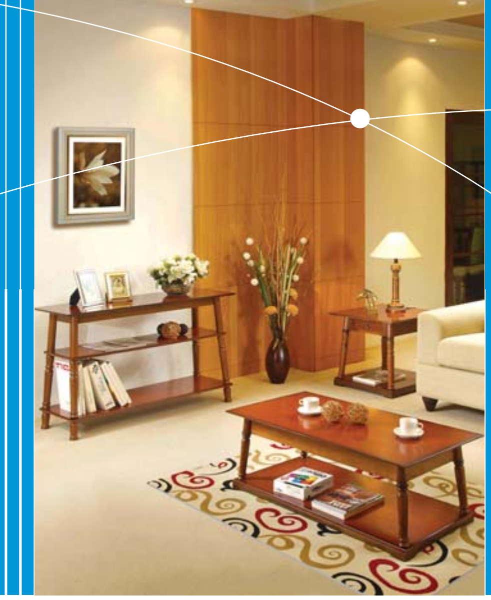
Narra Industries Berhad (62227-X)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

www.narra.com.my

Narra Industries Berhad

ANNUAL REPORT **2012**



annual report **2012**

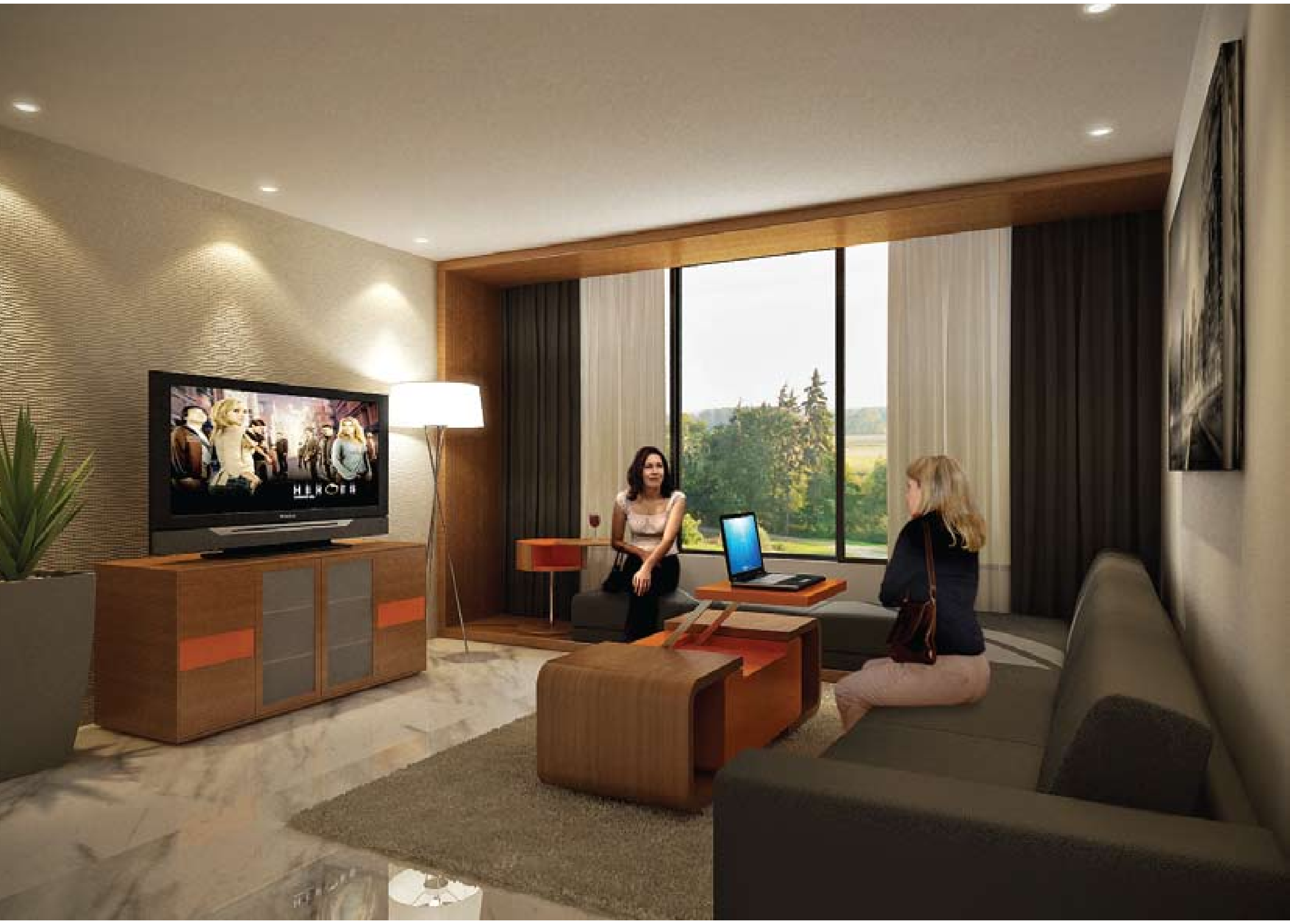
Narra Industries Berhad (62227-X)

A Member of the Hong Leong Group

Narra Industries Berhad (62227-X)

Contents

Company Profile

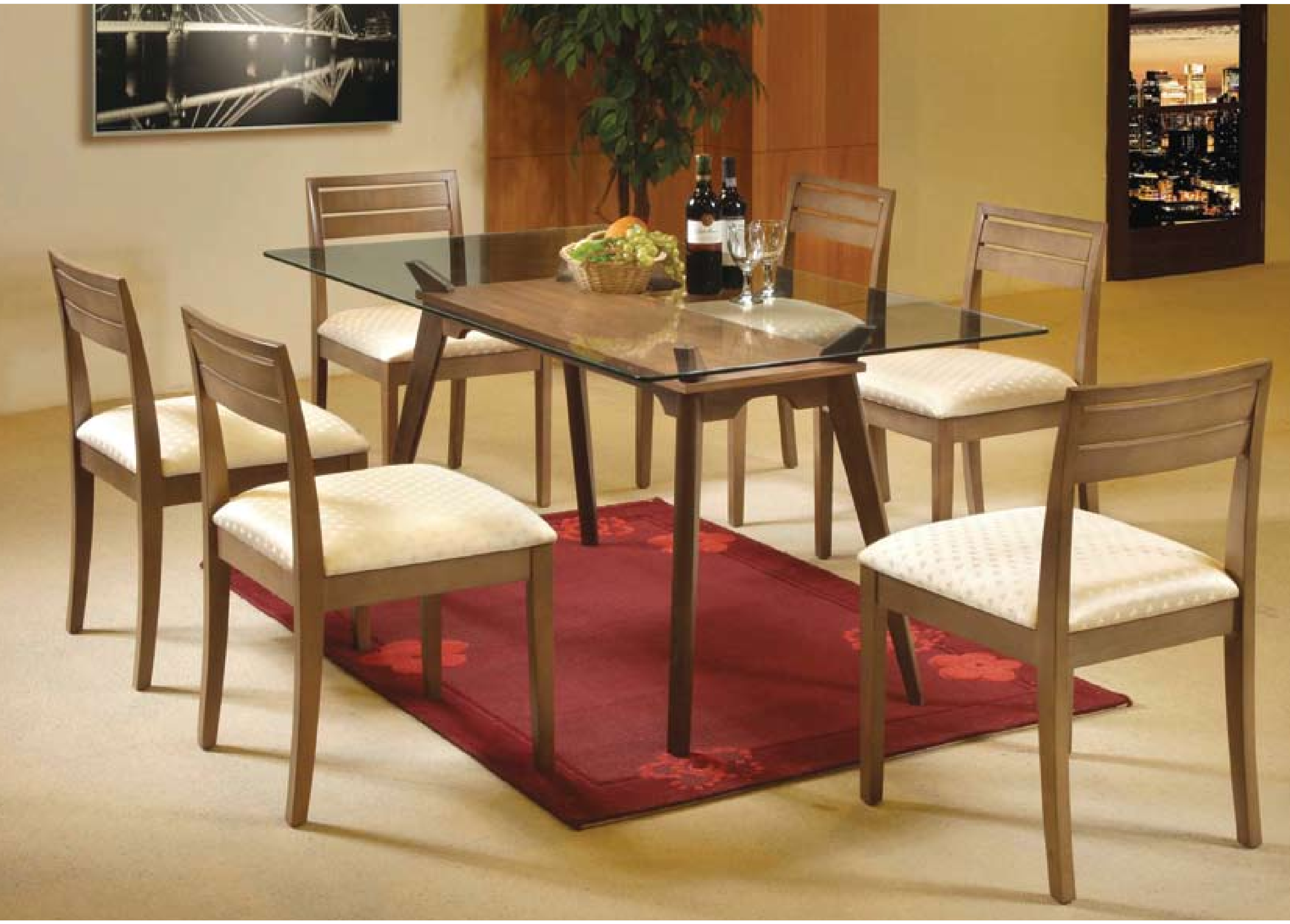


Narra Industries Berhad ("Narra")

is principally an investment holding company and its subsidiaries are engaged in the design, manufacture and supply of furniture, and interior design fit-out works.

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

Corporate Information



DIRECTORS

YBhg Datuk Kwek Leng San *(Chairman)*

Tuan Syed Zaid bin Syed Jaffar Albar

YBhg Dato' Rosman bin Abdullah

Mr Terence Lee Chai Koon

Mr Seow Yoo Lin

COMPANY SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-second 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 Tuesday, 16 October 2012 at 11.30 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 2012.

2. To approve the payment of Director fees of RM210,000 for the financial year ended 30 June 2012 (2011: 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) Tuan Syed Zaid bin Syed Jaffar Albar (Resolution 2)
   (b) Mr Seow Yoo Lin. (Resolution 3)

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

SPECIAL BUSINESS

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

5. **Authority To Directors To Issue Shares**

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 5)

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 24 September 2012 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that:

   (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

   (ii) such approval shall continue to be in force until:

      (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

      (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

      (c) revoked or varied by resolution passed by the shareholders in general meeting,

      whichever is the earlier;

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 6)

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 24 September 2012 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

Notice of Annual General Meeting
cont'd

(ii) such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

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

By Order of the Board

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
24 September 2012

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 9 October 2012 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.*

3. *A member who is an exempt authorised nominee for multiple beneficial owners in a securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

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 On Special Business

1. *Authority To Directors To Issue Shares*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 18 October 2011 and which will lapse at the conclusion of the Thirty-second Annual General Meeting.

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

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

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

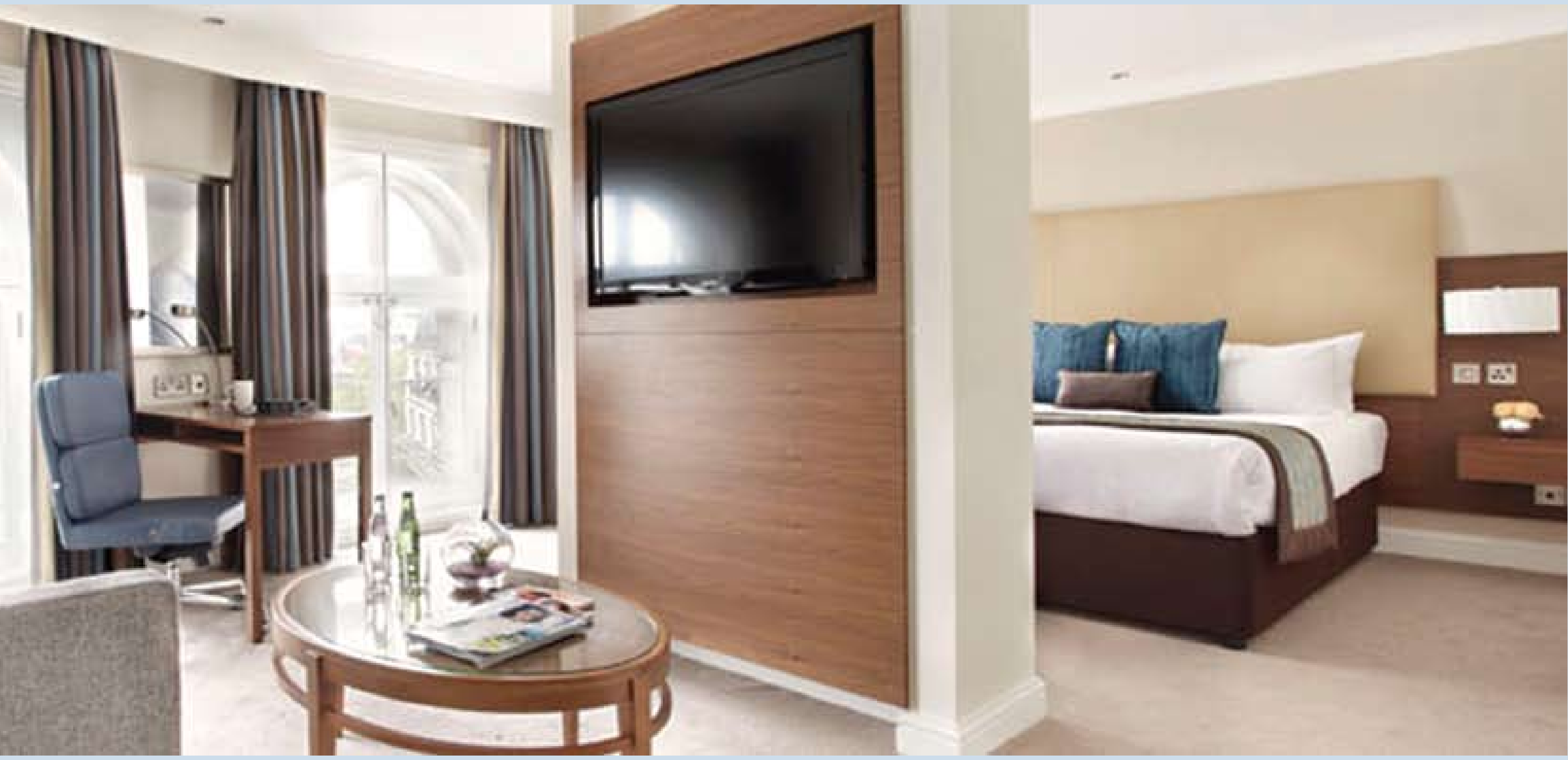
   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 24 September 2012 which is despatched together with the Company's Annual Report.

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-second Annual General Meeting

Directors' Profile



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

Datuk Kwek Leng San, aged 57, 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 does not sit on any committee of Narra.

He is the Executive Chairman of Malaysian Pacific Industries Berhad ("MPI"), Chairman of 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, Hong Leong Marketing Co Berhad and Hong Leong Foundation.

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

Syed Zaid bin Syed Jaffar Albar, aged 58, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Law in the United Kingdom and qualified as a Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 26 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

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

He is 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.

Directors' Profile
cont'd

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

Dato' Rosman bin Abdullah, aged 45, 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.

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

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

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

MR TERENCE LEE CHAI KOON
Non-Executive Director/Non-Independent

Mr Terence Lee, aged 54, 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 56, a Malaysian, qualified as a Certified Public Accountant in 1980. He holds a Master in Business Administration from the International Management Centre, Buckingham, United Kingdom.

Mr Seow joined KPMG Malaysia in 1976. 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.

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.

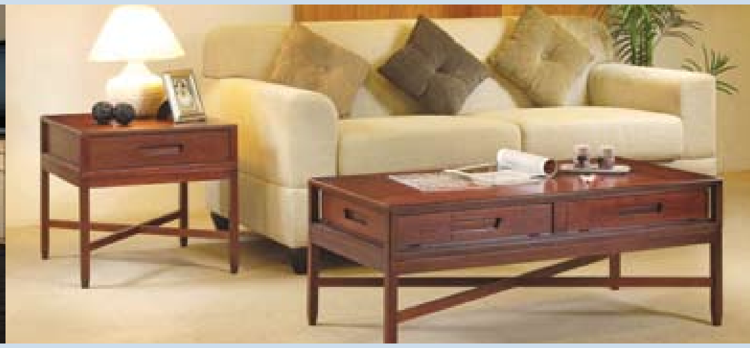
Mr Seow was appointed to the Board of Narra on 21 February 2012. He does not sit on any committee of Narra.

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 and Internal Control in the Annual Report.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2012.



OPERATING ENVIRONMENT

The furniture industry remains challenging and competitive as a result of the low economic growth and financial market uncertainties in our major markets in Europe and the United States of America. Increased prices of timber raw materials and appreciation of the Ringgit Malaysia against the US Dollar for the better part of the financial year have affected our export sales and earnings.

FINANCIAL & BUSINESS REVIEW

For the financial year under review, the Group recorded higher revenue of RM53.3 million as compared with RM32.3 million in the previous financial year ended 30 June 2011 ("FY 2011"). The Group achieved a profit before taxation ("PBT") of RM1.1 million for the financial year under review as compared with a loss before taxation of RM3.6 million in FY 2011.

The improvements in revenue and PBT were mainly attributed to the Group's continuous effort in promoting products and services to the hospitality and commercial sectors. Our total design and build solution was well received by the market.

In the household furniture segment of the export market, competition continued to be intense, resulting in lower sales. In response, the Group refocused its efforts on developing a range of lifestyle furnitures which should help to increase sales in the next financial year.

FUTURE AND PROSPECTS

The furniture market will remain challenging given the current global economic uncertainty. However, our domestic market is expected to grow with projects announced in the 10th Malaysia Plan and the Economic Transformation Programme. The Group will continue to promote, expand and develop its design and fit-out works in the hospitality and commercial sectors. Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2013.

DIVIDEND

The Board does not recommend any dividend for the financial year ended 30 June 2012.

APPRECIATION

On behalf of the Board, I would like to thank YBhg Tan Sri Quek Leng Chan who stepped down as the Executive Chairman of the Company on 21 February 2012. At the same time, I would like to extend a warm welcome to Mr Seow Yoo Lin who joined the Board as an Independent Non-Executive Director on 21 February 2012.

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

Last but not least, I would like to express my appreciation to the management team and all the employees for their dedication and commitment to the Group.

DATUK KWEK LENG SAN
Chairman

Corporate Social Responsibility

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

ECONOMIC SUSTAINABILITY

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

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

Corporate Social Responsibility
cont'd

SOCIAL SUSTAINABILITY

Employee Development and Welfare

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

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

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

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

Diversity and Inclusion

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

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

Environmental Preservation

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

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

Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change, was observed by the Group.

Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world have adopted the event which is held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.

Corporate Social Responsibility
cont'd

COMMUNITY INVESTMENT

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

Scholarship

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

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

A separate fund is also set aside for scholarship grants for deserving children of Group employees.

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

After School Care Programme

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

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

School Building Fund

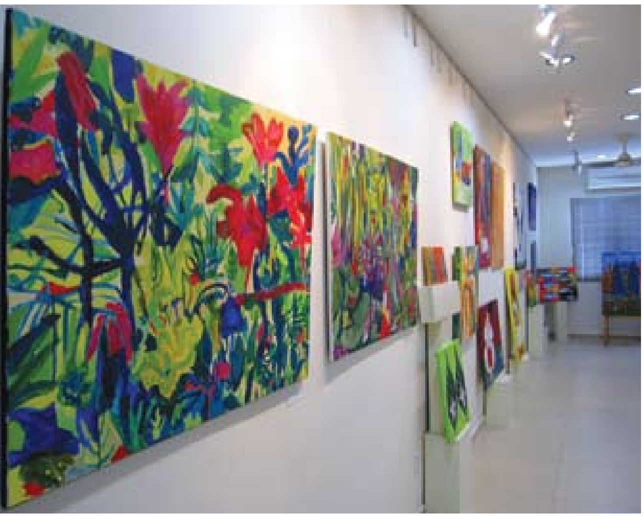
To enhance existing facilities for a better learning environment, the Foundation has made donations to various academic and vocational training institutions nationwide.

Community Welfare

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

For this financial year, contributions amounting to about RM2 million were made to, amongst others, Cheshire Home Selangor, Rumah Desa Amal Jireh, Rumah Grace, Rumah Graceville, Rumah Miriam, Rumah Orang-Orang Tua Seri Setia, Rumah Stepping Stones Life Center, Rumah Victory, Rumah Kebajikan Warga Tua WP, Salvation Army Joyhaven, Sunshine Cottage Welfare Home, Pertubuhan Orang-Orang Bermasalah Pembelajaran Dayspring, Sarawak Society for the Blind, Montfort Boys Town, Silent Teddies Bakery, Yayasan Sunbeams Home, Pusat Kanak-Kanak Cacat Pulau Pinang, Pusat Kebajikan Care Haven, Ray of Hope, Little Sisters of the Poor, Persatuan Kebajikan Kanak-Kanak Kajang, MEMSA and Pusat Perubatan Universiti Malaya (PPUM).

Corporate Social Responsibility
cont'd



COMMUNITY PARTNER PROGRAMME

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

Small Enterprise Programme

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

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

AWARDS AND RECOGNITION

The Group has received the following awards and recognition:

- Long Service Award from Federation of Malaysian Manufacturer, Negeri Sembilan.
- Best Compliments from Jabatan Perangkaan Malaysia.

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

Corporate Governance and Internal Control

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

~ Finance Committee on Corporate Governance

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

A DIRECTORS

I The Board

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

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

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

II Board Balance

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

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

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

III Board Meetings

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

The Board met four (4) times during the financial year ended 30 June 2012. Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Tuan Syed Zaid bin Syed Jaffar Albar	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Terence Lee Chai Koon	4/4
Mr Seow Yoo Lin	2/2

Note: Mr Seow Yoo Lin attended all the Board meetings held during his office as director of the Company for the financial year ended 30 June 2012.

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

Corporate Governance and Internal Control
cont'd

A DIRECTORS *cont'd*

IV Supply of Information

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

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

V Appointments to The Board

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

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

Having reviewed the assessments in respect of the financial year ended 30 June 2012, the Board is satisfied that the Board and Board committee have continued to operate effectively in discharging their duties and responsibilities. The directors and Board committee members have also fulfilled their responsibilities as members of the Board and Board committee and are suitably qualified to hold their positions.

VI Re-election

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

VII Training and Education

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

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

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

During the financial year ended 30 June 2012, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

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

During the financial year ended 30 June 2012, the directors of the Company, including members of the Board Audit & Risk Management Committee, collectively or on their own, attended the following training programmes, seminars, briefings and/or workshops:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR")
- Corporate Disclosure Guide
- Transactional Perils under the Companies Act, 1965
- How to read a Contract
- Dispute Resolution
- Corporate Governance
- Financial Institutions Directors' Education Programme

Corporate Governance and Internal Control
cont'd

A DIRECTORS *cont'd*

VII Training and Education *cont'd*

- Financial Reporting Standards And Updates
- Introduction to Intellectual Property
- Formation of Contracts : Nuts & Bolts
- Executive Talk Siri 1/2012 - Leadership Challenges
- Optimising IFRS/MFRS Convergence.

B DIRECTORS' REMUNERATION

I Level and Make-up of Remuneration

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

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

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

II Procedure

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

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

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

III Disclosure

The aggregate remuneration of directors (including remuneration of directors appointed/resigned during the financial year) for the financial year ended 30 June 2012 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	57,787	-	57,787
Non-Executive Directors	152,213	65,000	217,213

The number of directors (including directors appointed/resigned during the financial year) whose remuneration falls into the following bands is as follows:

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

Corporate Governance and Internal Control
cont'd

C. SHAREHOLDERS

I Dialogue between Companies and Investors

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

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

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

Queries may be conveyed to the following person:

Name	: Mr Chan Chee Keong
Tel No	: 03-2164 2631
Fax No	: 03-2715 4808
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.

D. ACCOUNTABILITY AND AUDIT

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

The Committee met four (4) times during the financial year ended 30 June 2012. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 19 of the Annual Report. 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.

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

I Financial Reporting

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

II Internal Control

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

Corporate Governance and Internal Control
cont'd

D. ACCOUNTABILITY AND AUDIT *cont'd*

III Relationship with Auditors

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

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

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

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

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

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

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2012, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

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

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

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

YBhg Dato' Rosman bin Abdullah
Independent Non-Executive Director

Mr Terence Lee Chai Koon
Non-Independent Non-Executive Director

SECRETARY

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

TERMS OF REFERENCE

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

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.

Board Audit & Risk Management Committee Report
cont'd

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.

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2012, four (4) Committee meetings were held and attendance of the Committee members are as follows:

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

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

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

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 2012 amounted to RM648,404.

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.

Board Audit & Risk Management Committee Report
cont'd

INTERNAL AUDIT *cont'd*

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.

Narra Industries Berhad (62227-X)

Financial Statements

Directors' Report
for the financial year ended 30 June 2012

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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) attributable to owners of the Company	**884**	**(417)**

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.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend a final dividend to be paid for the financial year ended 30 June 2012.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San *(Chairman)*
(Relinquished office as Managing Director and appointed as Chairman on 21-02-2012)
Tuan Syed Zaid bin Syed Jaffar Albar
YBhg Dato' Rosman bin Abdullah
Mr Terence Lee Chai Koon
Mr Seow Yoo Lin *(Appointed on 21-02-2012)*
YBhg Tan Sri Quek Leng Chan *(Resigned on 21-02-2012)*

In accordance with Article 115 of the Company's Articles of Association, Tuan Syed Zaid bin Syed Jaffar Albar retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr Seow Yoo Lin retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Report
for the financial year ended 30 June 2012
cont'd

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 2012 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 1.7.2011	Acquired	Sold	At 30.6.2012
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	385,000	77,000#	-	**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 Tuan Syed Zaid bin Syed Jaffar Albar in:					
Hong Leong Financial Group Berhad	1.00	38,151	-	38,151	**-**
Interest of Mr Terence Lee Chai Koon in:					
GuocoLeisure Limited	US$0.20	68,250	-	-	**68,250**

Legend:

Shares acquired from rights issue

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: (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties, and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or for construction development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances and the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests; and (b) Tuan Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between related corporations and a firm in which Tuan Syed Zaid bin Syed Jaffar Albar has interest.

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

Directors' Report
for the financial year ended 30 June 2012
cont'd

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

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

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

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

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 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 statements of financial position and statements of comprehensive income 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

Directors' Report
for the financial year ended 30 June 2012
cont'd

OTHER STATUTORY INFORMATION *cont'd*

At the date of this report, the Directors are not aware of any circumstances: *cont'd*

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) that have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2012 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

Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2012

Statements of Financial Position
as at 30 June 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
ASSETS					
Property, plant and equipment	4	**9,762**	10,299	**-**	-
Investment in a subsidiary	5	**-**	-	**50,534**	50,534
Goodwill	6	**36,428**	36,428	**-**	-
Deferred tax assets	7	**970**	1,094	**-**	-
Total non-current assets		**47,160**	47,821	**50,534**	50,534
Inventories	8	**2,951**	1,603	**-**	-
Trade and other receivables	9	**13,360**	10,441	**13**	12
Current tax assets		**71**	2	**-**	2
Cash and cash equivalents	10	**10,807**	11,711	**7,035**	7,203
Total current assets		**27,189**	23,757	**7,048**	7,217
TOTAL ASSETS		**74,349**	71,578	**57,582**	57,751
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	11	**62,188**	62,188	**62,188**	62,188
Reserves	12	**(2,082)**	(3,188)	**(5,234)**	(4,817)
TOTAL EQUITY		**60,106**	59,000	**56,954**	57,371
LIABILITIES					
Retirement benefits	13	**153**	266	**-**	-
Deferred tax liabilities	7	**-**	135	**-**	-
Total non-current liabilities		**153**	401	**-**	-
Trade and other payables	14	**14,090**	10,741	**628**	380
Borrowings (unsecured)	15	**-**	1,400	**-**	-
Current tax liabilities		**-**	36	**-**	-
Total current liabilities		**14,090**	12,177	**628**	380
TOTAL LIABILITIES		**14,243**	12,578	**628**	380
TOTAL EQUITY AND LIABILITIES		**74,349**	71,578	**57,582**	57,751

The notes on pages 32 to 60 are an integral part of these financial statements.

Income Statements
for the year ended 30 June 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	16	**53,276**	32,257	**214**	185
Cost of goods sold		**(12,900)**	(19,376)	**-**	-
Contract cost		**(36,255)**	(10,961)	**-**	-
Gross profit		**4,121**	1,920	**214**	185
Distribution expenses		**(376)**	(607)	**-**	-
Administration expenses		**(3,141)**	(3,971)	**(639)**	(517)
Other operating expenses		**(15)**	(1,714)	**(5)**	(5,003)
Other income		**466**	785	**-**	-
Results from operating activities		**1,055**	(3,587)	**(430)**	(5,335)
Finance costs		**(26)**	(69)	**-**	-
Finance income		**59**	60	**17**	17
Profit/(Loss) before tax	17	**1,088**	(3,596)	**(413)**	(5,318)
Income tax expense	18	**(204)**	1,177	**(4)**	-
Profit/(Loss) for the year attributable to owners of the Company		**884**	(2,419)	**(417)**	(5,318)
Basic earnings/(loss) per ordinary share (sen)	19	**1.4**	(3.9)		

The notes on pages 32 to 60 are an integral part of these financial statements.

Statements of Comprehensive Income
for the year ended 30 June 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the year attributable to owners of the Company	**884**	(2,419)	**(417)**	(5,318)
Other comprehensive income				
Foreign currency translation differences for foreign operations	**222**	57	**-**	-
Total comprehensive income/(expense) attributable to owners of the Company	**1,106**	(2,362)	**(417)**	(5,318)

The notes on pages 32 to 60 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 30 June 2012

Group	Share capital RM'000	← Non- distributable → Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 July 2010	62,188	(204)	(622)	61,362
Foreign currency translation differences for foreign operations	-	57	-	57
Loss for the year	-	-	(2,419)	(2,419)
Total comprehensive income/(expense) for the year	-	57	(2,419)	(2,362)
At 30 June 2011/1 July 2011	62,188	(147)	(3,041)	59,000
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	**62,188**	**75**	**(2,157)**	**60,106**
	Note 11	Note 12	Note 12	

Company	Share capital RM'000	*Non-distributable* Retained earnings/ (Accumulated losses) RM'000	Total RM'000
At 1 July 2010	62,188	501	62,689
Loss and total comprehensive expense for the year	-	(5,318)	(5,318)
At 30 June 2011/1 July 2011	62,188	(4,817)	57,371
Loss and total comprehensive expense for the year	-	(417)	(417)
At 30 June 2012	**62,188**	**(5,234)**	**56,954**
	Note 11	Note 12	

The notes on pages 32 to 60 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 30 June 2012

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit/(Loss) before tax	**1,088**	(3,596)	**(413)**	(5,318)
Adjustments for:				
Depreciation of property, plant and equipment	**715**	765	**-**	-
Dividend income - unquoted fund	**(214)**	(185)	**(214)**	(185)
Gain on disposal of property, plant and equipment	**(29)**	-	**-**	-
Fair value loss on derivative instruments	**-**	4	**-**	-
Finance costs	**26**	69	**-**	-
Finance income	**(59)**	(60)	**(17)**	(17)
Impairment loss on investment in a subsidiary	**-**	-	**-**	5,000
Property, plant and equipment written off	**-**	2	**-**	-
Provision for retirement benefits	**-**	45	**-**	-
Reversal of retirement benefits	**(67)**	-	**-**	-
Unrealised gain on foreign exchange	**(10)**	(79)	**-**	-
Operating profit/(loss) before working capital changes	**1,450**	(3,035)	**(644)**	(520)
Changes in working capital:				
Inventories	**(1,348)**	516	**-**	-
Trade and other receivables	**(2,909)**	4,072	**(1)**	3
Trade and other payables	**3,349**	2,408	**59**	-
Cash generated from/(used in) operations	**542**	3,961	**(586)**	(517)
Taxation paid	**(320)**	(546)	**(2)**	-
Finance costs paid	**(26)**	(69)	**-**	-
Finance income received	**59**	60	**17**	17
Retirement benefits paid	**(46)**	(21)	**-**	-
Dividend received - unquoted fund	**214**	185	**214**	185
Net cash generated from/(used in) operating activities	**423**	3,570	**(357)**	(315)

The notes on pages 32 to 60 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 30 June 2012
cont'd

	Note	Group		Company	
		2012	2011	**2012**	2011
		RM'000	RM'000	**RM'000**	RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**69**	-	**-**	-
Acquisition of property, plant and equipment		**(218)**	(146)	**-**	-
Net cash used in investing activities		**(149)**	(146)	**-**	-
Cash flows from financing activities					
Repayments of borrowings		**(1,400)**	(3,423)	**-**	-
Repayments from/(Advances to) a subsidiary		**-**	-	**189**	(52)
Net cash (used in)/generated from financing activities		**(1,400)**	(3,423)	**189**	(52)
Net change in cash and cash equivalents		**(1,126)**	1	**(168)**	(367)
Cash and cash equivalents at 1 July	(i)	**11,711**	11,653	**7,203**	7,570
Effect of exchange rate fluctuations on cash held		**222**	57	**-**	-
Cash and cash equivalents at 30 June	(i)	**10,807**	11,711	**7,035**	7,203

Cash and cash equivalents

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

	Note	Group		Company	
		2012	2011	**2012**	2011
		RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed financial institutions	10	**6,974**	7,155	**6,974**	7,155
Cash and bank balances	10	**3,833**	4,556	**61**	48
		10,807	11,711	**7,035**	7,203

The notes on pages 32 to 60 are an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The address of 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 of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries ("the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2012 do not include other entities.

The Company is an investment holding company, whilst the principal activities of other group entities are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2012.

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 Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 6. The measurement of the recoverable amount of the relevant cash-generating units has been used in assessing the amount of carrying value of goodwill and investments in subsidiaries.

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

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing 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 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(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 2010

For acquisitions on or after 1 July 2010, the Group measures 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.

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

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

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

Acquisitions prior to 1 July 2010

For acquisitions prior to 1 July 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(iii) 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 income statement. 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.

(iv) 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

(ii) Subsequent costs

The cost of replacing 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.

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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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 lease

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

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

(ii) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(e) 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorises financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(iii) Regular way purchase or sale of financial assets *cont'd*

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.

(f) Inventories

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

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

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

(g) 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 value. For the purpose of statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Impairment *cont'd*

(i) Financial assets *cont'd*

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

(ii) Other assets

The carrying amounts of other assets (except for inventories 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 goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

(i) 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.

(j) 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 income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Employee benefits *cont'd*

(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 FRS 119, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(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.

(k) 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 end of the reporting period.

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 income statement as part of the profit or loss on disposal.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Foreign currency *cont'd*

(ii) Financial statements of operations denominated in functional currencies other than Ringgit Malaysia ("RM") *cont'd*

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

(l) Provisions

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

(m) 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.

(n) 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.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement 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.

(p) Income tax

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to 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.

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

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

(q) 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.

(r) Operating segments

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

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

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

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012
- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- *Improvements to FRSs (2012)*
- Amendments to FRS 10, FRS 11 and FRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entitles: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- FRS 141, *Agriculture*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015
- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the Malaysian Accounting Standards Board (MASB) and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

Notes to the Financial Statements
cont'd

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 2012 %	Effective Interest 2011 %	Principal Activities
Hume Furniture Industries Sdn. Bhd.	Malaysia	**100**	100	Design, manufacture and supply of furniture and interior design fit-out works, and investment holding
• Hume Furniture (Singapore) Pte. Ltd.*	Singapore	**100**	100	Supply of furniture and provision of interior design fit-out works for the hospitality industry
• Hume Furniture (Philippines), Inc*	Philippines	**100**	100	Ceased operation

Notes:
- • *Sub-subsidiary companies.*
- * *Companies not audited by KPMG Malaysia.*

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 2010	2,908	7,908	4,305	1,329	280	16,730
Additions	-	30	7	109	-	146
Write off	-	-	-	(4)	-	(4)
At 30 June 2011/1 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	**2,908**	**7,938**	**4,260**	**1,545**	**199**	**16,850**
Accumulated depreciation						
At 1 July 2010	484	1,180	3,119	930	97	5,810
Charge for the year	72	182	356	109	46	765
Write off	-	-	-	(2)	-	(2)
At 30 June 2011/1 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	**628**	**1,544**	**3,751**	**1,142**	**23**	**7,088**
Carrying amounts						
At 1 July 2010	2,424	6,728	1,186	399	183	10,920
At 30 June 2011/1 July 2011	2,352	6,576	837	397	137	10,299
At 30 June 2012	**2,280**	**6,394**	**509**	**403**	**176**	**9,762**

Notes to the Financial Statements
cont'd

5. INVESTMENT IN A SUBSIDIARY

	Company	
	2012	**2011**
	RM'000	**RM'000**
Unquoted shares, at cost	**55,534**	55,534
Less: Impairment loss	**(5,000)**	(5,000)
	50,534	50,534

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

6. GOODWILL

	Group	
	2012	**2011**
	RM'000	**RM'000**
At 1 July/30 June	**36,428**	36,428

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

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

The recoverable amount of the cash-generating unit was based on its value in use. The recoverable amount of the unit was determined to be higher than its carrying amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit or investment and was based on the recent financial projections approved by the Directors. The discount rate used is based on 10% (2011: 10%).

The revenue and gross margins used in the projections were based on past experience and expectations of market development. The projections are made based on estimates and assumptions with regards to the dependencies on certain projects and customers which are expected to be secured or sustained in the foreseeable future.

7. 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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**-**	-	**(757)**	(798)	**(757)**	(798)
Other deductible temporary differences	**177**	244	**-**	-	**177**	244
Tax losses carry forwards	**1,550**	1,663	**-**	-	**1,550**	1,663
Investment in a foreign subsidiary	**-**	-	**-**	(135)	**-**	(135)
Other items	**-**	(15)	**-**	-	**-**	(15)
Tax assets/(liabilities)	**1,727**	1,892	**(757)**	(933)	**970**	959
Set off of tax	**(757)**	(798)	**757**	798	**-**	-
Net tax assets/(liabilities)	**970**	1,094	**-**	(135)	**970**	959

Notes to the Financial Statements
cont'd

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

Recognised deferred tax assets and liabilities *cont'd*

Deferred tax liabilities and assets 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.

Movement in temporary differences during the year

	At 1.7.2010 RM'000	Recognised in profit or loss (Note18) RM'000	At 30.06.2011/ 1.7.2011 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30.6.2012 RM'000
Group					
Property, plant and equipment	(883)	85	(798)	41	(757)
Other deductible temporary differences	325	(81)	244	(67)	177
Unabsorbed capital allowance	142	(142)	-	-	-
Tax losses carry forwards	2,028	(365)	1,663	(113)	1,550
Investment in a foreign subsidiary	(746)	611	(135)	135	-
Other items	20	(35)	(15)	15	-
	886	73	959	11	970

8. INVENTORIES

	Group 2012 RM'000	Group 2011 RM'000
Raw materials	**1,961**	1,131
Work-in-progress	**732**	414
Finished goods	**258**	58
	2,951	1,603
Recognised in profit or loss:		
Inventories recognised as cost of sales	**40,633**	18,413
Reversal of write-down	**(202)**	(226)
	40,431	18,187

Notes to the Financial Statements
cont'd

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade				
Trade receivables	**12,064**	9,119	**-**	-
Less: Allowance for impairment loss	**(40)**	(40)	**-**	-
	12,024	9,079	**-**	-
Non-trade				
Other receivables	**149**	342	**1**	-
Deposits	**116**	36	**2**	2
Prepayments	**1,071**	984	**10**	10
	1,336	1,362	**13**	12
	13,360	10,441	**13**	12

Included in trade receivables are amount due from a related company of RM5,345,000 (2011: RM230,000). The amount due from a related company is unsecured, interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed financial institutions	**6,974**	7,155	**6,974**	7,155
Cash and bank balances	**3,833**	4,556	**61**	48
	10,807	11,711	**7,035**	7,203

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**2,854**	320	**61**	48

Notes to the Financial Statements
cont'd

11. SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of shares '000	Amount RM'000	Number 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

Ordinary shares

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

12. RESERVES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-distributable				
Translation reserve	**75**	(147)	**-**	-
Accumulated losses	**(2,157)**	(3,041)	**(5,234)**	(4,817)
	(2,082)	(3,188)	**(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.

13. EMPLOYEE BENEFITS

Retirement Benefits

	Group	
	2012 RM'000	2011 RM'000
At 1 July	**266**	242
(Reversal)/Provision made during the year	**(67)**	45
Payments made during the year	**(46)**	(21)
At 30 June	**153**	266

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 2012 in respect of the ESOS.

Notes to the Financial Statements
cont'd

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade				
Trade payables	**7,205**	5,969	**-**	-
	7,205	5,969	**-**	-
Non trade				
Amount due to related companies	**93**	28	**-**	-
Amount due to a subsidiary	**-**	-	**303**	114
Other payables	**5,823**	3,330	**-**	-
Derivatives	**-**	4	**-**	-
Accrued expenses	**969**	1,410	**325**	266
	6,885	4,772	**628**	380
	14,090	10,741	**628**	380

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

15. BORROWINGS (UNSECURED)

	Group	
	2012	**2011**
	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 have been fully settled during the year.

16. REVENUE

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**13,841**	18,609	**-**	-
Contract revenue	**39,221**	13,463	**-**	-
Dividend income	**214**	185	**214**	185
	53,276	32,257	**214**	185

Notes to the Financial Statements
cont'd

17. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax is arrived at after charging/ (crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditor	**37**	33	**22**	20
- Other auditors	**14**	14	**-**	-
Other services				
- Holding company's auditor	**13**	13	**13**	13
Depreciation of property, plant and equipment	**715**	765	**-**	-
Finance costs	**26**	69	**-**	-
Directors' remuneration (Key management personnel)				
Executive Directors				
- Fees[N1]	**58**	90	**58**	90
Non-Executive Directors				
- Fees	**152**	120	**152**	120
- Other emoluments	**65**	65	**65**	65
	217	185	**217**	185
Personnel expenses:				
Wages, salaries and others	**6,060**	6,219	**-**	-
Contribution to Employees Provident Fund	**454**	441	**-**	-
Impairment loss on investment in a subsidiary	**-**	-	**-**	5,000
Reversal of impairment loss on inventories	**(202)**	(266)	**-**	-
Property, plant and equipment written off	**-**	2	**-**	-
Rental of premises	**13**	13	**13**	13
(Gain)/Loss on foreign exchange				
- Realised	**(166)**	90	**-**	-
- Unrealised	**(10)**	(79)	**-**	-
Finance income	**(59)**	(60)	**(17)**	(17)
Fair value loss on derivative instruments	**-**	4	**-**	-
(Reversal)/Provision for retirement benefits	**(67)**	45	**-**	-
Dividend income - unquoted fund	**(214)**	(185)	**(214)**	(185)
Gain on disposal of property, plant and equipment	**(29)**	-	**-**	-

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

Notes to the Financial Statements
cont'd

18. INCOME TAX EXPENSE

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current year	**10**	27	**2**	-
- prior years	**2**	(343)	**2**	-
Overseas - current year	**147**	487	**-**	-
- prior years	**56**	(1,275)	**-**	-
	215	(1,104)	**4**	-
Deferred tax expense				
Origination of temporary differences				
- Malaysian	**308**	530	**-**	-
- Overseas	**(135)**	(610)	**-**	-
(Over)/Under provision in prior year	**(184)**	7	**-**	-
	(11)	(73)	**-**	-
	204	(1,177)	**4**	-

Reconciliation of effective tax expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit/(Loss) before tax	**1,088**	(3,596)	**(413)**	(5,318)
Taxation at Malaysian statutory tax rate of 25%	**272**	(899)	**(103)**	(1,330)
Tax at foreign tax rates	**12**	620	**-**	-
Non-deductible expenses	**224**	1,797	**159**	1,376
Double deduction of expenses	**(124)**	(829)	**-**	-
Non-taxable income	**(54)**	(64)	**(54)**	(46)
Tax incentive	**-**	(208)	**-**	-
Other items	**-**	17	**-**	-
	330	434	**2**	-
(Over)/Under provision in prior years	**(126)**	(1,611)	**2**	-
Taxation	**204**	(1,177)	**4**	-

19. EARNINGS/(LOSS) PER ORDINARY SHARE - GROUP

Basic earnings/(loss) per ordinary share

The calculation of basic earnings per ordinary share are calculated by dividing the Group's profit attributable to owners of the Company of RM884,000 (2011: net loss of RM2,419,000) by the weighted average number of ordinary shares outstanding during the financial year of 62,188,000 (2011: 62,188,000).

Diluted earnings/(loss) per ordinary share

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

Notes to the Financial Statements
cont'd

20. OPERATING SEGMENTS

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

Segment profit

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

Information about reportable segment

	Design, manufacturing supply of furniture and interior design fit-out works	
	2012	**2011**
	RM'000	**RM'000**
Reportable segment profit/(loss)	**1,485**	(3,252)
Included in the measure of segment profit/(loss)are:		
Revenue from external customers	**53,062**	32,072
Depreciation	**(715)**	(765)

Reconciliation of reportable segment profit/(loss) and revenue

	2012	2011
	RM'000	RM'000
Profit/(Loss)		
Reportable segment	**1,485**	(3,252)
Non-reportable segment	**(430)**	(335)
Finance costs	**(26)**	(69)
Finance income	**59**	60
Consolidated profit/ (loss) before tax	**1,088**	(3,596)
Revenue		
Reportable segment	**53,062**	32,072
Non-reportable segment	**214**	185
Consolidated revenue	**53,276**	32,257

20. OPERATING SEGMENTS *cont'd*

Geographical information

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

	Revenue	
	2012	**2011**
	RM'000	**RM'000**
United States of America	**4,821**	12,034
Malaysia	**39,547**	8,782
Philippines	**2**	4,777
Europe	**4,961**	298
Others	**3,945**	6,366
	53,276	32,257

All non-current assets, other than deferred tax assets, of the Group were maintained within Malaysia as at the end of the current and previous financial year.

Major customers

Revenue from a customer (2011: two customers) of the Group amounted to RM29,813,000 (2011: RM11,334,000) contributed to more than 10% of the Group's revenues.

21. RELATED PARTIES

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

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

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

i. Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company. YBhg Tan Sri Quek Leng Chan is a past Director and 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;

ii. Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is a major shareholder of the Company through HLCM. YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee are Directors and major shareholders of HLIH. HLIH is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

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

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

Notes to the Financial Statements
cont'd

21. RELATED PARTIES *cont'd*

Significant transactions with related parties are as follows:

	Transaction	Related party	Group 2012 RM'000	Group 2011 RM'000
a)	Rental of shared office space	HMMC	**13**	13
b)	Receipt of security guard services	GSC	**75**	83
c)	Receipt of corporate office support services	HMMC	**-**	278
d)	Receipt of group management and/or support services	Subsidiaries of HLCM	**437**	159
e)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**9**	6
f)	Sale of furniture and interior design fit-out works	Subsidiaries of HLCM	**(31,076)**	(4,373)

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.

Significant balances with related parties at the reporting date are disclosed in Note 9 and Note 14 to the financial statements.

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

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

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

	Carrying amount		L&R	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial assets				
Group				
Trade and other receivables (excluding prepayments)	**12,289**	9,457	**12,289**	9,457
Cash and cash equivalents	**10,807**	11,711	**10,807**	11,711
	23,096	21,168	**23,096**	21,168
Company				
Trade and other receivables (excluding prepayments)	**3**	2	**3**	2
Cash and cash equivalents	**7,035**	7,203	**7,035**	7,203
	7,038	7,205	**7,038**	7,205

Notes to the Financial Statements
cont'd

22. FINANCIAL INSTRUMENTS *cont'd*

22.1 Categories of financial instruments *cont'd*

2012	Carrying amount RM'000	OL RM'000
Financial liabilities		
Group		
Trade and other payables	**14,090**	**14,090**
Company		
Trade and other payables	**628**	**628**

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

22.2 Net gains and losses arising from financial instrument

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains and losses arising on:				
Loans and receivables	**235**	49	**17**	17
Fair value through profit or loss	**-**	(4)	**-**	-
Other liabilities	**(26)**	(69)	**-**	-
	209	(24)	**17**	17

22.3 Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements
cont'd

22. FINANCIAL INSTRUMENTS *cont'd*

22.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

As at end of reporting period, there were no significant concentrations of credit risk other than a customer which represents 45% (2011: 51%) of trade receivables. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Malaysia	**11,062**	5,133
Philippines	**-**	3,190
Others	**962**	756
	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**
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**

22. FINANCIAL INSTRUMENTS *cont'd*

22.4 Credit risk *cont'd*

Receivables *cont'd*

The ageing of receivables as at the end of the reporting period was: *cont'd*

	Gross RM'000	Individual impairment RM'000	Net RM'000
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

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.

22.5 Liquidity risk

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

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

Notes to the Financial Statements
cont'd

22. FINANCIAL INSTRUMENTS *cont'd*

22.5 Liquidity risk *cont'd*

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
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**

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
2011				
Group				
Non-derivative financial liabilities				
Bank borrowings	1,400	3.26% - 3.58%	1,400	1,400
Trade and other payables	10,737	-	10,737	10,737
	12,137		12,137	12,137
Derivative financial liabilities				
Forward exchange contracts (gross settled):				
Outflow	4	-	553	553
Inflow	-	-	(549)	(549)
	12,141		12,141	12,141
Company				
Non-derivative financial liabilities				
Trade and other payables	380	-	380	380

22.6 Market risk

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

22.6.1 Currency risk

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

Notes to the Financial Statements
cont'd

22. FINANCIAL INSTRUMENTS *cont'd*

22.6 Market risk *cont'd*

22.6.1 Currency risk *cont'd*

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

Group	2012 RM'000	2011 RM'000
Trade receivables denominated in:		
USD	**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 increased/(decreased) profit before tax of the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
Group	2012 RM'000	2011 RM'000
USD	**48**	34
EURO	**-**	4

22.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements
cont'd

22. FINANCIAL INSTRUMENTS *cont'd*

22.6 Market risk *cont'd*

22.6.2 Interest rate risk *cont'd*

Exposure to interest rate risk

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	**6,974**	7,155	**6,974**	7,155
Financial liabilities	**-**	(1,400)	**-**	-

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

22.7 Fair value of financial instruments

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

23. CAPITAL MANAGEMENT

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

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

24. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plant and equipment				
Authorised but not contracted for	**1,080**	1,190	**-**	-

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, into realised and unrealised profits/(losses), are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- realised	**(3,231)**	(3,168)	**(5,234)**	(4,817)
- unrealised	**980**	1,169	**-**	-
	(2,251)	(1,999)	**(5,234)**	(4,817)
Less: Consolidation adjustments	**94**	(1,042)	**-**	-
Total accumulated losses	**(2,157)**	(3,041)	**(5,234)**	(4,817)

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 26 to 59 are drawn up in accordance with 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 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 60 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board

Datuk Kwek Leng San

Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2012

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

I, Chan Chee Keong, the officer primarily responsible for the financial management of Narra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 60 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 at Kuala Lumpur in the Federal Territory on 27 August 2012.

Chan Chee Keong

Before me:

Tengku Fariddudin Bin Tengku Sulaiman
Pesuruhjaya Sumpah
Commissioner For Oaths
Kuala Lumpur

Independent Auditors' Report
to the Members of Narra Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Narra Industries Berhad, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 59.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine 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 opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with 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 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and a subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.

(c) We are satisfied that the 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 60 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 Financial Reporting Standards in Malaysia. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Independent Auditors' Report
to the Members of Narra Industries Berhad
cont'd

OTHER MATTERS

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

KPMG
Firm Number : AF 0758
Chartered Accountants

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

Petaling Jaya, Selangor
27 August 2012

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2012

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	18	8,674

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012

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 3 September 2012

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	7	0.37	302	0.00
100 – 1,000	821	42.94	759,098	1.22
1,001 – 10,000	854	44.67	3,531,800	5.68
10,001 – 100,000	209	10.93	6,039,900	9.71
100,001 – less than 5% of issued shares	19	0.99	5,402,300	8.69
5% and above of issued shares	2	0.10	46,454,200	74.70
	1,912	100.00	62,187,600	100.00

List Of Thirty Largest Shareholders As At 3 September 2012

	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	265,000	0.43
7.	Wong Ing Huong	229,000	0.37
8.	YBhg Tan Sri Dato' Ir Talha Bin Haji Mohamad Hashim	200,000	0.32
9.	Yoong Kin Pin	187,600	0.30
10.	Mayban Nominees (Tempatan) Sdn Bhd - Tan Choon Hwa	182,000	0.29
11.	YBhg Tan Sri Dato' Zaki Bin Tun Azmi	165,000	0.27
12.	Chan Lye Yee	159,400	0.26

Other Information
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 cont'd

List Of Thirty Largest Shareholders As At 3 September 2012 cont'd

	Name of Shareholders	No. of shares	%
13.	Lim Cheng Eam	158,000	0.25
14.	Chua Siew Lien	155,500	0.25
15.	Kok Boon Lim	135,000	0.22
16.	Ng Sai How	128,000	0.21
17.	Choy Thiam Hwa	120,000	0.19
18.	HLG Nominee (Tempatan) Sdn Bhd - Chut Nyak Isham Bin Nyak Ariff	107,700	0.17
19.	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.	Lim Cheng & Sons Sdn Bhd	100,000	0.16
24.	Mah Ting Chong	100,000	0.16
25.	RHB Capital Nominees (Tempatan) Sdn Bhd - Leong Khai Shaun	95,500	0.15
26.	Onn Kok Puay (Weng Guopei)	89,700	0.15
27.	Leong Sow Shim	83,200	0.13
28.	Leong Sai Chai	80,000	0.13
29.	Ooi Chin Huat	80,000	0.13
30.	Low Mon Tong	75,000	0.12
		52,788,900	84.89

Other Information
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 cont'd

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 3 September 2012 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. MATERIAL CONTRACTS

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

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-second Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 16 October 2012 at 11.30 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 Tuan Syed Zaid bin Syed Jaffar Albar as a Director		
3.	To re-elect Mr Seow Yoo Lin 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 shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
7.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		

Dated this ________ day of __________________________ 2012

____
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 9 October 2012 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 two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 9 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
6. *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.*
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 Secretary
Narra Industries Berhad
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st Fold Here