



NARRA INDUSTRIES

A Member of the Hong Leong Group Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2007

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2007

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Revenue	11,870	21,759	27,774	39,242
Cost of sales	(12,498)	(19,134)	(28,441)	(34,981)
Gross Profit	(628)	2,625	(667)	4,261
Operating expenses	(1,296)	(2,138)	(2,717)	(4,040)
Other income	50	199	46	131
Interest income	73	69	150	144
Interest expense	(60)	(56)	(125)	(98)
(Loss)/Profit before taxation	(1,861)	699	(3,313)	398
Taxation	(7)	(137)	(12)	(150)
(Loss)/Profit for the period	(1,868)	562	(3,325)	248
(Loss)/Earnings per ordinary share (sen):-				
(a) Basic	(3.00)	0.90	(5.35)	0.40
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the Year Ended 30 June 2007.

NARRA INDUSTRIES BERHAD

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007

	As at end of current quarter	As at preceding financial year end
	31/12/2007 RM'000	30/06/2007 RM'000
Non-current assets		
Property, plant and equipment	10,114	10,936
Prepaid lease payments	2,612	2,648
Goodwill on consolidation	36,428	36,428
Deferred tax assets	208	208
	<u>49,362</u>	<u>50,220</u>
Current assets		
Inventories	7,634	13,680
Trade and other receivables	4,182	7,030
Tax recoverable	1,280	1,280
Deposits, cash and bank balances	10,900	8,524
	<u>23,996</u>	<u>30,514</u>
TOTAL ASSETS	<u>73,358</u>	<u>80,734</u>
Equity		
Share capital	62,188	62,188
Reserves	(2,793)	532
	<u>59,395</u>	<u>62,720</u>
Non-current liabilities		
Retirement benefits	232	268
	<u>232</u>	<u>268</u>
Current liabilities		
Trade and other payables	6,337	8,957
Short term borrowings and overdraft	7,394	8,789
	<u>13,731</u>	<u>17,746</u>
TOTAL LIABILITIES	<u>13,963</u>	<u>18,014</u>
TOTAL EQUITY AND LIABILITIES	<u>73,358</u>	<u>80,734</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.96	1.01

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Year Ended 30 June 2007.

NARRA INDUSTRIES BERHAD

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE
PERIOD ENDED 31 DECEMBER 2007**

	Share capital	Retained profits	Total Equity
	RM'000	RM'000	RM'000
Current year-to-date ended 31 December 2007			
At 1 July 2007	62,188	532	62,720
Net loss for the period	-	(3,325)	(3,325)
At 31 December 2007	<u>62,188</u>	<u>(2,793)</u>	<u>59,395</u>
Preceding year corresponding period ended 31 December 2006			
At 1 July 2006	62,188	3,078	65,266
Net profit for the period	-	248	248
At 31 December 2006	<u>62,188</u>	<u>3,326</u>	<u>65,514</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Year Ended 30 June 2007.

NARRA INDUSTRIES BERHAD

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2007**

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2007 RM'000	31/12/2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,313)	398
Adjustments for:-		
Depreciation and amortisation	505	490
Non cash item	-	4
Net interest income	(25)	(46)
Operating (loss)/profit before changes in working capital	(2,833)	846
Changes in working capital		
Net change in current assets	8,894	(4,046)
Net change in current liabilities	(2,620)	1,796
Net income taxes paid	(12)	1,154
Retirement benefits paid	(36)	-
Net interest income received	25	46
Net cash generated from/(used in) operating activities	3,418	(204)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	353	(246)
Net cash generated from/(used in) investing activities	353	(246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(1,395)	(677)
Net cash used in financing activities	(1,395)	(677)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,376	(1,127)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,524	9,865
CASH & CASH EQUIVALENTS AT END OF PERIOD	10,900	8,738

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	31/12/2007 RM'000	31/12/2006 RM'000
Deposits, cash and bank balances	10,900	8,738

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Year Ended 30 June 2007.

NARRA INDUSTRIES BERHAD

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2007

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2007.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2007 except for the changes in accounting policies and presentation resulting from the adoption of applicable FRSs adopted by the Malaysian Accounting Standards Board that are effective for the financial period beginning after 1 October 2006 and 1 July 2007 as follows:-

Standard/Interpretation		Effective date
FRS 107	Cash Flow Statements	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 119	Employee Benefits	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

The adoption of FRSs 107, 112, 118, 119, 124, 137 and Amendment to FRS 121 do not have any significant financial impact on the Group.

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the remaining lease term of the land.

Prior to 1 July 2007, leasehold land were classified as property, plant and equipment and were stated at cost less accumulated depreciation and accumulated impairment.

NARRA INDUSTRIES BERHAD

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2007**

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1. Basis of preparation (Cont'd)

The following comparatives have been restated due to the adoption of FRS 117 which has an retrospective impact on the preceding period's financial statements:-

Condensed Consolidated Balance Sheet

	At 30 June 2007		
	As Previously Reported	Adoption of FRS 117	As Restated
	RM'000	RM'000	RM'000
Property, plant and equipment	13,584	(2,648)	10,936
Prepaid lease payments	-	2,648	2,648

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclical nature of interim operations

The Group's operation is not affected materially by any seasonal / cyclical factors.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the current financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There was no issuance of shares, share buy-back, shares cancellation, resale of treasury shares nor repayments of debt or equity securities during the current financial year-to-date.

7. Dividend

There were no dividend paid during the current financial year-to-date.

8. Segmental reporting

The Group is solely involved in the business of manufacturing and sale of wood-based furniture. Accordingly, information by industry segment on the Group's operations as required by FRS 114 is not presented.

NARRA INDUSTRIES BERHAD

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2007**

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9. Valuations of property, plant and equipment

This note is not applicable, as no valuation had been carried out for the property, plant and equipment of the Group.

10. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

12. Contingent liabilities or contingent assets

There are no contingent liabilities or contingent assets as at the date of this report.

13. Review of Performance

The Group registered a revenue of RM11.9 million for the quarter under review, a decrease of 45% as compared with RM21.8 million registered in the preceding year's corresponding quarter. The Group posted a loss before taxation ("LBT") of RM1.9 million for the quarter under review as compared with a profit before taxation ("PBT") of RM0.7 million recorded in the previous year's corresponding quarter. The Group's LBT for the current year-to-date closed at RM3.3 million as compared with a PBT of RM0.4 million achieved in the preceding year's corresponding period. The loss was mainly attributed to lower sales volume and appreciation of the Ringgit against the US Dollar. Keen competition and the sluggish retail furniture market in the United States continued to put pressure on our sales orders.

14. Material changes in PBT against the immediate preceding quarter

The Group recorded a LBT of RM1.9 million for the quarter under review as compared with a LBT of RM1.5 million achieved in the preceding quarter, mainly due to lower sales orders.

15. Prospects

The performance of the Group for the financial year ending 30 June 2008 is dependent upon the Group securing some of the hotel projects which management is pursuing currently.

16. Profit forecast / profit guaranteed

This note is not applicable.

NARRA INDUSTRIES BERHAD

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2007

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17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Current tax				
- current	7	112	12	125
Deferred tax				
- current	-	25	-	25
	<u>7</u>	<u>137</u>	<u>12</u>	<u>150</u>

The Group's effective tax rate is higher than the statutory tax rate mainly due to certain disallowed expenses.

18. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current quarter and year-to-date.

19. Quoted securities

There were no purchases or disposals of quoted securities for the current quarter and year-to-date.

20. Corporate proposals

There were no corporate proposals announced but not completed as at the date of this report.

21. Group's borrowings and debt securities

The Group's borrowings as at 31 December 2007 consist of short-term trade financing.

There is no foreign currency borrowing as at 31 December 2007.

22. Financial instruments with off balance sheet risk

The financial instruments with off balance sheet risk as at 20 February 2008 are as follows:

	Contract amount RM'000
Foreign exchange forward contracts	<u>1,639</u>

NARRA INDUSTRIES BERHAD

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23. Changes in material litigation

There is no material litigation as at the date of this report.

24. Dividend

a) The Board does not recommend any interim dividend for the quarter ended 31 December 2007 of the financial year ending 30 June 2008 (2006/2007 : Nil).

b) For the financial year-to-date, no dividend has been declared (2006/2007 : Nil).

25. (Loss)/Earnings Per Ordinary Share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share for the current quarter is calculated by dividing the Group's loss attributable to ordinary shareholders of RM1,868,000 (2006/2007: net profit of RM562,000) by the weighted average number of ordinary shares outstanding during the quarter of 62,187,600 (2006/2007 : 62,187,600).

The calculation of basic (loss)/earnings per ordinary share for the current year-to-date is calculated by dividing the Group's loss attributable to ordinary shareholders of RM3,325,000 (2006/2007: net profit of RM248,000) by the weighted average number of ordinary shares outstanding during the current year-to-date of 62,187,600 (2006/2007 : 62,187,600).

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter / year-to-date and preceding year corresponding quarter / period as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

By Order of the Board
Narra Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
26 February 2008