Narra Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2014

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COVER RATIONALE

Throughout history, birds have been viewed as animals of special value, ladened with meanings often derived from legends and stories that have survived over many generations. The paper crane origami design means fulfillment of aspirations and needs. The design is also a symbol of good fortune and longevity.

From humble beginnings, Hong Leong Group Malaysia has evolved and is recognized by its brand that is rooted within the communities in which it operates. The design depicts the Group's image as progressive, connected and relevant. The origami globe illustrates Hong Leong Group's diverse footprint, whilst the colourful birds emerging from the globe represents a passionate, determined and contemporary organization connecting with its communities.

COMPANY PROFILE

Narra Industries Berhad ("Narra")

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

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

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

YBhg Datuk Syed Zaid bin
Syed Jaffar Albar

YBhg Dato' Rosman bin Abdullah

Mr Seow Yoo Lin

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Valerie Mak Mew Chan

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-fourth Annual General Meeting of Narra Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 16 October 2014 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2014.

2. To approve the payment of Director fees of RM120,000 for the financial year ended 30 June 2014 (2013: RM120,000), to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 1**

3. To re-elect Mr Seow Yoo Lin, the retiring Director. **Resolution 2**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 3**

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
   - Authority To Directors To Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

6. **Ordinary Resolution**
   - Proposed Renewal Of Shareholders' Mandate For 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 2014 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that 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 THAT 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

NOTICE OF ANNUAL GENERAL MEETING
... continued

(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 5**

7. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For 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 2014 with HLIH and persons connected with HLIH ("HLIH Group") provided that 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 THAT 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**

8. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware")

"**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 2014 with Hong Bee Hardware provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware 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;

NOTICE OF ANNUAL GENERAL MEETING
... continued

AND THAT 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**

9. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Putrajaya Perdana Berhad ("PPB") And Its Subsidiaries

"**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 2014 with PPB and its subsidiaries ("PPB Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to PPB 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 THAT 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 8**

NOTICE OF ANNUAL GENERAL MEETING
... continued

10. **Special Resolution**
- Proposed Change Of Name

"**THAT** the name of the Company be changed from Narra Industries Berhad to Hume Industries Berhad and that all references in the Memorandum and Articles of Association of the Company to the name of Narra Industries Berhad, wherever the same may appear, shall be deleted and substituted with Hume Industries Berhad ("Proposed Change of Name"); **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 Proposed Change of Name." **Resolution 9**

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

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
24 September 2014

Notes

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

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

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time appointed for holding of the meeting or adjourned meeting.

NOTICE OF ANNUAL GENERAL MEETING
... continued

Explanatory Notes

1. Resolution 4 - 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 17 October 2013 and which will lapse at the conclusion of the Thirty-fourth Annual General Meeting.

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

2. Resolutions 5 to 8 - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Renewal Of Shareholders' Mandate")

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

3. Resolution 9 - Proposed Change Of Name

   The proposed Special Resolution, if passed, will facilitate the proposed change of name of the Company from "Narra Industries Berhad" to "Hume Industries Berhad". The proposed change of name of the Company is to better reflect Narra Group's new core business activities in the manufacture and sale of cement and concrete products. The proposed name, if approved by shareholders, shall take effect upon the issuance of the Certificate of Incorporation on Change of Name of Company (Form 13) by the Companies Commission of Malaysia and all references to "Narra Industries Berhad" in the Memorandum and Articles of Association of the Company, wherever the same may appear, shall be deleted and substituted with "Hume Industries Berhad".

Detailed information on the Proposed Renewal Of Shareholders' Mandate is set out in the Circular to Shareholders dated 24 September 2014 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-fourth Annual General Meeting of the Company.

DIRECTORS' PROFILE

YBhg Datuk Kwek Leng San
Chairman; Non-Executive/Non-Independent

Datuk Kwek Leng San, aged 59, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

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

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

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

Datuk Syed Zaid bin Syed Jaffar Albar, aged 60, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Law in the United Kingdom and qualified as a Barrister-at-Law from Lincoln's Inn. He has been in active legal practice for more than 30 years. Presently, he is the managing partner of a law firm in Kuala Lumpur.

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

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

YBhg Dato' Rosman bin Abdullah
Non-Executive Director/Independent

Dato' Rosman bin Abdullah, aged 47, a Malaysian, is a chartered member of the Malaysian Institute of Accountants and a member of the Australian Society of Certified Practicing Accountants. He holds a Bachelor of Commerce (Accounting) degree from the Australian National University and had attended the Advanced Management Programme at the University of Oxford.

Dato' Rosman started his career with Arthur Andersen & Co from 1989 to 1997. He was an Executive Director of Malaysia Airport Holdings Berhad from 1997 to 2003, a Non-Independent Non-Executive Director of KUB Malaysia Berhad from 2006 to 2011 and Cuscapi Berhad from 2003 to 2013. In 2003, he was appointed as the Corporate Affairs Director of PECD Berhad ("PECD") and was promoted to Group Chief Executive Officer of PECD in 2006 and held the position until 2009. He then served as the Chief Executive Officer of Syarikat Air Negeri Sembilan Sdn Bhd from 2009 to 2012.

Currently, he is the Executive Chairman of Putrajaya Perdana Berhad, a position he held since September 2012. He also serves as an Independent Non-Executive Director of Kumpulan Fima Berhad and CLIQ Energy Berhad, companies listed on the Main Market of Bursa Securities.

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

DIRECTORS' PROFILE
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Mr Seow Yoo Lin
Non-Executive Director/Independent

Mr Seow Yoo Lin, aged 58, a Malaysian, qualified as a Certified Public Accountant in 1981. He holds a Master in Business Administration from The International Management Centre, Buckingham, United Kingdom.

Mr Seow Yoo Lin joined KPMG Malaysia in 1977 and qualified as a Certified Public Accountant in 1980. In 1983, he was seconded to KPMG United States to gain overseas experience. He returned in 1985 and was admitted as Partner in 1990.

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. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

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 and Dolomite Corporation Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of HSBC Amanah Malaysia Berhad.

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

Notes

1. **Family Relationship with Director and/or Major Shareholder**
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of Narra. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of Narra.

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

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

4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

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 2014.

Operating Environment, Financial & Business Review

The furniture export industry remained difficult and competitive in our major markets in Europe and the United States of America.

For the financial year ended 30 June 2014 ("FY 2014"), the Group recorded a lower revenue of RM41 million as compared with RM59 million in the previous financial year ended 30 June 2013 ("FY 2013") and a loss before tax of RM6.1 million for FY 2014 as compared with a profit before tax of RM0.1 million in FY 2013. The loss in FY 2014 was mainly due to lower sales recorded for hospitality projects and the expenses of RM2.4 million incurred for the corporate exercise currently undertaken by the Company.

Significant Corporate Development

The Company had, on 10 September 2013, entered into agreements with Hong Leong Industries Berhad ("HLI") and Hong Leong Manufacturing Group Sdn Bhd ("HLMG") for the proposed acquisition of (i) the entire ordinary share capital in Hume Concrete Sdn Bhd (then known as Hume Industries (Malaysia) Sdn Bhd) and 175,000,000 irredeemable convertible preference shares in Hume Cement Sdn Bhd ("HCMT") from HLI for a total purchase consideration of RM48,000,000 and RM300,000,000 respectively; and (ii) the entire ordinary share capital in HCMT from HLMG for a purchase consideration of RM100,000,000.

The purchase considerations are to be satisfied by the issuance of New Narra Shares (as defined below) at an issue price of RM1.00 per New Narra Share (collectively, the "Proposed Acquisitions").

The Company's proposed share capital reduction involving the cancellation of RM0.50 of the par value of every existing share of RM1.00 in Narra and the proposed share consolidation of 2 resultant ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in Narra ("New Narra Share") were completed on 4 August 2014 and 15 August 2014 respectively.

As a result, all conditions precedent of the agreements for the Proposed Acquisitions had been met and accordingly, the Proposed Acquisitions had become unconditional. The Company is in the process of completing the Proposed Acquisitions.

Prospects

With the Proposed Acquisitions, the Group will be principally involved in the concrete and cement-related businesses which are expected to contribute positively to the performance of the Group for the financial year ending 30 June 2015 ("FY 2015").

Barring any unforeseen circumstances, the Board expects the Group to perform satisfactorily in FY 2015.

Dividend

The Board does not recommend any dividend for the FY 2014.

Appreciation

On behalf of the Board, I would like to express our gratitude to Mr Terence Lee Chai Koon who stepped down as Non-Executive Director of Narra on 23 April 2014.

I would also like to take this opportunity to express my appreciation to the Board of Directors, management team and all the employees for their contribution, dedication and commitment to the Group. Last but not least, our sincere thanks to our business partners and shareholders for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

CORPORATE SOCIAL RESPONSIBILITY

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

Guided by our company value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship and protect the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

The Group sees Corporate Social Responsibility ("CSR") beyond its core mission. The Group contributes significantly to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practising sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Group CSR:

Workplace

The Group is committed to upholding the human rights of our employees and treating them with dignity and respect. We strive to deliver innovative solutions as well as create an inspiring and conducive working environment.

The Group also aims to ensure that the health, safety, and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities.

Annual audiometric examinations are conducted to monitor the effectiveness of the Hearing Conservation Program (HCP) to comply with Regulation 9 of the Factories and Machinery (Noise Exposure 1989). Hume Furniture Industries Sdn Bhd ("HFI") complies with the Department of Safety and Health Malaysia ("DOSH") regulations in its industrial work as well as running a ground level health and safety programme throughout the manufacturing floor.

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

CORPORATE SOCIAL RESPONSIBILITY
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Since its founding, the Group has demonstrated an on-going commitment to people and to fair employment practices. The Group's growth and expansion throughout the region has created a more diverse work force by tapping on our people who have different experiences, perspectives and cultures. This has allowed the Group to build on its creativity and innovation which helps the organisation to realise its full potential.

We believe that a well-managed, diverse work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients.

Environment

The Group endeavours to identify and minimise the negative environmental impacts of our products and business activities. We take steps to reduce environmental impact wherever possible.

Our environmental initiatives include smart and careful consumption of resources, water, emissions to air, waste generation, energy use and procurement processes. We are committed to minimising our environmental impact and encouraging greater sustainability throughout our business.

Since 1993, HFI has established an environmental system which complies with DOSH – a complete installation of wood dust collection system, in all working stations, to reduce airborne contaminants in the factory environment. Cultivating the 5S Working Culture within the Group has proven to be effective in enhancing safety and productivity.

Our commitment to the environment has guided us to continually strive to reduce our waste in our manufacturing plants in Malaysia and elsewhere in the world by offering more environmentally friendly and sustainable operations.

Marketplace

The Group is committed to good business ethics and integrity. 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:

- Established Financial Management Disciplines intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management.
- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, and with 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 practice of responsible selling and marketing of products and services.

CORPORATE SOCIAL RESPONSIBILITY
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Community

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

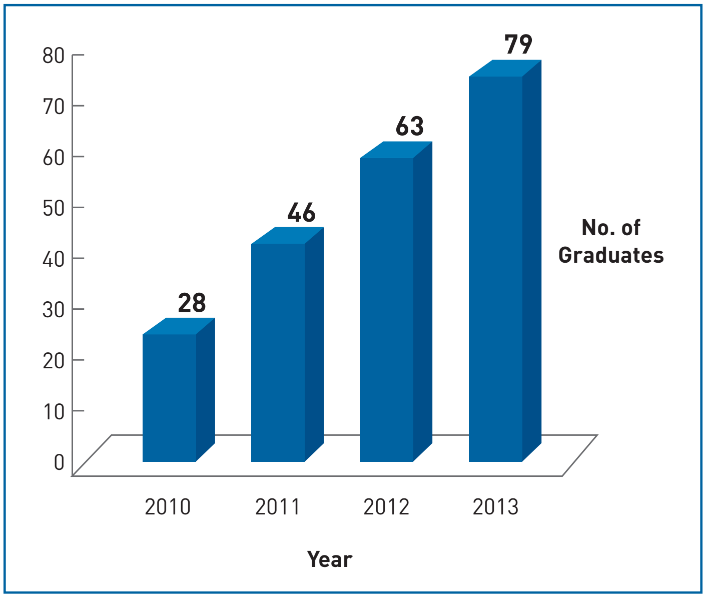
Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group. It is funded by contributions from Hong Leong Group Malaysia companies and is effectively its charitable arm through which most of the Group's philanthropic activities are conducted. The Foundation expended a total of RM20 million over the last 3 years and has the following programmes in place to assist less privileged and deserving Malaysians:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres.
- Towards Self-Sufficiency:
  - Tertiary Scholarship Programme
  - Reach out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme
- Community Partner Programme to enable furtherance of the charity's mission and vision:
  - Good Jobs: Employment Development Programme
  - Better Homes: Welfare Home Transformation Programme
  - Hong Leong Foundation NGO Accelerator Programme

The total funds disbursed by the Foundation in the financial year ended 30 June 2014 were RM12 million, benefiting 30 charity organisations. During the year, the Foundation disbursed RM3.7 million in scholarships to benefit around 200 scholars studying in various universities, all of whom are from financially-challenged families. On top of this amount, the Foundation has disbursed RM4.0 million under a new partnership programme with 4 major private universities. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM26.3 million in scholarships to 1,204 scholars via its scholarship programmes for diplomas, degrees or masters.

Hong Leong Foundation Scholarship Graduates by Year:



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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

"CORPORATE GOVERNANCE IS THE PROCESS AND STRUCTURE USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING BUSINESS PROSPERITY AND CORPORATE ACCOUNTABILITY WITH THE ULTIMATE OBJECTIVE OF REALISING LONG TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTEREST OF OTHER STAKEHOLDERS."

~ Finance Committee on Corporate Governance

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The Chairman leads the Board and ensures its smooth and effective functioning.

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

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

B. BOARD COMPOSITION

The Board comprises 4 non-executive directors, 3 of whom are independent. The profiles of the members of the Board are provided in the Annual Report.

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

B. BOARD COMPOSITION *cont'd*

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

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

C. BOARD COMMITTEES

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

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

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

II Nominating Committee ("NC")

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

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

Mr Seow Yoo Lin
Independent Non-Executive Director

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

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

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

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

Having reviewed the assessments in respect of the financial year ended 30 June 2014 ("FY 2014"), the NC is satisfied that the Board, Board committees, each individual director, each Board committee member and the Chief Financial Officer have effectively discharged their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

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

The NC met once during the FY 2014 where all the NC members attended.

During the FY 2014, the NC has considered and reviewed the following:

- composition of the Board and Board committees;
- professional qualification and experience of the directors;
- independence of independent directors and their tenure; and
- re-election of directors.

The NC has also evaluated the performance of the Board and Board committees, benchmarking against their respective TOR.

III Remuneration Committee ("RC")

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

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

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

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

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

The fees of director are recommended and endorsed by the Board for approval by the shareholders of the Company at its annual general meeting ("AGM").

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC") *cont'd*

The aggregate remuneration of directors for the FY 2014 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Non-Executive Directors	120,000	53,000	173,000

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

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

D. INDEPENDENCE

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

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

E. COMMITMENT

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

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

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

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

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

The Board met 5 times during the FY 2014.

Details of attendance of each director are as follows:

Directors	**Attendance**
YBhg Datuk Kwek Leng San	5/5
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	5/5
YBhg Dato' Rosman bin Abdullah	4/5
Mr Seow Yoo Lin	5/5
Mr Terence Lee Chai Koon *(resigned on 23 April 2014)*	4/4

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

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

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

E. COMMITMENT *cont'd*

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

In assessing the training needs of directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY 2014, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

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

During FY 2014, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Goods & Services Tax
- MBAM Technical Product Briefing
- Dealing and Disclosure Requirements for Directors to HK Listed Companies
- Environmental and Social Governance Reporting
- Risk Management Training
- 9th World Islamic Economic Forum, London
- The 18th Malaysian Capital Market Summit
- Malaysia – Turkey Business Forum
- KLBC Fireside chat with YB Senator Dato' Sri Abdul Wahib Omar
- National Economic Summit & Dialogue with the Prime Minister of Malaysia
- Advocacy Sessions on Corporate Disclosure for Directors
- FIDE Core Programme - Bank
- FIDE Forum: Building a Talent Pool of Directors-Directors Register
- MFRS/FRS Update 2013/2014 Seminar
- Audit Committee Institute Breakfast Roundtable 2013
- Nominating Committee Program 1
- Rethinking Strategy: Has Competitive Advantage Ended?

F. ACCOUNTABILITY AND AUDIT

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

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

I Financial Reporting

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

F. ACCOUNTABILITY AND AUDIT *cont'd*

II Risk Management and Internal Control

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

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. The external auditors meet with the BARMC to:

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

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of management.

G. DISCLOSURE

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

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

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

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

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

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

H. SHAREHOLDERS *cont'd*

I Dialogue with Shareholders and Investors *cont'd*

Queries may be conveyed to the following person:

Name	:	Mr Soon Seong Keat
Tel No	:	03-2164 2631
Fax No	:	03-2715 4808
Email address	:	IRelations@narra.com.my

II AGM

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

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility of the Board

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

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

The Risk Management Framework

For FY 2014, management has maintained the risk management framework in accordance with MS ISO 31000: 2010. The framework serves to:

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

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

The System of Internal Controls

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

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

Management and Decision-Making Processes

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

The Board has received assurance from the Chief Financial Officer [Note1] that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The directors of the Company are satisfied that the financial statements of the Group and the Company for FY 2014 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

Note 1:

The chief executive officer position is currently vacant and the position will be filled upon completion of the on-going corporate exercise of Narra.

This Statement on Corporate Governance, Risk Management 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

The Committee has been re-constituted as follows:

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

YBhg Dato' Rosman bin Abdullah
Independent Non-Executive Director

Mr Seow Yoo Lin
Independent Non-Executive Director
(Appointed on 10 July 2014)

Mr Terence Lee Chai Koon
Non-Independent Non-Executive Director
(Resigned on 23 April 2014)

SECRETARY

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

TERMS OF REFERENCE

- To consider and recommend the nomination, appointment and/or re-appointment of a person or persons as external auditor(s), and to consider any resignation or dismissal of the external auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the Internal Audit Department, including any findings of internal investigations and the management's response thereto.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

TERMS OF REFERENCE *cont'd*

- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review related party transactions that may arise within the Company or the Group, where any one of the percentage ratios (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) of a related party transaction triggers the requirement of announcement to Bursa Malaysia Securities Berhad.
- To review other conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- Other functions as may be agreed to by the Committee and the Board.

AUTHORITY

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

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

MEETINGS

The Committee meets at least 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.

2 members of the Committee, who shall be independent, 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

ACTIVITIES

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

During the financial year ended 30 June 2014 ("FY 2014"), 5 Committee meetings were held and attendance of the Committee members was as follows:

Members	Attendance
YBhg Datuk Syed Zaid bin Syed Jaffar Albar	5/5
YBhg Dato' Rosman bin Abdullah	5/5
Mr Terence Lee Chai Koon *(Resigned on 23 April 2014)*	4/4

Mr Seow Yoo Lin was appointed to the Committee after the close of the FY 2014 and as such, did not attend any Committee meeting held during FY 2014.

The Committee had 2 separate sessions with the external auditors without the presence of management.

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

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

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

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for FY 2014 amounted to RM1,591,014.

The IA Department reports to the Committee of Narra. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of Narra in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group.

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

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

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

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Financial Statements...

DIRECTORS' REPORT
for the financial year ended 30 June 2014

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to owners of the Company	5,445	3,215

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2014.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San (Chairman)
YBhg Datuk Syed Zaid bin Syed Jaffar Albar
YBhg Dato' Rosman bin Abdullah
Mr Seow Yoo Lin
Mr Terence Lee Chai Koon (resigned on 23 April 2014)

DIRECTORS' REPORT
... continued

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 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	Number of ordinary shares At 1.7.2013	Acquired	Sold	At 30.6.2014
Shareholdings in which Director has 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 Bank Berhad	1.00	462,000	–	–	**462,000**
Guoco Group Limited	US$0.50	209,120	–	–	**209,120**
Hong Leong Financial Group Berhad	1.00	600,000	–	–	**600,000**
The Rank Group Plc	GBP13 8/9p	–	45,800#	–	**45,800**
Shareholdings in which Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	–	10,661#^	–	**10,661^**

Legend:
\# *Entitlement pursuant to the distribution of shares in The Rank Group Plc by Guoco Group Limited to its shareholders as special interim dividend in specie.*
^ *Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.*

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Datuk Syed Zaid bin Syed Jaffar Albar who may be deemed to derive a benefit by virtue of the provision of legal services by a firm in which YBhg Datuk Syed Zaid bin Syed Jaffar Albar has interest to related corporations.

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

DIRECTORS' REPORT
... continued

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.

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.

DIRECTORS' REPORT
... continued

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

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

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 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
... continued

AUDITORS

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

On behalf of the Board,

Datuk Kwek Leng San

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2014

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	4	**9,158**	9,210	**–**	–
Investment in a subsidiary	5	**–**	–	**23,538**	23,538
Deferred tax assets	6	**1,637**	1,024	**–**	–
Total non-current assets		**10,795**	10,234	**23,538**	23,538
Inventories	7	**2,939**	3,760	**–**	–
Trade and other receivables	8	**10,017**	18,422	**18**	13
Cash and cash equivalents	9	**7,473**	10,882	**3,743**	6,695
Total current assets		**20,429**	33,064	**3,761**	6,708
Total assets		**31,224**	43,298	**27,299**	30,246
Equity attributable to owners of the Company					
Share capital	10	**62,188**	62,188	**62,188**	62,188
Reserves	11	**(44,109)**	(38,658)	**(35,707)**	(32,492)
Total equity		**18,079**	23,530	**26,481**	29,696
Liabilities					
Employee benefits	12(a)	**127**	120	**–**	–
Total non-current liabilities		**127**	120	**–**	–
Current liabilities					
Trade and other payables	13	**13,018**	19,605	**818**	550
Current tax liabilities		**–**	43	**–**	–
Total current liabilities		**13,018**	19,648	**818**	550
Total liabilities		**13,145**	19,768	**818**	550
Total equity and liabilities		**31,224**	43,298	**27,299**	30,246

The notes on pages 38 to 69 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	14	**40,546**	59,265	**140**	185
Cost of goods sold		**(18,763)**	(12,752)	**–**	–
Contract cost		**(20,501)**	(42,798)	**–**	–
Gross profit		**1,282**	3,715	**140**	185
Distribution expenses		**(847)**	(225)	**–**	–
Administration expenses		**(6,346)**	(3,230)	**(3,371)**	(467)
Other operating expenses		**(390)**	(348)	**(1)**	(27,004)
Other operating income		**204**	117	**7**	11
Results from operating activities		**(6,097)**	29	**(3,225)**	(27,275)
Finance income		**44**	42	**9**	16
(Loss)/Profit before taxation	15	**(6,053)**	71	**(3,216)**	(27,259)
Taxation	16	**608**	2	**1**	1
(Loss)/Profit for the year attributable to owners of the Company		**(5,445)**	73	**(3,215)**	(27,258)
Basic (loss)/earnings per ordinary share (sen)	17	**(8.75)**	0.12		
(Loss)/Profit for the year		**(5,445)**	73	**(3,215)**	(27,258)
Other comprehensive expense, net of tax					
Item that is or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		**(6)**	(221)	**–**	–
Total comprehensive expense for the year attributable to owners of the Company		**(5,451)**	(148)	**(3,215)**	(27,258)

The notes on pages 38 to 69 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

Group	Share capital RM'000	<---- Non-distributable ----> Translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2012	62,188	222	(38,732)	23,678
Foreign currency translation differences for foreign operations	–	(221)	–	(221)
Profit for the year	–	–	73	73
Total comprehensive (expense)/income for the year	–	(221)	73	(148)
At 30 June 2013/1 July 2013	62,188	1	(38,659)	23,530
Foreign currency translation differences for foreign operations	–	(6)	–	(6)
Loss for the year	–	–	(5,445)	(5,445)
Total comprehensive expense for the year	–	(6)	(5,445)	(5,451)
At 30 June 2014	**62,188**	**(5)**	**(44,104)**	**18,079**
	Note 10	Note 11	Note 11	

Company	Share capital RM'000	Non-distributable Accumulated losses RM'000	Total equity RM'000
At 1 July 2012	62,188	(5,234)	56,954
Loss for the year / total comprehensive expense for the year	–	(27,258)	(27,258)
At 30 June 2013/1 July 2013	62,188	(32,492)	29,696
Loss for the year / total comprehensive expense for the year	–	(3,215)	(3,215)
At 30 June 2014	**62,188**	**(35,707)**	**26,481**
	Note 10	Note 11	

The notes on pages 38 to 69 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	**(6,053)**	71	**(3,216)**	(27,259)
Adjustments for:				
Depreciation of property, plant and equipment	**602**	653	**–**	–
Dividend income - unquoted fund	**(227)**	(242)	**(140)**	(185)
Gain on disposal of property, plant and equipment	**–**	(22)	**–**	–
Finance income	**(44)**	(42)	**(9)**	(16)
Impairment loss on investment in a subsidiary	**–**	–	**–**	26,996
Provision/(Reversal) of retirement benefits	**11**	(24)	**–**	–
Unrealised (gain)/loss on foreign exchange	**(103)**	13	**–**	–
Operating (loss)/profit before working capital changes	**(5,814)**	407	**(3,365)**	(464)
Changes in working capital:				
Inventories	**821**	(809)	**–**	–
Trade and other receivables	**8,503**	(5,075)	**(5)**	–
Trade and other payables	**(6,582)**	5,515	**557**	(107)
Cash (used in)/generated from operations	**(3,072)**	38	**(2,813)**	(571)
Taxation (paid)/refund	**(48)**	62	**1**	1
Finance income received	**44**	42	**9**	16
Retirement benefits paid	**(4)**	(9)	**–**	–
Dividend received - unquoted fund	**227**	242	**140**	185
Net cash (used in)/generated from operating activities	**(2,853)**	375	**(2,663)**	(369)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**–**	112	**–**	–
Acquisition of property, plant and equipment	**(550)**	(191)	**–**	–
Net cash used in investing activities	**(550)**	(79)	**–**	–

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

... continued

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from financing activity				
(Advances to)/Repayments from a subsidiary	**–**	–	**(289)**	29
Net cash (used in)/generated from financing activity	**–**	–	**(289)**	29
Net change in cash and cash equivalents	**(3,403)**	296	**(2,952)**	(340)
Cash and cash equivalents at 1 July	**10,882**	10,807	**6,695**	7,035
Effect of exchange rate fluctuations on cash held	**(6)**	(221)	**–**	–
Cash and cash equivalents at 30 June	**7,473**	10,882	**3,743**	6,695

Cash and cash equivalents

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed financial institutions	**5,900**	6,300	**3,600**	6,300
Cash and bank balances	**1,573**	4,582	**143**	395
	7,473	10,882	**3,743**	6,695

The notes on pages 38 to 69 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements as at and for the financial year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the financial year ended 30 June 2014 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2014.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

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

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

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

- Note 5 - Investment in a subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

(ii) 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.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations *cont'd*

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

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

(iii) Acquisitions from entities under common control

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

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

(v) Transactions eliminated on consolidation

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

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

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(i) Recognition and measurement *cont'd*

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 making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

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
... continued

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.

(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 on the statements of financial position.

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

(d) Financial instruments

(i) Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

All financial assets are subject to review for impairment (see Note 2.2(g)(i)).

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(iii) Regular way purchase or sale of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Financial instruments *cont'd*

Financial liabilities *cont'd*

(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.

(e) Inventories

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

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

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

(f) Cash and cash equivalents

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

(g) Impairment

(i) Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) Impairment *cont'd*

(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 cash-generating unit.

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

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

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

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

(h) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plans

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

(iii) Share-based payments

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

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

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

The fair value of the share options is measured using Black Scholes 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date that the fair value was determined.

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

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

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

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

(k) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) Contingent liabilities

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

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, and trade discount. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Contract revenue

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

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

(iii) Dividend income

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

(iv) Interest income

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

(n) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Borrowing costs *cont'd*

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

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

(o) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

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

Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

(p) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(q) Operating segments

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

2.3 Statement of compliance

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretations 21, *Levies*

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*
- Amendments to MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Amortisation*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations, where applicable:

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

- from the annual period beginning on 1 July 2016 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact on the financial statements of the Group and the Company.

3. COMPANIES IN THE GROUP

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

Name of subsidiary	Country of incorporation	Effective interest 2014 %	Effective interest 2013 %	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
Subsidiaries of Hume Furniture Industries Sdn Bhd				
Lifestyle Décor (Singapore) Pte Ltd	Singapore	**–**	100	Dissolved
Top Master Construction (Philippines), Inc.*	Philippines	**100**	100	Ceased operation

Note:
* Companies not audited by KPMG Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
... continued

4. PROPERTY, PLANT AND EQUIPMENT

Group	Short term leasehold land RM'000	Buildings and improve-ments RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 July 2012	2,908	7,938	4,260	1,545	199	16,850
Additions	–	–	27	164	–	191
Disposals	–	–	(1,108)	–	(108)	(1,216)
Write-off	–	–	(9)	–	–	(9)
At 30 June 2013/1 July 2013	2,908	7,938	3,170	1,709	91	15,816
Additions	–	–	327	223	–	550
At 30 June 2014	**2,908**	**7,938**	**3,497**	**1,932**	**91**	**16,366**
Accumulated depreciation						
At 1 July 2012	628	1,544	3,751	1,142	23	7,088
Charge for the year	72	182	229	129	41	653
Disposals	–	–	(1,108)	–	(18)	(1,126)
Write off	–	–	(9)	–	–	(9)
At 30 June 2013/1 July 2013	700	1,726	2,863	1,271	46	6,606
Charge for the year	72	182	158	162	28	602
At 30 June 2014	**772**	**1,908**	**3,021**	**1,433**	**74**	**7,208**
Carrying amounts						
At 1 July 2012	2,280	6,394	509	403	176	9,762
At 30 June 2013/1 July 2013	2,208	6,212	307	438	45	9,210
At 30 June 2014	**2,136**	**6,030**	**476**	**499**	**17**	**9,158**

5. INVESTMENT IN A SUBSIDIARY

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares, at cost	**55,534**	55,534
Less: Accumulated impairment loss	**(31,996)**	(31,996)
	23,538	23,538

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

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

6. DEFERRED TAX ASSETS

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Property, plant and equipment	**–**	–	**(975)**	(1,015)	**(975)**	(1,015)
Other deductible temporary differences	**244**	143	**–**	–	**244**	143
Tax losses carry forward	**2,232**	1,893	**–**	–	**2,232**	1,893
Unabsorbed capital allowances	**159**	–	**–**	–	**159**	–
Other items	**–**	3	**(23)**	–	**(23)**	3
Tax assets/(liabilities)	**2,635**	2,039	**(998)**	(1,015)	**1,637**	1,024
Set off of tax	**(998)**	(1,015)	**998**	1,015	**–**	–
Net tax assets	**1,637**	1,024	**–**	–	**1,637**	1,024

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

Movement in temporary differences during the year

Group	**At 1.7.2012 RM'000**	**Recognised in profit or loss (Note 16) RM'000**	**At 30.6.2013/ 1.7.2013 RM'000**	**Recognised in profit or loss (Note 16) RM'000**	**At 30.6.2014 RM'000**
Property, plant and equipment	(757)	(258)	(1,015)	40	**(975)**
Other deductible temporary differences	177	(34)	143	101	**244**
Tax losses carry forward	1,550	343	1,893	339	**2,232**
Unabsorbed capital allowances	–	–	–	159	**159**
Other items	–	3	3	(26)	**(23)**
	970	54	1,024	613	**1,637**

NOTES TO THE FINANCIAL STATEMENTS
... continued

7. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Raw materials	**1,969**	2,435
Work-in-progress	**880**	729
Finished goods	**90**	596
	2,939	3,760
Recognised in profit or loss:		
Inventories recognised as cost of sales	**29,392**	47,003
Inventories written down/(Reversal) of write-down	**385**	(52)
	29,777	46,951

8. TRADE AND OTHER RECEIVABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade				
Trade receivables	**9,479**	17,483	**–**	–
Less: Allowance for impairment loss	**(40)**	(40)	**–**	–
	9,439	17,443	**–**	–
Non-trade				
Other receivables	**2**	7	**1**	1
Deposits	**150**	145	**7**	2
Prepayments	**426**	827	**10**	10
	578	979	**18**	13
	10,017	18,422	**18**	13

Included in trade receivables is amount due from related companies of RM3,150,000 (2013: RM7,181,000) and it is unsecured, interest free and subject to the normal trade terms.

NOTES TO THE FINANCIAL STATEMENTS
... continued

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed financial institutions	**5,900**	6,300	**3,600**	6,300
Cash and bank balances	**1,573**	4,582	**143**	395
	7,473	10,882	**3,743**	6,695

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed financial institutions	**5,900**	–	**3,600**	–
Cash and bank balances	**1,072**	3,378	**99**	42
	6,972	3,378	**3,699**	42

10. SHARE CAPITAL

	Group and Company			
	No. of shares 2014 '000	Amount 2014 RM'000	No. of shares 2013 '000	Amount 2013 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

NOTES TO THE FINANCIAL STATEMENTS
... continued

11. RESERVES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable				
Translation reserve	**(5)**	1	**–**	–
Accumulated losses	**(44,104)**	(38,659)	**(35,707)**	(32,492)
	(44,109)	(38,658)	**(35,707)**	(32,492)

Translation reserve

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

12. EMPLOYEE BENEFITS

(a) Retirement Benefits

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 July	**120**	153
Provision/(Reversal)	**11**	(24)
Payments	**(4)**	(9)
At 30 June	**127**	120

(b) Share-based payments

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

No options were granted as at 30 June 2014 in respect of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS
... continued

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade				
Trade payables	**10,650**	17,811	**–**	–
Non-trade				
Amount due to related companies	**317**	98	**300**	–
Amount due to a subsidiary	**–**	–	**43**	332
Other payables	**1,279**	1,112	**–**	–
Accrued expenses	**772**	584	**475**	218
	2,368	1,794	**818**	550
	13,018	19,605	**818**	550

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

14. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sales of goods	**17,768**	10,253	**–**	–
Contract revenue	**22,551**	48,770	**–**	–
Dividend income	**227**	242	**140**	185
	40,546	59,265	**140**	185

NOTES TO THE FINANCIAL STATEMENTS
... continued

15. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditor	**42**	42	**22**	27
- Other auditors	**4**	4	**–**	–
Other services				
- Holding company's auditor	**235**	13	**235**	13
Bad debts written off	**–**	311	**–**	–
Depreciation of property, plant and equipment	**602**	653	**–**	–
Directors' remuneration (Key management personnel)				
Non-Executive Directors				
- Fees	**120**	120	**120**	120
- Other emoluments	**53**	46	**53**	46
	173	166	**173**	166
Personnel expenses:				
Wages, salaries and others	**7,541**	6,573	**–**	–
Contribution to Employees Provident Fund	**536**	546	**–**	–
Impairment loss on investment in a subsidiary	**–**	–	**–**	26,996
Rental of premises	**13**	13	**13**	13
Dividend income - unquoted fund	**(227)**	(242)	**(140)**	(185)
Finance income	**(44)**	(42)	**(9)**	(16)
Gain on disposal of property, plant and equipment	**–**	(22)	**–**	–
(Gain)/Loss on foreign exchange				
- Realised	**(12)**	17	**–**	–
- Unrealised	**(103)**	13	**–**	–
Provision/(Reversal) of retirement benefits	**11**	(24)	**–**	–
Inventories written down/(Reversal) of inventories written down	**385**	(52)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
... continued

16. TAXATION

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current taxation				
Malaysian - current year	**10**	8	**1**	1
- prior years	**(5)**	1	**(2)**	(2)
Overseas - current year	**–**	43	**–**	–
	5	52	**(1)**	(1)
Deferred taxation				
Reversal of temporary differences	**(662)**	(120)	**–**	–
Under provision in prior years	**49**	66	**–**	–
	(613)	(54)	**–**	–
	(608)	(2)	**(1)**	(1)

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
(Loss)/ Profit before taxation	**(6,053)**	71	**(3,216)**	(27,259)
Taxation at Malaysian statutory tax rate of 25%	**(1,513)**	18	**(804)**	(6,815)
Tax at foreign tax rates	**–**	43	**–**	–
Non-deductible expenses	**918**	214	**840**	6,862
Non-taxable income	**(57)**	(344)	**(35)**	(46)
	(652)	(69)	**1**	1
Under/(Over) provision in prior years	**44**	67	**(2)**	(2)
	(608)	(2)	**(1)**	(1)

17. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic (loss)/earnings per ordinary share is calculated by dividing the Group's losses attributable to owners of the Company of RM5,445,000 (2013: Group's profit attributable to owners of the Company of RM73,000) by the weighted average number of ordinary shares outstanding during the financial year of 62,188,000 (2013: 62,188,000).

Diluted earnings per ordinary share

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

18. OPERATING SEGMENT

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

Segment (loss)/profit

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

Information about reportable segment

	Design, manufacturing supply of furniture and interior design fit-out works	
	2014 RM'000	**2013 RM'000**
Reportable segment (loss)/ profit	**(2,959)**	253
Included in the measure of segment (loss)/profit are:		
Revenue from external customers	**40,319**	59,023
Depreciation	**(602)**	(653)

NOTES TO THE FINANCIAL STATEMENTS
... continued

18. OPERATING SEGMENT *cont'd*

Reconciliation of reportable segment (loss)/profit and revenue

	2014 RM'000	2013 RM'000
(Loss) /Profit		
Reportable segment	**(2,959)**	253
Non-reportable segment	**(3,138)**	(224)
Finance income	**44**	42
Consolidated (loss)/profit before taxation	**(6,053)**	71
Revenue		
Reportable segment	**40,319**	59,023
Non-reportable segment	**227**	242
Consolidated revenue	**40,546**	59,265

Geographical segments

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

	Revenue 2014 RM'000	 2013 RM'000
United States of America	**324**	1,012
Malaysia	**22,814**	49,198
Europe	**13,952**	4,995
Others	**3,456**	4,060
	40,546	59,265

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

Major customer

Revenue from a customer of the Group amounting to RM8,562,000 (2013: RM23,986,000) contributed to more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
... continued

19. RELATED PARTIES

Identity of related parties

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

i. Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a 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. HLMG Management Co Sdn Bhd ("HMMC") and GuoLine Intellectual Assets Limited ("GIAL") are indirect subsidiaries of HLCM; and

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

Significant transactions with related parties are as follows:

			Group	
Transaction		Related party	2014 RM'000	2013 RM'000
a)	Rental of shared office space	HMMC	**13**	13
b)	Receipt of security guard services	GSC	**83**	67
c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**1,755**	491
d)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**10**	9
e)	Purchase of goods	Subsidiaries of HLCM	**–**	23
f)	Sale of furniture and interior design fit-out works	Subsidiaries of HLCM	**(19,239)**	(30,936)
g)	Sale proceed on disposal of motor vehicles	Subsidiaries of HLCM	**–**	(95)

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

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

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

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount		L&R/OL	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets				
Group				
Trade and other receivables (excluding prepayments)	**9,591**	17,595	**9,591**	17,595
Cash and cash equivalents	**7,473**	10,882	**7,473**	10,882
	17,064	28,477	**17,064**	28,477
Company				
Trade and other receivables (excluding prepayments)	**8**	3	**8**	3
Cash and cash equivalents	**3,743**	6,695	**3,743**	6,695
	3,751	6,698	**3,751**	6,698
Financial liabilities				
Group				
Trade and other payables	**13,018**	19,605	**13,018**	19,605
Company				
Trade and other payables	**818**	550	**818**	550

20.2 Net gains and losses arising from financial instrument

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net (gains)/losses on:				
Loans and receivables	**(386)**	57	**(149)**	(201)

20.3 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
... continued

20. FINANCIAL INSTRUMENTS *cont'd*

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

As at the end of reporting period, there were no significant concentrations of credit risk other than three customers which represent 48% (2013: two customers- 63%) of trade receivables. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

Exposure to credit risk, credit quality and collateral

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

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

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

	Group	
	2014 RM'000	**2013 RM'000**
Malaysia	**8,678**	16,727
Others	**761**	716
	9,439	17,443

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. FINANCIAL INSTRUMENTS *cont'd*

20.4 Credit risk *cont'd*

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	**5,612**	**–**	**5,612**
Past due 1 - 30 days	**867**	**–**	**867**
Past due 31 days to 120 days	**976**	**–**	**976**
Past due more than 120 days	**2,024**	**(40)**	**1,984**
	9,479	**(40)**	**9,439**
2013			
Not past due	8,508	–	8,508
Past due 1 - 30 days	4,289	–	4,289
Past due 31 days to 120 days	2,745	–	2,745
Past due more than 120 days	1,941	(40)	1,901
	17,483	(40)	17,443

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. FINANCIAL INSTRUMENTS *cont'd*

20.5 Liquidity risk

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
2014				
Group				
Non-derivative financial liabilities				
Trade and other payables	**13,018**	**–**	**13,018**	**13,018**
Company				
Non-derivative financial liabilities				
Trade and other payables	**818**	**–**	**818**	**818**
2013				
Group				
Non-derivative financial liabilities				
Trade and other payables	19,605	–	19,605	19,605
Company				
Non-derivative financial liabilities				
Trade and other payables	550	–	550	550

20.6 Market risk

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

20.6.1 Currency risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. FINANCIAL INSTRUMENTS *cont'd*

20.6 Market risk *cont'd*

20.6.1 Currency risk *cont'd*

Exposure to foreign currency risk

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

	Group	
	2014 RM'000	**2013 RM'000**
Trade receivables denominated in:		
USD	**761**	716

Currency risk sensitivity analysis

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

	Profit or loss	
	2014 RM'000	**2013 RM'000**
Group		
USD	**38**	36

20.6.2 Interest rate risk

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fixed rate instruments				
Financial assets	**5,900**	6,300	**3,600**	6,300

Fair value sensitivity analysis for fixed rate instruments

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

20.7 Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

21. 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 investors', creditors' and markets' confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

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

22. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Plant and equipment				
Authorised and contracted for	**153**	292	**–**	–

23. SIGNIFICANT EVENTS

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

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

At the Extraordinary General Meeting of the Company held on 17 June 2014, the shareholders approved the Proposed Acquisitions, the Proposed Capital Reduction, the Proposed Consolidation and the proposed increase in the authorised share capital of the Company.

On 25 July 2014, the authorised share capital of the Company was increased from RM350,000,000 comprising 350,000,000 ordinary shares of RM1.00 each to RM600,000,000 comprising 600,000,000 ordinary shares of RM1.00 each.

The Proposed Capital Reduction and Proposed Share Consolidation were completed on 4 August 2014 and 15 August 2014 respectively. Consequently, the issued and paid-up ordinary share capital of the Company has been reduced from 62,187,600 ordinary shares of RM1.00 each to 31,093,800 ordinary shares of RM1.00 each.

All conditions precedent of the agreements for the Proposed Acquisitions have been met, and accordingly, the Proposed Acquisitions have become unconditional.

The Proposed Acquisitions are expected to be completed by the first half of the financial year ending 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS
... continued

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

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2014, into realised and unrealised profits/(losses), are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- realised	**(36,083)**	(29,947)	**(35,707)**	(32,492)
- unrealised	**1,740**	1,011	**–**	–
	(34,343)	(28,936)	**(35,707)**	(32,492)
Less: Consolidation adjustments	**(9,761)**	(9,723)	**–**	–
Total accumulated losses	**(44,104)**	(38,659)	**(35,707)**	(32,492)

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 33 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 24 on page 69 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Datuk Kwek Leng San

Datuk Syed Zaid bin Syed Jaffar Albar

Kuala Lumpur
27 August 2014

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

I, Soon Seong Keat, being the officer primarily responsible for the financial management of Narra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named, Soon Seong Keat at Kuala Lumpur in the Federal Territory on 27 August 2014.

Soon Seong Keat

Before me:

Mohan A.S. Maniam
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 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 68.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
to the members of Narra Industries Berhad
... continued

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 24 on page 69 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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: 2679/11/15(J)
Chartered Accountant

Petaling Jaya, Selangor

27 August 2014

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2014

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	20	8,166

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014

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 29 August 2014

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	28	1.43	1,079	0.00
100 – 1,000	904	46.19	581,821	1.87
1,001 – 10,000	860	43.95	3,303,500	10.63
10,001 – 100,000	156	7.97	4,285,000	13.78
100,001 – less than 5% of issued shares	7	0.36	3,679,100	11.83
5% and above of issued shares	2	0.10	19,243,300	61.89
	1,957	100.00	31,093,800	100.00

List Of Thirty Largest Shareholders As At 29 August 2014

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	17,382,700	55.90
2.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB-OSK Growth And Income Focus Trust (4892)	1,860,600	5.99
3.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for MAAKL Progress Fund (4082)	1,300,000	4.18
4.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB-OSK Emerging Opportunity Unit Trust (4611)	724,550	2.33
5.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB-OSK Smart Balanced Fund (4694-003)	450,000	1.45
6.	Lee Chee Soon	407,050	1.31
7.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB-OSK Small Cap Opportunity Unit Trust (3548)	351,500	1.13

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

List Of Thirty Largest Shareholders As At 29 August 2014 *cont'd*

	Name of Shareholders	No. of Shares	%
8.	Wong Mee Lee	281,000	0.90
9.	Chew Lim Cheong @ Hong Thiam Soon	165,000	0.53
10.	YBhg Tan Sri Dato' Ir Talha Bin Haji Mohamad Hashim	100,000	0.32
11.	Choo Sai Hooi	90,000	0.29
12.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yoong Lee Kong (002)	81,000	0.26
13.	Ng Yu Sin	75,000	0.24
14.	Malacca Equity Nominees (Tempatan) Sdn Bhd - Exempt AN for Phillip Capital Management Sdn Bhd (EPF)	67,750	0.22
15.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lau Toong Ming	66,250	0.21
16.	Choy Thiam Hwa	60,000	0.19
17.	Woo Ah Moy	60,000	0.19
18.	Tan Keng Nghee (Chen Jingyi)	55,500	0.18
19.	Chong Hiong Lim	55,000	0.18
20.	Goh Sock Kim	54,500	0.18
21.	Yong Ah Moi @ Yong Chow Moey	52,500	0.17
22.	Tan Liew Cheun	52,000	0.17
23.	Chan Chiyan	50,000	0.16
24	Chong Siow Chiew	50,000	0.16
25.	Foo Wai Cheng	50,000	0.16
26.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tee Kim Soon (CCTS)	50,000	0.16
27.	Lim Cheng & Sons Sdn Bhd	50,000	0.16
28.	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Teo Seng	50,000	0.16
29.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Shi Leong Ming	50,000	0.16
30.	Yee Yoke Ching	50,000	0.16
		24,191,900	77.80

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2014 are as follows:

Name of Shareholders	Direct Interest No. of shares	Direct Interest %	Indirect Interest No. of shares	Indirect Interest %
Hong Leong Manufacturing Group Sdn Bhd ("HLMG")	17,382,700	55.90	–	–
Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	17,382,700	55.90^
Tan Sri Quek Leng Chan	–	–	17,387,700	55.92*
HL Holdings Sdn Bhd	–	–	17,382,700	55.90#
Hong Realty (Private) Limited	–	–	17,387,700	55.92*
Hong Leong Investment Holdings Pte Ltd	–	–	17,387,700	55.92*
Kwek Holdings Pte Ltd	–	–	17,387,700	55.92*
Kwek Leng Beng	–	–	17,387,700	55.92*
Kwek Leng Kee	–	–	17,387,700	55.92*
Davos Investment Holdings Private Limited	–	–	17,387,700	55.92*
Quek Leng Chye	–	–	17,387,700	55.92*

Notes

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

3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2014

Subsequent to the financial year end, there was no change, as at 29 August 2014, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 29 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

OTHER INFORMATION
... continued

4. MATERIAL CONTRACTS

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

(a) conditional shares sale agreement dated 10 September 2013 entered into between Narra Industries Berhad ("Narra") and Hong Leong Industries Berhad ("HLI") for the proposed acquisition from HLI of the entire issued and paid-up share capital of Hume Concrete Sdn Bhd (then known as Hume Industries (Malaysia) Sdn Bhd) ("HCCT"), comprising 30,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM48,000,000 to be satisfied by the issuance of 48,000,000 new ordinary shares of RM1.00 each in Narra ("New Narra Shares") at an issue price of RM1.00 per New Narra Share;

(b) a conditional shares sale agreement dated 10 September 2013 entered into between Narra and Hong Leong Manufacturing Group Sdn Bhd ("HLMG") for the proposed acquisition of the entire issued and paid-up ordinary share capital in Hume Cement Sdn Bhd ("HCMT"), comprising 58,000,000 ordinary shares of RM1.00 each in HCMT for a purchase consideration of RM100,000,000 to be satisfied by the issuance of 100,000,000 New Narra Shares at an issue price of RM1.00 per New Narra Share; and

(c) a conditional shares sale agreement dated 10 September 2013 entered into between Narra and HLI for the proposed acquisition from HLI of the entire 175,000,000 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each in HCMT for a purchase consideration of RM300,000,000 to be satisfied by the issuance of 300,000,000 New Narra Shares at an issue price of RM1.00 per New Narra Share.

YBhg Datuk Kwek Leng San is a Director of Hong Leong Company (Malaysia) Berhad ("HLCM"), Narra, HLI, HCCT, HLMG and HCMT, and a shareholder of HLI and HLCM.

YBhg Tan Sri Quek Leng Chan, a brother of YBhg Datuk Kwek Leng San, is a major shareholder of Narra, HLI, HCCT, HLMG and HCMT, and a Director and a major shareholder of HLCM.

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-fourth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 16 October 2014 at 10.00 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director fees		
2	To re-elect Mr Seow Yoo Lin as a Director		
3	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
4	To approve the ordinary resolution on authority to Directors to issue shares		
5	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
7	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad		
8	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Putrajaya Perdana Berhad and its subsidiaries		
9	To approve the special resolution on the proposed change of name		

Dated this __________ day of ________________ 2014

______________________ Number of shares held

______________________ Signature(s) of Member

Notes

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time appointed for holding 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	CDS Account No.	% of shareholdings to be represented

Please fold here

Affix
Stamp

The Company Secretaries
Narra Industries Berhad (62227-X)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

Please fold here

Narra Industries Berhad (62227-X)
Level 9, Wisma Hong Leong
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Tel : 03-2164 2631
Fax : 03-2164 2514

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