently strives to create an inspiring and effective working environment.

The Group also aims to ensure that the health, safety, and welfare of our employees are well taken care of all the time. To honour this, we will always fully accept our responsibility towards employees who may be affected by our activities.

The Group identifies and hires local talent through the Hong Leong Group Graduate Development Programme, a programme of hiring local fresh graduates to undergo a training programme for 2 years. This programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

The Group has demonstrated an on-going commitment to people and to fair employment practices. Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination, one where employees are treated with dignity, honour and respect. We also comply with all applicable international and local laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients. All job applicants, employees, members, and clients receive equal treatment regardless of race, gender, religion, ethnic or national origins.

ENVIRONMENT

Our objective is to achieve high standards in environmental management and preservation, by examining our business and operations, and taking active steps to reduce environmental impact wherever possible. These include:

- minimising any adverse impact our activities may have on the environment;
- minimising the consumption of resources wherever possible;
- considering the environment when procuring goods and services;
- promoting waste reduction, re-use and recovery; and
- complying with legislation and wherever possible exceed legislative requirements.

We promote a culture of environmental awareness and engagement amongst our staff and our supply base. Our environmental initiatives include careful consumption of resources, use of water, emissions to air, waste generation, energy use, and procurement processes. We are committed to minimising our environmental impact and encouraging greater sustainability throughout our business. For example:

i. installation of low energy consumption lighting devices and transparent roof sheets to save energy cost;
ii. use of low formaldehyde emission material for furniture production; and
iii. chemical treatment of waste water before releasing to the environment.

Our commitment to the environment has guided us to continually strive to reduce our already minimised waste in all our manufacturing plants and offer more environmentally friendly and sustainable operations. Guided by our environmental principles, we consider the environment throughout all aspects of our business, from our supply chain, to delivery. This commitment is reflected in our certification with a Forest Stewardship Council chain of custody.

MARKETPLACE

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of its operations. 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 the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Financial reports which contain disclosures that are timely, true and fair.
- 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 more aggressive and competitive.

The Group has a firm commitment to the highest standards of business ethics and integrity throughout our company. These standards are reflected in our associated policies, and wherever these polices require a higher standard than local practice or applicable laws, we adhere to the higher standards set in Group policies.

COMMUNITY

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group Malaysia. It is funded by contributions from Hong Leong Group Malaysia companies and is thus effectively its charitable arm through which most of the Group's philanthropic activities are conducted. It has an annual budget of RM5 million and has the following programmes in place to address its primary concern --- poverty in Malaysia:

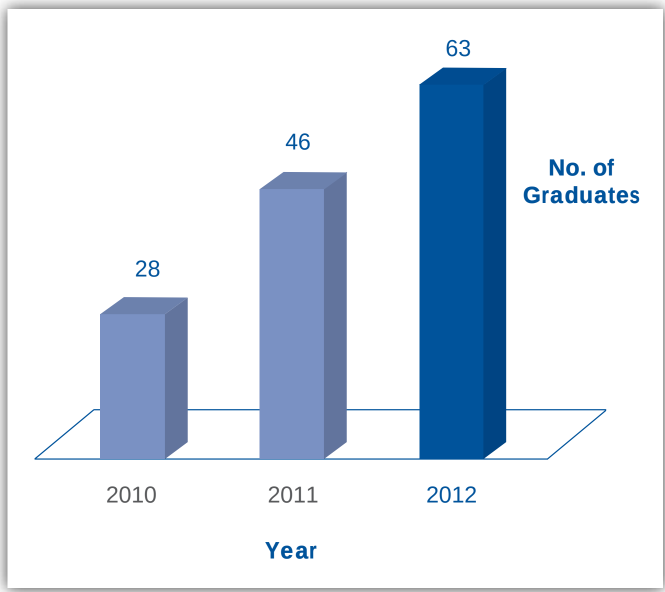
- Addressing Basic Needs – donations to provide adequate food and clean water, shelter, and clothing
- Towards Self Sufficiency:
  - o Tertiary Scholarship Programme
  - o After School Care Programme
- Building Infrastructure:
  - o School Building Fund
  - o Community Building Fund.

The total funds disbursed in the financial year ended 30 June 2013 were RM4.1 million benefiting 20 charity organisations. During the year, the Foundation awarded RM3.5 million in scholarships to benefit 67 high performing school leavers, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM22.6 million in scholarships to 1,126 scholars via its scholarship programmes for diplomas, degrees or vocational training.

Education Level	Hong Leong Foundation Scholarship		Hong Leong Group Scholarship Award	
	Scholarship Value	Number of Awards	Scholarship Value	Number of Awards
Undergraduate (3+0 Twinning Programme)	Up to RM24,000	13	Up to RM12,000 (including overseas courses)	4
Undergraduate (Local University)	RM8,500	49	RM7,000	9
Diploma (Local College/ Institute)	RM6,000	5	RM4,000	7
Pre-University	Not Available	Not Available	RM1,500	9

Hong Leong Foundation Scholarship Graduates by Year:



The Statement on Corporate Sosial Responsibility is made in accordance with the resolution of the Board of Directors.

Corporate Governance, **Risk Management 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 ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 (the "Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and 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 those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The Chairman leads the Board and the Board is supported by qualified and competent Company Secretaries.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

B. BOARD COMPOSITION

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

The Company is guided by the Policy on Board Composition adopted by the Company in determining its board composition. The Policy includes the following:

- The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The Board shall have a balance of skills and experience that commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of independent directors comprising at least one third of the board.
- The Board shall also include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.
- The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board.

The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the Board Audit & Risk Management Committee Report of this Annual Report.

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC")

The NC has been established on 29 April 2013 and the members are as follows:

YBhg Datuk Syed Zaid bin Syed Jaffar Albar
Chairman, Independent Non-Executive Director

Mr Seow Yoo Lin
Independent Non-Executive Director

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director

The NC's functions and responsibilities are set out in the TOR as follows:

- To review and propose to the Board, all appointments, re-appointments and re-elections of the Board, appointments of Board committees and chief executive; and to review the criteria to be used in the recruitment process.
- To assess annually the independence of the independent directors.
- To propose for the Board's approval, objective performance criteria for evaluation of the performance of the Board as a whole, the Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To evaluate the Board's performance by carrying out the assessment process implemented by the Board for assessing the effectiveness of the Board as a whole, Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To review and propose appropriate training programmes for the Board.
- To carry out such other functions and duties as may be delegated by the Board from time to time.

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment and re-election of directors and the appointment of chief executive, and the criteria used in such assessment.

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director, Board committee member and the chief financial officer.

Having reviewed the assessments in respect of the financial year ended 30 June 2013, the NC is satisfied that the Board, Board committees, each individual director and each Board committee member have effectively discharged their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

III Remuneration Committee ("RC")

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

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.

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.

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC") *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").

The aggregate remuneration of directors for the financial year ended 30 June 2013 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Non-Executive Directors	120,000	46,380	166,380

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

Range Of Remuneration (RM)	Non-Executive
50,000 and below	1
50,001 - 100,000	2

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. The Company has in place, an Independence of Directors Policy which sets out the criteria for assessing the independence of independent directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Datuk Syed Zaid bin Syed Jaffar Albar who has served on the Board for more than 9 years remains objective and has continued to bring independent and objective judgment to Board deliberations and decision making.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ("MMLR") and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs on the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

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.

E. COMMITMENT *cont'd*

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

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries 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.

The Board met four (4) times during the financial year ended 30 June 2013.

Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Terence Lee Chai Koon	4/4
Mr Seow Yoo Lin	4/4

The Board recognises the importance of continuous professional development and training for directors.

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

The Company 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. Directors are kept informed of available training programmes on a regular basis.

An induction programme which includes visits to the Group's various business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Company's businesses.

The Company has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

During the financial year ended 30 June 2013, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to 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 2013, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- The New Statutory Price Sensitive Information Disclosure Regime
- Enterprise Risk Management
- Anti-Money Laundering & Counter Financing of Terrorism (AML & CFT) Awareness Training
- The Board Role in Governance
- The Key Components Of Establishing And Maintaining World - Class Audit Committee Reporting Capabilities
- What keeps an audit committee up at night?

E. COMMITMENT *cont'd*

- Regulatory Updates, Governance And Current Issues For Directors Of Plcs And Body Corporate 2012
- Bursa Malaysia Half Day Governance Programme, Corporate Integrity Pledge, Ceo Dialogue
- Global Supply Chain
- Directors Forum 2013 - Board Rising To The Challenges Of Corporate Entrepreneurship
- Audit Committee Institute Breakfast Roundtable Titled The Audit Committee's Oversight Role On Financial Reporting
- MFRS Update 2012/2013 Seminar
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

F. ACCOUNTABILITY AND AUDIT

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all non-executive directors with a majority independent. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Internal Audit Department whose 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 BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC 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 BARMC which assesses the financial statements with the assistance of the external auditors.

II Risk Management and Internal Control

The Statement on Risk Management and Internal Control as detailed under paragraph I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. The external auditors meet with the BARMC 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 BARMC will have a separate session with the external auditors without the presence of management.

G. DISCLOSURE

The Company has in place a corporate disclosure policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the website after release to Bursa.

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and 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.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company website, Bursa website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Shareholders have the right to demand to vote by way of a poll at the general meetings for resolutions and the voting results will be announced at the meetings and through Bursa.

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

In addition, shareholders and investors can have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

Name	:	Mr Soon Seong Keat
Tel No	:	03-2164 2631
Fax No	:	03-2715 4808
Email 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.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Responsibility of the Board

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the Group's Internal Audit Department in this role.

The Risk Management Framework

For this financial year, management had enhanced the risk management framework in accordance with MS ISO 31000: 2010. The framework serves to:

- establish the context of risk in relation to the Group's risk appetite;
- identify the risks faced by the Group in the operating environment;
- assess the likelihood and impact of such risks identified and hence their risk levels;
- assess the adequacy and effectiveness of the existing risk mitigating measures;
- evaluate risk treatment options in relation to the Group's context of risk;
- develop any necessary further measures to manage these risks; and
- monitor and review risk mitigating measures, risk levels and emerging risks.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

The Risk Management Framework *cont'd*

On an on-going basis, each operating company has clear accountabilities to:

- monitor its existing risks, identify emerging risks and hence update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems developed to manage risks; and
- periodically prepare risk management report for reporting to the BARMC.

The System of Internal Controls

The key elements of the Group's system of internal controls are described below:

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations.
- Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
- Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
- Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies.
- Risk-based internal audits carried out by the Group's Internal Audit Department focusing on key risk areas.
- Periodically reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

Management and Decision-Making Processes

The internal control and risk management processes embedded within the operations of the Group are in place for the year under review and up to the date of approval of this statement for inclusion in the annual report, and reviewed periodically by the BARMC. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has received assurance from the Chief Financial Officer and the Executive Director of the operating company that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires 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 of the Company are satisfied that the financial statements of the Group and of the Company for the financial year ended 30 June 2013 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

This Statement on Corporate Governance, Risk Management and Internal Control is made in accordance with the resolution of the Board.

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

YBhg Datuk 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 consider and recommend the nomination, appointment and/or re-appointment of a person or persons as external auditor(s), and to consider any resignation or dismissal of the external auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- 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 Group's officers 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 related party transactions that may arise within the Company or the Group, where any one of the percentage ratios (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) of a related party transaction triggers the requirement of announcement to Bursa Malaysia Securities Berhad.
- To review other conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- Other functions as may be agreed to by the Committee and the Board.

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 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.

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 2013, four (4) Committee meetings were held and attendance of the Committee members are as follows:

Members	Attendance
YBhg Datuk 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 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.

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 2013 amounted to RM1,357,129.

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.

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

The IA Department also facilitates the implementation and maintenance of the risk management framework of the Group on an on-going basis.

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

Financial Statements

26 Directors' Report

30 Statements of Financial Position

31 Statements of Profit or Loss and Other Comprehensive Income

32 Statements of Changes in Equity

33 Statements of Cash Flows

35 Notes to the Financial Statements

67 Statement by Directors

67 Statutory Declaration

68 Independent Auditors' Report

Directors' **Report**
for the financial year ended 30 June 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

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 have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to owners of the Company	**73**	**(27,258)**

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2013.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San *(Chairman)*
YBhg Datuk Syed Zaid bin Syed Jaffar Albar
YBhg Dato' Rosman bin Abdullah
Mr Terence Lee Chai Koon
Mr Seow Yoo Lin

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2013 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	**At 1.7.2012**	**Acquired**	**Sold**	**At 30.6.2013**
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	**117,500**
Hong Leong Industries Berhad	0.50	2,520,000	-	-	**2,520,000**
Malaysian Pacific Industries Berhad	0.50	1,260,000	-	-	**1,260,000**
Hong Leong Capital Berhad	1.00	119,000	-	(119,000)	**-**
Hong Leong Bank Berhad	1.00	462,000	-	-	**462,000**
Guoco Group Limited	US$0.50	209,120	-	-	**209,120**
Hong Leong Financial Group Berhad	1.00	600,000	-	-	**600,000**
Interest of Mr Terence Lee Chai Koon in:					
GuocoLeisure Limited	US$0.20	68,250	-	-	**68,250**

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or became 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 YBhg Datuk Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit by virtue of the provision of legal services by a firm in which YBhg Datuk Syed Zaid bin Syed Jaffar Albar has interest to related corporations.

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.

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.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") *cont'd*

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 fifteen percent (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.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the 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 financial statements 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 financial statements of the Group and of the Company 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.

OTHER STATUTORY INFORMATION *cont'd*

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 those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2013 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.

AUDITORS

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

On behalf of the Board

Datuk Kwek Leng San

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2013

Statements of **Financial Position**
as at 30 June 2013

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
Assets							
Property, plant and equipment	4	**9,210**	9,762	10,299	**-**	-	-
Investment in a subsidiary	5	**-**	-	-	**23,538**	50,534	50,534
Deferred tax assets	6	**1,024**	970	1,094	**-**	-	-
Total non-current assets		**10,234**	10,732	11,393	**23,538**	50,534	50,534
Inventories	7	**3,760**	2,951	1,603	**-**	-	-
Trade and other receivables	8	**18,422**	13,360	10,441	**13**	13	12
Current tax assets		**-**	71	2	**-**	-	2
Cash and cash equivalents	9	**10,882**	10,807	11,711	**6,695**	7,035	7,203
Total current assets		**33,064**	27,189	23,757	**6,708**	7,048	7,217
Total assets		**43,298**	37,921	35,150	**30,246**	57,582	57,751
Equity attributable to owners of the Company							
Share capital	10	**62,188**	62,188	62,188	**62,188**	62,188	62,188
Reserves	11	**(38,658)**	(38,510)	(39,616)	**(32,492)**	(5,234)	(4,817)
Total equity		**23,530**	23,678	22,572	**29,696**	56,954	57,371
Liabilities							
Employee benefits	12(a)	**120**	153	266	**-**	-	-
Deferred tax liabilities	6	**-**	-	135	**-**	-	-
Total non-current liabilities		**120**	153	401	**-**	-	-
Trade and other payables	13	**19,605**	14,090	10,741	**550**	628	380
Borrowings (unsecured)	14	**-**	-	1,400	**-**	-	-
Current tax liabilities		**43**	-	36	**-**	-	-
Total current liabilities		**19,648**	14,090	12,177	**550**	628	380
Total liabilities		**19,768**	14,243	12,578	**550**	628	380
Total equity and liabilities		**43,298**	37,921	35,150	**30,246**	57,582	57,751

The notes on pages 35 to 66 are an integral part of these financial statements.

Statements of **Profit or Loss and Other Comprehensive Income**

for the year ended 30 June 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Revenue	15	**59,265**	53,276	**185**	214
Cost of goods sold		**(12,752)**	(12,900)	**-**	-
Contract cost		**(42,798)**	(36,255)	**-**	-
Gross profit		**3,715**	4,121	**185**	214
Distribution expenses		**(225)**	(376)	**-**	-
Administration expenses		**(3,230)**	(3,141)	**(467)**	(639)
Other operating expenses		**(348)**	(15)	**(27,004)**	(5)
Other income		**117**	466	**11**	-
Results from operating activities		**29**	1,055	**(27,275)**	(430)
Finance costs		**-**	(26)	**-**	-
Finance income		**42**	59	**16**	17
Profit/(Loss) before taxation	16	**71**	1,088	**(27,259)**	(413)
Taxation	17	**2**	(204)	**1**	(4)
Profit/(Loss) for the year attributable to owners of the Company		**73**	884	**(27,258)**	(417)
Basic earnings per ordinary share (sen)	18	**0.1**	1.4		
Profit/(Loss) for the year		**73**	884	**(27,258)**	(417)
Other comprehensive (expense)/income					
Foreign currency translation differences for foreign operations		**(221)**	222	**-**	-
Total comprehensive (expense)/income for the year attributable to owners of the Company		**(148)**	1,106	**(27,258)**	(417)

The notes on pages 35 to 66 are an integral part of these financial statements.

Statements of **Changes in Equity**

for the year ended 30 June 2013

Group	Share capital RM'000	*← Non-distributable →* Translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2011	62,188	-	(39,616)	22,572
Foreign currency translation differences for foreign operations	-	222	-	222
Profit for the year	-	-	884	884
Total comprehensive income for the year	-	222	884	1,106
At 30 June 2012/1 July 2012	62,188	222	(38,732)	23,678
Foreign currency translation differences for foreign operations	-	(221)	-	(221)
Profit for the year	-	-	73	73
Total comprehensive (expense)/income for the year	-	(221)	73	(148)
At 30 June 2013	**62,188**	**1**	**(38,659)**	**23,530**
	Note 10	Note 11	Note 11	

Company	Share capital RM'000	*Non-distributable* Accumulated losses RM'000	Total equity RM'000
At 1 July 2011	62,188	(4,817)	57,371
Loss and total comprehensive expense for the year	-	(417)	(417)
At 30 June 2012/1 July 2012	62,188	(5,234)	56,954
Loss and total comprehensive expense for the year	-	(27,258)	(27,258)
At 30 June 2013	**62,188**	**(32,492)**	**29,696**
	Note 10	Note 11	

The notes on pages 35 to 66 are an integral part of these financial statements.

Statements of **Cash Flows**
for the year ended 30 June 2013

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(Loss) before taxation	**71**	1,088	**(27,259)**	(413)
Adjustments for:				
Depreciation of property, plant and equipment	**653**	715	**-**	-
Dividend income - unquoted fund	**(242)**	(214)	**(185)**	(214)
Gain on disposal of property, plant and equipment	**(22)**	(29)	**-**	-
Finance costs	**-**	26	**-**	-
Finance income	**(42)**	(59)	**(16)**	(17)
Impairment loss on investment in a subsidiary	**-**	-	**26,996**	-
Reversal of retirement benefits	**(24)**	(67)	**-**	-
Unrealised loss/(gain) on foreign exchange	**13**	(10)	**-**	-
Operating profit/(loss) before working capital changes	**407**	1,450	**(464)**	(644)
Changes in working capital:				
Inventories	**(809)**	(1,348)	**-**	-
Trade and other receivables	**(5,075)**	(2,909)	**-**	(1)
Trade and other payables	**5,515**	3,349	**(107)**	59
Cash generated from/(used in) operations	**38**	542	**(571)**	(586)
Taxation refund/(paid)	**62**	(320)	**1**	(2)
Finance costs paid	**-**	(26)	**-**	-
Finance income received	**42**	59	**16**	17
Retirement benefits paid	**(9)**	(46)	**-**	-
Dividend received - unquoted fund	**242**	214	**185**	214
Net cash generated from/(used in) operating activities	**375**	423	**(369)**	(357)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**112**	69	**-**	-
Acquisition of property, plant and equipment	**(191)**	(218)	**-**	-
Net cash used in investing activities	**(79)**	(149)	**-**	-
Cash flows from financing activities				
Repayments of borrowings	**-**	(1,400)	**-**	-
Repayments from a subsidiary	**-**	-	**29**	189
Net cash (used in)/generated from financing activities	**-**	(1,400)	**29**	189
Net change in cash and cash equivalents	**296**	(1,126)	**(340)**	(168)
Cash and cash equivalents at 1 July	**10,807**	11,711	**7,035**	7,203
Effect of exchange rate fluctuations on cash held	**(221)**	222	**-**	-
Cash and cash equivalents at 30 June	**10,882**	10,807	**6,695**	7,035

CASH AND CASH EQUIVALENTS

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

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed financial institutions	9	**6,300**	6,974	**6,300**	6,974
Cash and bank balances	9	**4,582**	3,833	**395**	61
		10,882	10,807	**6,695**	7,035

The notes on pages 35 to 66 are an integral part of these 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 its principal place of business and registered office is 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. and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements as at and for the financial year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the financial year ended 30 June 2013 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2013.

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 applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impacts of transition to MFRS are disclosed in Note 24 to the financial statements.

The preparation of the financial statements in conformity with MFRSs/IFRSs requires management to make judgments, 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 estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following note:

- Note 5 - Investment in a subsidiary

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company 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 and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 July 2011 (the transition date to MFRS framework), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company 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 control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(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.

Acquisitions on or after 1 July 2011

For acquisitions on or after 1 July 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised 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.

Transaction costs, 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.

Acquisitions before 1 July 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2011. Goodwill arising from acquisitions before 1 July 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisitions from entities under common control

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital and capital reserves of the "acquire" entity is reflected within the equity.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any 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 on the date of valuation between a willing buyer and a willing seller after making proper marketing wherein 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 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 operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a 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 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.

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*

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

• Leasehold land	Over period of lease of 60 years
• 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

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. Upon initial recognition, 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

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 on the statements of financial position.

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

(i) Initial recognition and measurement

A financial asset or a financial liability 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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 are subject to review for impairment (see Note 2.2(g)(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.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) 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.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less.

(g) Impairment

(i) Financial assets

All financial assets (except for investment in a subsidiary) 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 investment in 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.

(ii) Other assets

The carrying amounts of other assets (except for inventories and 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 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating units (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata basis*.

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 financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) 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.

(i) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) 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 MFRS 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.

(iii) 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").

The fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the Share Option Reserve over the vesting period. When the share options are exercised, the amount from the share option reserve is transferred to share premium. When the share options not exercised are expired, the amount from the share option reserve is transferred to retained earnings.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) 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 reporting period 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, 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 reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified 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 in equity.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discount. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(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.

(n) 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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

(o) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are 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 taxation 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 financial years.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) Taxation *cont'd*

Deferred taxation 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 taxation is not recognised for the following temporary differences: the initial recognition of goodwill, 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 taxation is measured at the tax rates that are expected to be applied 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

(p) 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 ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) 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 to assess its performance, and for which discrete financial information is available.

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 *cont'd*

- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 July 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013 except for IC Interpretation 20 which is not applicable to the Group and the Company;

- from the annual period beginning on 1 July 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014; and

- from the annual period beginning on 1 July 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group upon their first adoption.

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	Country of incorporation	Effective interest			Principal activities
		30.6.2013	30.6.2012	1.7.2011	
		%	%	%	
Hume Furniture Industries Sdn. Bhd.	Malaysia	**100**	100	100	Design, manufacture and supply of furniture and interior design fit-out works, and investment holding
• Lifestyle Décor (Singapore) Pte. Ltd.*# (formerly known as Hume Furniture (Singapore) Pte. Ltd.)	Singapore	**100**	100	100	Ceased operation

3. COMPANIES IN THE GROUP *cont'd*

Name of subsidiary	Country of incorporation	Effective interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
• Top Master Construction (Philippines), Inc* (formerly known as Hume Furniture (Philippines), Inc.)	Philippines	**100**	100	100	Ceased operation

Notes:
- • *Sub-subsidiary companies*
- * *Companies not audited by KPMG Malaysia.*
- # *Submitted the application for striking off to Accounting & Corporate Regulatory Authority (ACRA) on 10 July 2013.*

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
Cost						
At 1 July 2011	2,908	7,938	4,312	1,434	280	16,872
Additions	-	-	-	111	107	218
Disposals	-	-	(52)	-	(188)	(240)
At 30 June 2012/1 July 2012	2,908	7,938	4,260	1,545	199	16,850
Additions	-	-	27	164	-	191
Disposals	-	-	(1,108)	-	(108)	(1,216)
Write-off	-	-	(9)	-	-	(9)
At 30 June 2013	**2,908**	**7,938**	**3,170**	**1,709**	**91**	**15,816**
Accumulated depreciation						
At 1 July 2011	556	1,362	3,475	1,037	143	6,573
Charge for the year	72	182	318	105	38	715
Disposals	-	-	(42)	-	(158)	(200)
At 30 June 2012/1 July 2012	628	1,544	3,751	1,142	23	7,088
Charge for the year	72	182	229	129	41	653
Disposals	-	-	(1,108)	-	(18)	(1,126)
Write-off	-	-	(9)	-	-	(9)
At 30 June 2013	**700**	**1,726**	**2,863**	**1,271**	**46**	**6,606**

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Long term leasehold land	Buildings and improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amounts						
At 1 July 2011	2,352	6,576	837	397	137	10,299
At 30 June 2012/1 July 2012	2,280	6,394	509	403	176	9,762
At 30 June 2013	**2,208**	**6,212**	**307**	**438**	**45**	**9,210**

5. INVESTMENT IN A SUBSIDIARY

	Company		
	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000
Unquoted shares, at cost	**55,534**	55,534	55,534
Less: Accumulated impairment loss	**(31,996)**	(5,000)	(5,000)
	23,538	50,534	50,534

During the financial year, the Company recognised an impairment loss of RM26,996,000 to adjust the carrying amount of the investment in a subsidiary to its estimated recoverable amount.

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

6. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

	Assets			Liabilities			Net		
Group	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	**-**	-	-	**(1,015)**	(757)	(798)	**(1,015)**	(757)	(798)
Other deductible temporary differences	**143**	177	244	**-**	-	-	**143**	177	244
Tax losses carry forwards	**1,893**	1,550	1,663	**-**	-	-	**1,893**	1,550	1,663
Investment in a foreign subsidiary	**-**	-	-	**-**	-	(135)	**-**	-	(135)
Other items	**3**	-	(15)	**-**	-	-	**3**	-	(15)
Tax assets/(liabilities)	**2,039**	1,727	1,892	**(1,015)**	(757)	(933)	**1,024**	970	959
Set off of tax	**(1,015)**	(757)	(798)	**1,015**	757	798	**-**	-	-
Net tax assets/ (liabilities)	**1,024**	970	1,094	**-**	-	(135)	**1,024**	970	959

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

6. DEFERRED TAX ASSETS AND LIABILITIES *cont'd*

Movement in temporary differences during the year

Group	At 1.7.2011	Recognised in profit or loss (Note 17)	At 30.6.2012/ 1.7.2012	Recognised in profit or loss (Note 17)	At 30.6.2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(798)	41	(757)	(258)	**(1,015)**
Other deductible temporary differences	244	(67)	177	(34)	**143**
Tax losses carry forwards	1,663	(113)	1,550	343	**1,893**
Investment in a foreign subsidiary	(135)	135	-	-	**-**
Other items	(15)	15	-	3	**3**
	959	11	970	54	**1,024**

7. INVENTORIES

	Group		
	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000
Raw materials	**2,435**	1,961	1,131
Work-in-progress	**729**	732	414
Finished goods	**596**	258	58
	3,760	2,951	1,603
Recognised in profit or loss:			
Inventories recognised as cost of sales	**46,766**	40,633	18,413
Reversal of write-down	**(52)**	(202)	(226)
	46,714	40,431	18,187

8. TRADE AND OTHER RECEIVABLES

	Group			Company		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade						
Trade receivables	**17,483**	12,064	9,119	**-**	-	-
Less: Allowance for impairment loss	**(40)**	(40)	(40)	**-**	-	-
	17,443	12,024	9,079	**-**	-	-
Non-trade						
Other receivables	**7**	149	342	**1**	1	-
Deposits	**145**	116	36	**2**	2	2
Prepayments	**827**	1,071	984	**10**	10	10
	979	1,336	1,362	**13**	13	12
	18,422	13,360	10,441	**13**	13	12

Included in trade receivables are amount due from related companies of RM7,181,000 (2012: RM5,352,000) and it is unsecured, interest free and subject to the normal trade terms.

9. CASH AND CASH EQUIVALENTS

	Group			Company		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed financial institutions	**6,300**	6,974	7,155	**6,300**	6,974	7,155
Cash and bank balances	**4,582**	3,833	4,556	**395**	61	48
	10,882	10,807	11,711	**6,695**	7,035	7,203

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

	Group			Company		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	**3,378**	2,854	320	**42**	61	48

10. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Ordinary shares of RM1.00 each				
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

11. RESERVES

	Group			Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Non-distributable						
Translation reserve	**1**	222	-	**-**	-	-
Accumulated losses	**(38,659)**	(38,732)	(39,616)	**(32,492)**	(5,234)	(4,817)
	(38,658)	(38,510)	(39,616)	**(32,492)**	(5,234)	(4,817)

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.

12. EMPLOYEE BENEFITS

(a) Retirement Benefits

	Group	
	2013 RM'000	2012 RM'000
At 1 July	**153**	266
Reversal	**(24)**	(67)
Payments	**(9)**	(46)
At 30 June	**120**	153

(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 2013 in respect of the ESOS.

13. TRADE AND OTHER PAYABLES

	Group			Company		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade						
Trade payables	**17,811**	12,180	5,969	**-**	-	-
Non-trade						
Amount due to related companies	**98**	93	28	**-**	-	-
Amount due to a subsidiary	**-**	-	-	**332**	303	114
Other payables	**1,112**	848	3,330	**-**	-	-
Derivatives	**-**	-	4	**-**	-	-
Accrued expenses	**584**	969	1,410	**218**	325	266
	1,794	1,910	4,772	**550**	628	380
	19,605	14,090	10,741	**550**	628	380

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

14. BORROWINGS (UNSECURED)

	Group		
	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000
Current			
Bankers' acceptances	**-**	-	400
Revolving credits	**-**	-	1,000
	-	-	1,400

The borrowings were subject to interest at rates ranging from 3.26% to 3.58% per annum. The borrowings had been fully settled during the previous financial year.

15. REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Sales of goods	**10,253**	13,841	**-**	-
Contract revenue	**48,770**	39,221	**-**	-
Dividend income	**242**	214	**185**	214
	59,265	53,276	**185**	214

16. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditor	**42**	37	**27**	22
- Other auditors	**4**	14	**-**	-
Other services				
- Holding company's auditor	**13**	13	**13**	13
Bad debts written off	**311**	-	**-**	-
Depreciation of property, plant and equipment	**653**	715	**-**	-
Finance costs	**-**	26	**-**	-
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees[N1]	**-**	58	**-**	58
Non-Executive Directors				
- Fees	**120**	152	**120**	152
- Other emoluments	**46**	65	**46**	65
	166	217	**166**	217
Personnel expenses:				
Wages, salaries and others	**6,573**	6,060	**-**	-
Contribution to Employees Provident Fund	**546**	454	**-**	-
Impairment loss on investment in a subsidiary	**-**	-	**26,996**	-
Rental of premises	**13**	13	**13**	13
Dividend income - unquoted fund	**(242)**	(214)	**(185)**	(214)
Finance income	**(42)**	(59)	**(16)**	(17)
Gain on disposal of property, plant and equipment	**(22)**	(29)	**-**	-
Loss/(Gain) on foreign exchange				
- Realised	**17**	(166)	**-**	-
- Unrealised	**13**	(10)	**-**	-
Reversal for retirement benefits	**(24)**	(67)	**-**	-
Reversal of impairment loss on inventories	**(52)**	(202)	**-**	-

N1 *These fees have been assigned in favour of the company where the Directors are employed.*

17. TAXATION

		Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Current tax expense					
Malaysian	- current year	**8**	10	**1**	2
	- prior years	**1**	2	**(2)**	2
Overseas	- current year	**43**	147	**-**	-
	- prior years	**-**	56	**-**	-
		52	215	**(1)**	4
Deferred tax expense					
Reversal and origination of temporary differences					
- Malaysian		**(120)**	308	**-**	-
- Overseas		**-**	(135)	**-**	-
Under/(Over) provision in prior years		**66**	(184)	**-**	-
		(54)	(11)	**-**	-
		(2)	204	**(1)**	4

The reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	**71**	1,088	**(27,259)**	(413)
Taxation at Malaysian statutory tax rate of 25%	**18**	272	**(6,815)**	(103)
Tax at foreign tax rates	**43**	12	**-**	-
Non-deductible expenses	**214**	224	**6,862**	159
Double deduction of expenses	**-**	(124)	**-**	-
Non-taxable income	**(344)**	(54)	**(46)**	(54)
	(69)	330	**1**	2
Under/(Over) provision in prior years	**67**	(126)	**(2)**	2
Taxation	**(2)**	204	**(1)**	4

18. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM73,000 (2012: RM884,000) by the weighted average number of ordinary shares outstanding during the financial year of 62,188,000 (2012: 62,188,000).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current financial year as the Group does not have dilutive instruments.

19. OPERATING SEGMENT

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

Segment profit

Performance is measured based on segment profit before finance income, finance costs 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 in made on segment liability.

Segment capital expenditure

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

Information about reportable segment

	Design, manufacturing supply of furniture and interior design fit-out works	
	2013	**2012**
	RM'000	**RM'000**
Reportable segment profit	**253**	1,485
Included in the measure of segment profit are:		
Revenue from external customers	**59,023**	53,062
Depreciation	**(653)**	(715)

19. OPERATING SEGMENT *cont'd*

Reconciliation of reportable segment profit/(loss) and revenue

	2013 RM'000	2012 RM'000
Profit/(Loss)		
Reportable segment	**253**	1,485
Non-reportable segment	**(224)**	(430)
Finance costs	**-**	(26)
Finance income	**42**	59
Consolidated profit before taxation	**71**	1,088
Revenue		
Reportable segment	**59,023**	53,062
Non-reportable segment	**242**	214
Consolidated revenue	**59,265**	53,276

Geographical segments

Revenue of the Group by geographical locations of the customers is as follows:

	Revenue 2013 RM'000	Revenue 2012 RM'000
United States of America	**1,012**	4,821
Malaysia	**49,198**	39,547
Europe	**4,995**	4,961
Others	**4,060**	3,947
	59,265	53,276

Non-current assets of the Group are maintained within Malaysia as at the end of the current and previous financial year.

Major customer

Revenue from a customer of the Group amounting to RM23,986,000 (2012: RM29,813,000) contributed to more than 10% of the Group's revenue.

20. RELATED PARTIES

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 through Hong Leong Manufacturing Group Sdn Bhd. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and major shareholder of 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;

20. RELATED PARTIES *cont'd*

ii. HLMG Management Co Sdn Bhd ("HMMC"), Hong Leong Assurance Berhad ("HLA") and GuoLine Intellectual Assets Limited ("GIAL") are subsidiaries of HLCM; and

iii. Guardian Security Consultants Sdn. Bhd. ("GSC") is an indirect associate of HLCM.

Significant transactions with related parties are as follows:

Transaction		Related party	Group 2013 RM'000	Group 2012 RM'000
a)	Rental of shared office space	HMMC	**13**	13
b)	Receipt of security guard services	GSC	**67**	75
c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**491**	437
d)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**9**	9
e)	Purchase of goods	Subsidiaries of HLCM	**23**	-
f)	Sale of furniture and interior design fit-out works	Subsidiaries of HLCM	**(30,936)**	(31,076)
g)	Sale proceed on disposal of motor vehicles	Subsidiaries of HLCM	**(95)**	-

Significant balances with related parties at the reporting date are disclosed in Note 8 and Note 13 to the financial statements.

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

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 include all the Directors of the Group.

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 16.

21. FINANCIAL INSTRUMENTS

21.1 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")

	Carrying amount			L&R		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Group						
Trade and other receivables (excluding prepayments)	**17,595**	12,289	9,457	**17,595**	12,289	9,457
Cash and cash equivalents	**10,882**	10,807	11,711	**10,882**	10,807	11,711
	28,477	23,096	21,168	**28,477**	23,096	21,168

21. FINANCIAL INSTRUMENTS *cont'd*

21.1 Categories of financial instruments *cont'd*

	Carrying amount			L&R		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Company						
Trade and other receivables (excluding prepayments)	**3**	3	2	**3**	3	2
Cash and cash equivalents	**6,695**	7,035	7,203	**6,695**	7,035	7,203
	6,698	7,038	7,205	**6,698**	7,038	7,205

	Carrying amount	OL	FVTPL
	RM'000	RM'000	RM'000
30 June 2013			
Financial liabilities			
Group			
Trade and other payables	**19,605**	**19,605**	**-**
Company			
Trade and other payables	**550**	**550**	**-**
30 June 2012			
Financial liabilities			
Group			
Trade and other payables	14,090	14,090	-
Company			
Trade and other payables	628	628	-
1 July 2011			
Financial liabilities			
Group			
Loans and borrowings	1,400	1,400	-
Trade and other payables	10,741	10,737	4
	12,141	12,137	4
Company			
Trade and other payables	380	380	-

21. FINANCIAL INSTRUMENTS *cont'd*

21.2 Net (gains) and losses arising from financial instrument

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net (gains)/losses on:				
Loans and receivables	**299**	(235)	**(16)**	(17)
Other liabilities	**-**	26	**-**	-
	299	(209)	**(16)**	(17)

21.3 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

21.4 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 only on customers requiring credit.

As at the end of reporting period, there were no significant concentrations of credit risk other than two customers which represent 63% (2012: one customer- 45%) 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.

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 statements 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.

21. FINANCIAL INSTRUMENTS *cont'd*

21.4 Credit risk *cont'd*

Receivables *cont'd*

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region was:

	Group		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Malaysia	**16,727**	11,062	5,133
Philippines	**-**	-	3,190
Others	**716**	962	756
	17,443	12,024	9,079

Impairment losses

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

	Gross	**Individual impairment**	**Net**
	RM'000	**RM'000**	**RM'000**
30 June 2013			
Not past due	**8,508**	**-**	**8,508**
Past due 0 - 30 days	**4,289**	**-**	**4,289**
Past due 31 days to 120 days	**2,745**	**-**	**2,745**
Past due more than 120 days	**1,941**	**(40)**	**1,901**
	17,483	**(40)**	**17,443**
30 June 2012			
Not past due	7,040	-	7,040
Past due 0 - 30 days	1,894	-	1,894
Past due 31 days to 120 days	829	-	829
Past due more than 120 days	2,301	(40)	2,261
	12,064	(40)	12,024
1 July 2011			
Not past due	7,782	-	7,782
Past due 0 - 30 days	825	-	825
Past due 31 days to 120 days	98	-	98
Past due more than 120 days	414	(40)	374
	9,119	(40)	9,079

21. FINANCIAL INSTRUMENTS *cont'd*

21.4 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 statements 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.

21.5 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.

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.

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:

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year
	RM'000		RM'000	RM'000
30 June 2013				
Group				
Non-derivative financial liabilities				
Trade and other payables	19,605	-	19,605	19,605
Company				
Non-derivative financial liabilities				
Trade and other payables	550	-	550	550

21. FINANCIAL INSTRUMENTS *cont'd*

21.5 Liquidity risk *cont'd*

Maturity analysis cont'd

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
30 June 2012				
Group				
Non-derivative financial liabilities				
Trade and other payables	14,090	-	14,090	14,090
Company				
Non-derivative financial liabilities				
Trade and other payables	628	-	628	628
1 July 2011				
Group				
Non-derivative financial liabilities				
Borrowings	1,400	3.26% - 3.58%	1,450	1,450
Trade and other payables	10,737	-	10,737	10,737
	12,137		12,187	12,187
Derivative financial liabilities				
Forward exchange contracts (gross settled):				
Outflow	4	-	553	553
Inflow	-	-	(549)	(549)
	12,141		12,191	12,191
Company				
Non-derivative financial liabilities				
Trade and other payables	380	-	380	380

21.6 Market risk

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

21.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales 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.

21. FINANCIAL INSTRUMENTS *cont'd*

21.6 Market risk *cont'd*

21.6.1 Currency risk *cont'd*

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:

Group	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Trade receivables denominated in:			
USD	**716**	963	681
EURO	**-**	-	75

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 (decreased)/increased profit before taxation 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.

	Profit or loss	
Group	2013 RM'000	2012 RM'000
USD	**36**	48

21.6.2 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		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Fixed rate instruments						
Financial assets	**6,300**	6,974	7,155	**6,300**	6,974	7,155
Financial liabilities	**-**	-	(1,400)	**-**	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

21. FINANCIAL INSTRUMENTS *cont'd*

21.7 Fair value of financial instruments

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

22. 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 are determined to maintain an optimal debt-to-equity ratio.

Under Practice Note No. 17/2005 of Bursa Malaysia Securities 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.

23. CAPITAL AND OTHER COMMITMENTS

	Group			Company		
	30.6.2013	30.6.2012	1.7.2011	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment						
Authorised and contracted for	**292**	-	-	**-**	-	-

24. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2.2 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statement of financial position at 1 July 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 July 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position is set out as follows:

24. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

24.1 Reconciliation of financial position

	Note	1.7.2011 FRSs RM'000	1.7.2011 Effect of transition to MFRSs RM'000	1.7.2011 MFRSs RM'000	30.6.2012 FRSs RM'000	30.6.2012 Effect of transition to MFRSs RM'000	30.6.2012 MFRSs RM'000
Assets							
Property, plant and equipment		10,299	-	10,299	9,762	-	9,762
Goodwill	24.2	36,428	(36,428)	-	36,428	(36,428)	-
Deferred tax assets		1,094	-	1,094	970	-	970
Total non-current assets		47,821	(36,428)	11,393	47,160	(36,428)	10,732
Inventories		1,603	-	1,603	2,951	-	2,951
Trade and other receivables		10,441	-	10,441	13,360	-	13,360
Current tax assets		2	-	2	71	-	71
Cash and cash equivalents		11,711	-	11,711	10,807	-	10,807
Total current assets		23,757	-	23,757	27,189	-	27,189
Total assets		71,578	-	35,150	74,349	-	37,921
Equity attributable to owners of the Company							
Share capital		62,188	-	62,188	62,188	-	62,188
Reserves	24.2	(3,188)	(36,428)	(39,616)	(2,082)	(36,428)	(38,510)
Total equity		59,000	(36,428)	22,572	60,106	(36,428)	23,678
Liabilities							
Employee benefits		266	-	266	153	-	153
Deferred tax liabilities		135	-	135	-	-	-
Total non-current liabilities		401	-	401	153	-	153
Trade and other payables		10,741	-	10,741	14,090	-	14,090
Borrowings (unsecured)		1,400	-	1,400	-	-	-
Current tax liabilities		36	-	36	-	-	-
Total current liabilities		12,177	-	12,177	14,090	-	14,090
Total liabilities		12,578	-	12,578	14,243	-	14,243
Total equity and liabilities		71,578	(36,428)	35,150	74,349	(36,428)	37,921

24. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

24.2 Notes to reconciliations

a) Business combinations

All business combinations were previously accounted for using acquisition method where goodwill that arose from business combinations were measured at cost less accumulated impairment. As at the date of transition to MFRS 1, business combinations involving acquisition of common control companies (prior to the date of transition to MFRS 1) are accounted for using book value method and consequently, the related goodwill (net of accumulated amortisation) was reversed and adjusted to the accumulated losses of the Group.

b) Foreign currency translation reserve

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarised as follows:

	Group	
	1.7.2011	**30.6.2012**
	RM'000	**RM'000**
Consolidated statement of financial position		
Goodwill	(36,428)	(36,428)
Translation reserve	(147)	(147)
Adjustment to accumulated losses	(36,575)	(36,575)

25. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2013, into realised and unrealised profits/(losses), are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- realised	**(29,947)**	(2,253)	**(32,492)**	(5,234)
- unrealised	**1,011**	980	**-**	-
	(28,936)	(1,273)	**(32,492)**	(5,234)
Less: Consolidation adjustments	**(9,723)**	(37,459)	**-**	-
Total accumulated losses	**(38,659)**	(38,732)	**(32,492)**	(5,234)

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the 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 30 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2013 of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 66 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

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2013

Statutory **Declaration**

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

I, Soon Seong Keat, being 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 30 to 66 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 above named, Soon Seong Keat in Kuala Lumpur in the Federal Territory on 27 August 2013.

Soon Seong Keat

Before me:

Mohan A.S. Maniam
Commissioner For Oaths
Kuala Lumpur

Independent **Auditors' Report**

to the members of Narra Industries Berhad

(Company No. 62227-X) (Incorporated in Malaysia)

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 2013 of the Group and of the Company, and the statements of profit or loss and other 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 30 to 65.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 its subsidiaries 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 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 accounts 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 explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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 25 on page 66 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. 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 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.

OTHER MATTERS

As stated in Note 2.1 to the financial statements, Narra Industries Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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

Adrian Lee Lye Wang
Approval Number: 2679/11/13(J)
Chartered Accountant

Petaling Jaya, Selangor

27 August 2013

Other **Information**

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2013

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	19	8,420

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013

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 2013

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	7	0.39	302	0.00
100 – 1,000	772	42.37	712,998	1.15
1,001 – 10,000	811	44.51	3,400,600	5.47
10,001 – 100,000	211	11.58	6,295,300	10.12
100,001 – less than 5% of issued shares	19	1.04	5,324,200	8.56
5% and above of issued shares	2	0.11	46,454,200	74.70
	1,822	100.00	62,187,600	100.00

List Of Thirty Largest Shareholders As At 2 September 2013

	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.	Huang Phang Lye	437,500	0.70
5.	Chim Luang Eng	395,500	0.64
6.	Ang Hong Mai	255,000	0.41
7.	YBhg Tan Sri Dato' Ir Talha Bin Haji Mohamad Hashim	200,000	0.32
8.	Wong Ing Huong	196,600	0.32
9.	Yoong Kin Pin	187,600	0.30
10.	Maybank Nominees (Tempatan) Sdn Bhd - Tan Choon Hwa	167,000	0.27
11.	YABhg Tun Dato' Seri Zaki Bin Tun Azmi	165,000	0.27

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 *cont'd*

List Of Thirty Largest Shareholders As At 2 September 2013 *cont'd*

	Name of Shareholders	No. of Shares	%
12.	Lim Cheng Eam	158,000	0.25
13.	Chua Siew Lien	155,500	0.25
14.	Choy Thiam Hwa	150,000	0.24
15.	Kok Boon Lim	135,000	0.22
16.	Ng Sai How	128,000	0.21
17.	Malacca Equity Nominees (Tempatan) Sdn Bhd - Exempt AN for Philip Capital Management Sdn Bhd (EPF)	108,700	0.18
18.	HLIB Nominees (Tempatan) Sdn Bhd - Chut Nyak Isham Bin Nyak Ariff	107,700	0.17
19.	YBhg Dato' Haji Shaharuddin Bin Haji Haron	104,000	0.17
20.	Ong Lay Huah	102,100	0.16
21.	Andrew Lim Cheong Seng	100,000	0.16
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Ta Kin Yan	100,000	0.16
23.	HLIB Nominees (Tempatan) Sdn Bhd - Tee Kim Soon	100,000	0.16
24	Lim Cheng & Sons Sdn Bhd	100,000	0.16
25.	Mah Ting Chong	100,000	0.16
26.	RHB Capital Nominees (Tempatan) Sdn Bhd - Leong Khai Shaun	95,500	0.15
27.	Chong Mee Foong	94,800	0.15
28.	Onn Kok Puay (Weng Guopei)	89,700	0.14
29.	Leong Sow Shim	83,200	0.13
30.	Leong Sai Chai	80,000	0.13
		52,750,600	84.82

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2013 are as follows:

	Direct		Deemed		
Name of Shareholders	**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	^	61.59
Tan Sri Quek Leng Chan	8,150,200	13.11	38,314,000	*	61.61
HL Holdings Sdn Bhd	-	-	38,304,000	#	61.59
Hong Realty (Private) Limited	-	-	38,314,000	*	61.61
Hong Leong Investment Holdings Pte Ltd	-	-	38,314,000	*	61.61
Kwek Holdings Pte Ltd	-	-	38,314,000	*	61.61
Kwek Leng Beng	-	-	38,314,000	*	61.61
Kwek Leng Kee	-	-	38,314,000	*	61.61
Davos Investment Holdings Private Limited	-	-	38,314,000	*	61.61
Quek Leng Chye	-	-	38,314,000	*	61.61

Notes:

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

3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2013

Subsequent to the financial year end, there is no change, as at 2 September 2013, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 27 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. MATERIAL CONTRACTS AS AT 2 SEPTEMBER 2013

There are no material contracts (not being contracts entered into in the ordinary course of business) which had 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.

Narra Industries Berhad (62227-X)

A Member of the Hong Leong Group

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-third Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 17 October 2013 at 10.00 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 Datuk Kwek Leng San as a Director		
3.	To re-elect YBhg Dato' Rosman bin Abdullah as a Director		
4.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
5.	To approve the ordinary resolution on authority to Directors to issue shares		
6.	To approve the ordinary resolution on the proposed renewal of 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 renewal of 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		
8.	To approve the special resolution on the proposed amendments to the Articles of Association of the Company		

Dated this ______________ day of ________________________ 2013

______________________ Number of shares held

______________________ Signature(s) of Member

Notes

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *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.*
3. *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.*
4. *A proxy may but 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.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. 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 (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *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.*
8. *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.*
9. *In the event two or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

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

1st Fold Here