

**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 following assets which were stated at fair values: financial assets at fair value through profit or loss and investment properties.

The interim financial statements were unaudited and have been prepared in accordance with requirements of the 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. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that were significant to 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

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

**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 agreement dates were on or after 1 January 2006. The transitional provisions of FRS 3, however, 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 recognized 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 financial period.

**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.

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

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

**FRS 140: Investments Property**

The adoption of this new FRS has resulted in a change in the 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 properties were revalued at the beginning of the financial year 2006 at RM81 million. In accordance with the transitional provision of FRS 140, this change in accounting policy was applied prospectively and the 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 01.01.2006 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 period ended 30 September 2006, the investment properties were revalued at RM82 million and the gain of RM1 million was recognized in the current period.

**A3. COMPARATIVES**

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

**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)**  
**(Incorporated in Malaysia)**

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

**A5. SEGMENTAL INFORMATION**

	<b>9 months ended 30.9.2006 RM'000</b>	<b>9 months ended 30.9.2005 RM'000</b>
<b>Segment Revenue</b>		
Revenue from continuing operations:-		
Investment holding	807	6,015
Timber extraction	7,391	-
Property management	2,947	2,982
Property development	274	2,530
Total revenue including inter-segment revenue	<u>11,419</u>	<u>11,527</u>
Elimination of inter-segment revenue	(672)	(6,015)
Total revenue from continuing operations	<u>10,747</u>	<u>5,512</u>
Revenue from discontinued operations	-	-
Total	<u><u>10,747</u></u>	<u><u>5,512</u></u>
<b>Segment Results</b>		
Results from continuing operations:-		
Investment holding	(1,557)	3,357
Timber extraction	2,888	(4,016)
Property management	811	(673)
Property development	(2,021)	372
Net gain / (losses) from fair value adjustment	950	-
Others	-	-
	<u>1,071</u>	<u>(960)</u>
Eliminations	(995)	(600)
Total results from continuing operations	<u>76</u>	<u>(1,560)</u>
Results from discontinued operations	-	-
Total	<u><u>76</u></u>	<u><u>(1,560)</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 September 2006 except as disclosed in Note A2 and A16 herein.

**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 was no change in estimates that 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 the financial period ended [30 September 2006](#) ([30 September 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, resales or repayments of debts and equity securities during the interim financial period except that during the period, all the remaining Irredeemable Convertible Unsecured Loan Stocks ("ICULS") were converted into additional capital of the Company upon their maturity 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 that can 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 date at [31 December 2005](#).

**A16. SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the current quarter, except for the Company entering into a joint venture on 9<sup>th</sup> November 2006 with Creative Spring Sdn. Bhd., to jointly develop a piece of land held under Geran 32078 Lot 1751 in Mukim Kota, Jejahan Kota Bharu, Negeri Kelantan Darul Naim.

**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 September 2006](#), the Group's revenue was [RM10.75](#) million compared to [RM5.51](#) million in the preceding financial period ended [30 September 2005](#). The increase in revenue was mainly due to the Subsidiary Company's ability to extract round timber logs during the financial period end [30 September 2006](#).

As a result, the Group recorded a profit before tax of approximately [RM0.73](#) million compared to a loss before tax of approximately [RM1.56](#) million for the corresponding preceding financial period ended [30 September 2005](#).

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

The Group's recorded profit before taxation of approximately [RM2.67](#) million for the current quarter as compared to a loss before taxation of approximately [RM0.88](#) million for the quarter ended [30 June 2006](#) was mainly due to the contribution of the timber extraction business.

**B3. COMMENTARY 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). It is expected that the monsoon season that started from October 2006 onwards will affect the timber production and thereby inevitably reduce the revenue contribution from the timber segment significantly.

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**NAIM INDAH CORPORATION BERHAD (19727-P)**  
**(Incorporated in Malaysia)**

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

**B5. INCOME TAX EXPENSE**

	3 months ended		9 months ended	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	602	-	602	-
Overprovision in prior year	-	(12)	-	(12)
Deferred taxation	-	-	50	
Current provision	602	(12)	652	(12)

The income tax expense provision of the current quarter was mainly due to the contribution from the timber extraction and property management segments.

There was no provision for taxation for the previous financial period under review, as the Group was in a tax loss situation then.

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

There were no sales of unquoted investments and properties in the current financial period under review.

**B7. QUOTED SECURITIES**

There were no purchases or disposals of quoted securities in 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 30.09.2006 RM'000
Secured borrowings: -	
Payable within one year	1,874
Payable after one year	-
	<u>1,874</u>



**NAIM INDAH CORPORATION BERHAD (19727-P)**  
**(Incorporated in Malaysia)**

**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 [23 November 2006](#), there were no changes in material litigations, including the status of pending material litigations since the last annual balance sheet date at [31 December 2005](#).

**B12. DIVIDENDS PAYABLE**

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

**B13. EARNINGS PER SHARE**

	3 months ended		9 months ended	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
Profit / (Loss) from continuing operations attributable to ordinary equity holders of the parent (RM'000)	2,073	(839)	76	(1,548)
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>2,073</u>	<u>(839)</u>	<u>76</u>	<u>(1,548)</u>
Weighted average number of Ordinary Shares in issue ('000)	702,034	450,802	702,034	450,802
Basic earnings per share (sen)	0.30	(0.19)	0.01	(0.34)
Diluted earnings per share (sen) Based on the assumption that all the (2005: <a href="#">RM56.25</a> million) nominal value of 3-Year 0.5% ICULS were fully converted upon maturity.	0.30	(0.12)	0.01	(0.22)

**NAIM INDAH CORPORATION BERHAD (19727-P)**  
(Incorporated in Malaysia)

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

**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 [29 November 2006](#).

---

By order of the Board  
**YEAP KOK LEONG**  
Company Secretary  
MAICSA NO. 0862549  
[Dated this 29 November 2006](#)