

**Part A – Explanatory Notes Pursuant to FRS 134**

**A1. BASIS OF PREPARATION**

The interim financial statements have been prepared under the historical cost convention except for the assets, liabilities and investment properties which were stated at fair values.

The interim financial statements were unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that were significant for an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

**A2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted were consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 127	Consolidated and Separate Financial Statements
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group will adopt the following FRSs in future financial periods depending on their relevant effective dates:

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement

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**A2. CHANGES IN ACCOUNTING POLICIES (Cont'd)**

The adoption of FRS 108, 110, 116, 127, 131, 132 and 133 does not have significant financial impact on the Group. The Principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are shown below:

**FRS 3: Business Combinations;  
FRS 136: Impairments of Assets; and  
FRS 138: Intangible assets**

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill carried at cost less accumulated impairment losses is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 10 years. This change in accounting policy was effected prospectively for business combinations where the agreements dates were on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM271,884 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM634,395 ceased to be amortised. An impairment loss is recognised for the current financial period as the investment in subsidiaries is not reflective of its fair value. Thus, this has an effect of increasing the impairment loss of goodwill by RM634,395 in the current quarter.

**FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

The current period's presentation of the Group's financial statements was based on the revised requirements of FRS 101. However, no comparatives were restated as there was no minority interest in the Group.

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**A2. ACCOUNTING POLICIES (Cont'd)**

**FRS 140: Investments Property**

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Investment properties were previously stated at cost less impairment loss. Investment properties are now stated at fair value, representing open-market value determined by external professional valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. The investment property was revalued at the beginning of the financial year 2006 at RM81 million. In accordance with the transitional provisions of FRS140, this change is applied prospectively and comparatives as at 31 December 2005 were therefore not restated. Instead, the changes have been accounted for by reflecting the following opening balances in the balance sheet as at 1 January 2006:-

	<b>As at 1.1.2006 RM'000</b>
Decrease in investment property	<u>39</u>
Decrease in retained earnings	37
Decrease in deferred tax liabilities	<u>2</u>

For the current quarter ended 30 June 2006, the investment property was revalued at RM82 million and the gain of RM1 million is recognised in the current quarter.

**A3. COMPARATIVES**

There were no changes to the comparatives as the FRSs adopted for the Group were applied prospectively.

**A4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the preceding financial statements for the year ended [31 December 2005](#) was not qualified by the Auditors of the Company.

**NAIM INDAH CORPORATION BERHAD (19727-P)**  
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**A5. SEGMENTAL INFORMATION**

	<b>6 months ended 30.6.2006 RM'000</b>	<b>6 months ended 30.6.2005 RM'000</b>
<b>Segment Revenue</b>		
Revenue from continuing operations:-		
Investment holding	446	4,020
Timber extraction	1,275	-
Property management	1,950	2,022
Property development	161	1,684
Total revenue including inter-segment revenue	<u>3,832</u>	<u>7,726</u>
Elimination of inter-segment revenue	(446)	(4,020)
Total revenue from continuing operations	<u>3,386</u>	<u>3,706</u>
Revenue from discontinued operations	-	-
Total	<u><u>3,386</u></u>	<u><u>3,706</u></u>
<b>Segment Results</b>		
Results from continuing operations:-		
Investment holding	(1,137)	2,162
Timber extraction	339	(2,689)
Property management	480	(74)
Property development	(1,867)	305
Net gain / (losses) from fair value adjustment	950	-
Others	-	-
	<u>(1,235)</u>	<u>(296)</u>
Eliminations	(761)	(413)
Total results from continuing operations	<u>(1,996)</u>	<u>(709)</u>
Results from discontinued operations	-	-
Total	<u><u>(1,996)</u></u>	<u><u>(709)</u></u>

**A6. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE, OR INCIDENCE**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended **30 June 2006** except as disclosed in Note A2 above.

**A7. CHANGES IN ESTIMATES**

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group will review the residual value and useful lives of its entire motor vehicles fleet in the coming financial quarter.

There were no changes in estimates that have had a material effect on the current quarter results.

**Part A – Explanatory Notes Pursuant to FRS 134**

**A8. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's performance is not subject to seasonal or cyclical fluctuations, except for the timber business the extraction works of which are dependent upon the weather conditions at the place where the forest is located.

**A9. DIVIDENDS PAID**

No interim ordinary dividend has been paid in the current financial period ended [30 June 2006](#) ([30 June 2005](#): Nil).

**A10. CARRYING AMOUNT OF REVALUED ASSETS**

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

**A11. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the interim financial period except that during the period, a total nominal value of [RM0.14](#) million of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") were converted into an additional total nominal value of [RM0.14](#) million share capital of the Company. All remaining ICULS had been converted into additional capital of the Company on 24 August 2006.

**A12. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group in the current financial quarter.

**A13. DISCONTINUED OPERATION**

There were no existing business segments to be categorised as discontinued in the current financial quarter.

**A14. CAPITAL COMMITMENTS**

There were no material changes in capital commitments for the Group since the last annual balance sheet date at [31 December 2005](#).

**Part A – Explanatory Notes Pursuant to FRS 134**

**A15. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at [31 December 2005](#).

**A16. SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the current quarter, except as disclosed in note A11.

**PART B - Explanatory Notes Pursuant to Appendix 9B of  
the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. PERFORMANCE REVIEW**

For the current financial period ended 30 June 2006, the Group's revenue was RM3.39 million compared to RM3.71 in the preceding financial period ended 30 June 2005. The decrease in revenue was mainly due to the reduced progress billings recognised from property development segment during the current financial period ended 30 June 2006.

However, the Group recorded a loss before tax of approximately RM1.95 million compared to a loss before tax of approximately RM0.71 million for the corresponding financial period ended 30 June 2005 mainly due to the recognition of foreseeable loss for the property development segment and the impairment loss of goodwill.

**B2. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group's recorded loss before taxation of approximately RM0.88 million for the current quarter as compared to a loss before taxation of approximately RM0.10 million for the quarter ended 31 March 2006 was mainly due to the the recognition of foreseeable loss for the property development segment and the impairment loss of goodwill.

**B3. COMMENT ON PROSPECTS**

The Directors are of the view that the performance of the Group hinges substantially on the performance of its subsidiaries namely Jernih Makmur Sdn Bhd (Principal activity - logging and selling of round end timber logs) and Consistent Harvest Sdn Bhd (Principal activity - renting of shopping spaces in its shopping complex). Due to the positive economic outlook, and barring any unforeseen circumstances, the Directors are confident that the performance of the Group will improve for the remaining period of the financial year.

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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**B5. INCOME TAX EXPENSE**

	3 months ended		6 months ended	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	(63)	-	-	-
Overprovision in prior year	-	-	-	-
Deferred taxation	50		50	
Current provision	(13)	-	50	-

There income tax expense reversal for the current quarter was due to the recognition of management fees billed to its active subsidiaries.

There was no provision for taxation for the current financial period due to utilisation of unabsorbed tax losses carried forward, pending agreement from the Inland Revenue Board. There was no provision for taxation for the previous financial period under review, as the Group was in a tax loss position.

**B6. SALE OF UNQUOTED INVESTMENTS AND / OR PROPERTIES**

There were no sales of unquoted investment and properties for the current financial period under review.

**B7. QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the current financial period under review.

**B8. CORPORATE PROPOSALS**

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

**B9. BORROWINGS**

	As at 30.06.2006 RM'000
Secured borrowings: -	
Payable within one year	1,874
Payable after one year	-
	<u>1,874</u>



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**PART B – Explanatory Notes Pursuant to Appendix 9B of  
the Listing Requirements of Bursa Malaysia Securities Berhad**

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk issued during the current financial period under review.

**B11. CHANGES IN MATERIAL LITIGATION**

As at 21 August 2006, there were no changes in material litigations, including the status of pending material litigation since the last annual balance sheet date of 31 December 2005.

**B12. DIVIDENDS PAYABLE**

No interim ordinary dividend has been declared for the financial period ended 30 June 2006 (30 June 2005: Nil).

**B13. EARNINGS PER SHARE**

	3 months ended		6 months ended	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
Profit / (Loss) from continuing operations attributable to ordinary equity holders of the parent (RM'000)	(868)	(364)	(1,996)	(709)
Profit / (Loss) from discontinued operations attributable to ordinary equity holders of the parent (RM'000)	-	-	-	-
Profit / (Loss) attributable to ordinary equity holders of the parent (RM'000)	<u>(868)</u>	<u>(364)</u>	<u>(1,996)</u>	<u>(709)</u>
No. of Ordinary Shares ('000)	546,871	419,828	546,871	419,828
Basic (sen)	(0.16)	(0.09)	(0.36)	(0.17)
Diluted (sen)				
Based on the assumption that the RM31.03 million (2005: RM56.41 million) nominal value of 3-Year 0.5% ICULS were fully converted upon maturity.	(0.12)	(0.05)	(0.28)	(0.10)

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**B14. AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENTS**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on [28 August 2006](#).

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By order of the Board  
**YEAP KOK LEONG**  
Company Secretary  
MAICSA NO. 0862549  
[Dated this 28 August 2006](#)