**NAIM HOLDINGS BERHAD** *(585467-M)*

**QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
For the first quarter and three months ended 31 March 2014
*(The figures have not been audited)*

| | | CURRENT QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | *3 months ended 31 March* | | *3 months ended 31 March* | |
| | | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Revenue | | 154,052 | 128,904 | 154,052 | 128,904 |
| Cost of sales | | (106,117) | (91,921) | (106,117) | (91,921) |
| **Gross profit** | | 47,935 | 36,983 | 47,935 | 36,983 |
| Other income | | 64,808 | 5,576 | 64,808 | 5,576 |
| Selling and promotional expenses | | (1,652) | (1,419) | (1,652) | (1,419) |
| Administration expenses | | (16,145) | (13,104) | (16,145) | (13,104) |
| **Results from operating activities** | | 94,946 | 28,036 | 94,946 | 28,036 |
| Finance income | | 1,560 | 1,532 | 1,560 | 1,532 |
| Finance costs | | (7,083) | (4,416) | (7,083) | (4,416) |
| **Net finance costs** | | (5,523) | (2,884) | (5,523) | (2,884) |
| Share of results of equity accounted: | | | | | |
| - associates | | 12,621 | 22,715 * | 12,621 | 22,715 * |
| - joint ventures | | (186) | 3,528 | (186) | 3,528 |
| **Profit before tax** | Note 20 | 101,858 | 51,395 | 101,858 | 51,395 |
| Tax expense | Note 19 | (6,158) | (9,494) | (6,158) | (9,494) |
| **Profit for the period** | | 95,700 | 41,901 | 95,700 | 41,901 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operations | | (78) | (160) | (78) | (160) |
| Reclassification of fair value reserve to profit or loss | | - | (10,995) | - | (10,995) |
| Share of other comprehensive income of an associate | | (397) | 622 | (397) | 622 |
| **Other comprehensive income for the period** | | (475) | (10,533) | (475) | (10,533) |
| **Total comprehensive income for the period** | | 95,225 | 31,368 | 95,225 | 31,368 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 95,815 | 41,160 | 95,815 | 41,160 |
| Non-controlling interests | | (115) | 741 | (115) | 741 |
| **Profit for the period** | | 95,700 | 41,901 | 95,700 | 41,901 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 95,340 | 30,627 | 95,340 | 30,627 |
| Non-controlling interests | | (115) | 741 | (115) | 741 |
| **Total comprehensive income for the period** | | 95,225 | 31,368 | 95,225 | 31,368 |
| **Basic/Diluted earnings per ordinary share attributable to owners of the Company (sen)** | Note 9 | 40.44 | 17.37 | 40.44 | 17.37 |

** This included RM10,995,000 being share of the reclassification of available-for-sale fair value reserve of RM32,799,000 to profit or loss on reclassification of an available-for-sale investment as an equity accounted investment of an associate during 2013.*

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**NAIM HOLDINGS BERHAD** *(585467-M)*

**QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
As at 31 March 2014
*(The figures have not been audited)*

| | | Unaudited 31 March 2014 RM'000 | Audited 31 December 2013 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | | 49,449 | 54,310 |
| Prepaid lease payments | | 2,448 | 2,455 |
| Interests in associates | | 257,015 | 274,046 |
| Interests in joint ventures | | 44,546 | 44,768 |
| Land held for property development | | 334,299 | 344,913 |
| Investment property | | 67,013 | 64,770 |
| Intangible asset | | 7,428 | 7,599 |
| Deferred tax assets | | 10,911 | 8,348 |
| Other investments | | 11 | 11 |
| **Total non-current assets** | | **773,120** | **801,220** |
| Inventories | | 30,368 | 28,876 |
| Property development costs | | 257,041 | 247,060 |
| Trade and other receivables | | 371,744 | 335,025 |
| Deposits and prepayments | | 7,553 | 7,561 |
| Current tax assets | | 11,964 | 13,124 |
| Cash and bank balances | | 147,026 | 259,157 |
| | | 825,696 | 890,803 |
| Assets classified as held for sale | | 22,406 | 23,069 |
| **Total current assets** | | **848,102** | **913,872** |
| **Total assets** | | **1,621,222** | **1,715,092** |
| **EQUITY** | | | |
| Share capital | | 250,000 | 250,000 |
| Share premium | | 86,092 | 86,092 |
| Treasury shares | | (34,748) | (34,748) |
| Reserves | | 833,964 | 738,535 |
| **Total equity attributable to owners of the Company** | | **1,135,308** | **1,039,879** |
| **Non-controlling interests** | | 24,061 | 24,200 |
| **Total equity** | | **1,159,369** | **1,064,079** |
| **LIABILITIES** | | | |
| Loans and borrowings | Note 8 | 47,445 | 198,245 |
| Deferred tax liabilities | | 37,690 | 41,117 |
| **Total non-current liabilities** | | **85,135** | **239,362** |
| Loans and borrowings | Note 8 | 134,022 | 154,299 |
| Trade and other payables | | 226,724 | 245,636 |
| Current tax payable | | 13,168 | 8,676 |
| | | 373,914 | 408,611 |
| Liabilities classified as held for sale | | 2,804 | 3,040 |
| **Total current liabilities** | | **376,718** | **411,651** |
| **Total liabilities** | | **461,853** | **651,013** |
| **Total equity and liabilities** | | **1,621,222** | **1,715,092** |
| **Net assets per ordinary share attributable to owners of the Company (RM)** | | **4.54** | **4.16** |

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.

The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
For the first quarter and three months ended 31 March 2014
*(The figures have not been audited)*

| | | *Total equity attributable to owners of the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non Distributable | | | | | | | Distributable | | | |
| | Note | Share capital RM' 000 | Share premium RM' 000 | Capital reserve RM' 000 | Translation reserve RM' 000 | Fair value reserve RM' 000 | Treasury shares RM' 000 | Other reserve RM'000 | Retained earnings RM' 000 | Sub-total RM' 000 | Non-controlling Interests RM' 000 | Total equity RM' 000 |
| **For the 3 months ended 31 March 2013 (Unaudited)** | | | | | | | | | | | | |
| **At 1 January 2013** | | 250,000 | 86,092 | 25,756 | 116 | 10,373 | (34,748) | - | 494,374 | 831,963 | 21,658 | 853,621 |
| *Foreign currency translation differences for foreign operations* | | - | - | - | (160) | - | - | - | - | (160) | - | (160) |
| *Reclassification of fair value reserve to profit or loss* | | | | | | (10,995) | | | | (10,995) | | (10,995) |
| *Share of other comprehensive income of an associate* | | - | - | - | - | 622 | - | - | - | 622 | - | 622 |
| Total other comprehensive income for the period | | - | - | - | (160) | (10,373) | - | - | - | (10,533) | - | (10,533) |
| Profit for the period | | - | - | - | - | - | - | - | 41,160 | 41,160 | 741 | 41,901 |
| Total comprehensive income for the period | | - | - | - | (160) | (10,373) | - | - | 41,160 | 30,627 | 741 | 31,368 |
| Total distributions to owners | | | | | | | | | | | | |
| - *Dividends to owners of the Company* | | - | - | - | - | - | - | - | (11,847) | (11,847) | - | (11,847) |
| **At 31 March 2013** | | 250,000 | 86,092 | 25,756 | (44) | - | (34,748) | - | 523,687 | 850,743 | 22,399 | 873,142 |
| **For the 3 months ended 31 March 2014 (Unaudited)** | | | | | | | | | | | | |
| **At 1 January 2014** | | 250,000 | 86,092 | 26,283 | 1,074 | - | (34,748) | 34 | 711,144 | 1,039,879 | 24,200 | 1,064,079 |
| *Foreign currency translation differences for foreign operations* | | - | - | - | (78) | - | - | - | - | (78) | - | (78) |
| *Share of other comprehensive income of an associate* | | - | - | - | (400) | - | - | 3 | | (397) | - | (397) |
| Total other comprehensive income for the period | | - | - | - | (478) | - | - | 3 | - | (475) | - | (475) |
| Profit for the period | | - | - | - | - | | - | - | 95,815 | 95,815 | (115) | 95,700 |
| Total comprehensive income for the period | | - | - | - | (478) | - | - | 3 | 95,815 | 95,340 | (115) | 95,225 |
| Changes in ownership interests in a subisidiary | | - | - | - | - | | - | - | 124 | 124 | (24) | 100 |
| Share of bonus issue expense by an associate | | - | - | (35) | - | - | - | - | - | (35) | - | (35) |
| **At 31 March 2014** | | 250,000 | 86,092 | 26,248 | 596 | - | (34,748) | 37 | 807,083 | 1,135,308 | 24,061 | 1,159,369 |

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**NAIM HOLDINGS BERHAD** *(585467-M)*

**QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the first quarter and three months ended 31 March 2014

*(The figures have not been audited)*

| | | Unaudited 31 March 2014 RM'000 | Unaudited 31 March 2013 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 101,858 | 51,395 |
| *Adjustments for:* | | | |
| Amortisation of: | | | |
| - intangible asset | | 170 | 170 |
| - investment property | | 321 | 508 |
| - prepaid lease payments | | 7 | 6 |
| Depreciation of property, plant and equipment | | 3,477 | 2,991 |
| Finance income | | (1,560) | (1,532) |
| Finance costs | | 7,083 | 4,416 |
| Gain on disposal of: | | | |
| - property, plant and equipment | | (941) | (44) |
| - an associate | | (61,692) | - |
| Property, plant and equipment written off | | - | 3 |
| Share of results of equity accounted: | | | |
| - associates | | (12,621) | (22,715) |
| - joint ventures | | 186 | (3,528) |
| Unrealised foreign exchange (gain)/loss | | (200) | 1,854 |
| Operating profit before changes in working capital | | 36,088 | 33,524 |
| Changes in working capital : | | | |
| Inventories | | (1,492) | 1,384 |
| Property development costs | | 777 | 2,461 |
| Trade and other receivables, deposits and prepayments | | (35,827) | (2,004) |
| Trade and other payables | | (7,304) | 3,350 |
| Cash (used in)/generated from operations | | (7,758) | 38,715 |
| Net income taxes paid | | (6,516) | (1,577) |
| **Net cash (used in)/from operating activities** | | (14,274) | 37,138 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of: | | | |
| - property, plant and equipment | | (629) | (5,831) |
| - investment property | | (2,564) | (7,225) |
| Proceeds from disposal of : | | | |
| - property, plant and equipment | | 2,526 | 167 |
| - an associate | | 82,072 | - |
| Decrease/(Increase) in deposits pledged to licensed banks | | 413 | (150) |
| Dividends received from associates | | 8,922 | - |
| Interest received | | 1,556 | 1,396 |
| **Net cash from/(used in) investing activities** | | 92,296 | (11,643) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from/(repayment of) other loans and borrowings | | 128,933 | (266) |
| Repayment of finance lease liabilities | | (34) | (1,572) |
| Repayment of Islamic Bond | | (300,000) | - |
| Proceeds from issuance of shares to non-controlling interest | | 100 | - |
| Dividends paid to: | | | |
| - owners of the Company | Note 10 | (7,108) | - |
| - non-controlling interests | | - | - |
| Interest paid | | (11,794) | (7,755) |
| **Net cash used in financing activities** | | (189,903) | (9,593) |
| **Net (decrease)/increase in cash and cash equivalents** | | (111,881) | 15,902 |
| **Effects of exchange rate changes on cash and cash equivalents** | | (31) | (8) |
| **Cash and cash equivalents at beginning of period** | | 258,850 | 208,993 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **146,938** | **224,887** |
| ***Representing by:*** | | | |
| Deposits with licensed banks with maturities less than 3 months, net of deposits pledged | | 79,898 | 153,465 |
| Short term cash funds | | - | 20,500 |
| Cash in hand and at banks | | 67,040 | 50,922 |
| **Total cash and cash equivalents as shown in statement of cash flows** | | **146,938** | **224,887** |

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.

The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements of the Group as at and for the three months ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

### 1. Basis of preparation

The Group has applied the Financial Reporting Standards (FRSs) as its financial reporting framework in preparing the condensed consolidated interim financial statements for the current period under review.

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of FRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

The audited financial statements of the Group as at and for the year ended 31 December 2013 are available upon request from the Company’s registered office at 9th floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

### 2. Significant accounting policies

The accounting policies adopted by the Group in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2013.

During the current period under review, the Group has adopted the following new/revised standards, interpretations and amendments which are effective for annual periods beginning on and before 1 January 2014:

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*

**2. Significant accounting policies (continued)**

- Amendment to FRS 139, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*

The adoption of the above FRS standards, interpretations and amendments does not have any material financial impact on the financial statements of the Group.

**2.1 Standards, amendments and interpretations yet to be effective**

The Group has not applied the following new/revised standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are neither yet effective nor early adopted by the Group:

- ***Effective for annual periods beginning on or after 1 July 2014***
  Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
  Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
  Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
  Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
  Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
  Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
  Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
  Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
  Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

- ***Effective for a date yet to be determined***
  FRS 9, *Financial Instruments (2009)*
  FRS 9, *Financial Instruments (2010)*
  FRS 9, *Financial Instruments – Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*
  Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

Given that certain group entities are transitioning entities (being entities subject to the application of IC15, *Agreements for the Construction of Real Estates* and the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities), the Group is exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") until further notice. The financial statements of the Group for the year ending 31 December 2014 and thereafter will continue to be prepared in compliance with FRS until the adoption of MFRS is mandated by the MASB for the transitioning entities.

**2.1 Standards, amendments and interpretations yet to be effective (continued)**

The adoption of the amendments to FRS standards which are effective for annual periods beginning on or after 1 January 2015 is not expected to have a material impact on the financial statements of the Group.

**3. Seasonality or cyclicality of operations**

The business operations of the Group are not materially affected by any seasonal or cyclicality fluctuations during the period under review.

**4. Estimates**

The preparation of these condensed consolidated interim 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those disclosed in the financial statements as at and for the year ended 31 December 2013.

There were no changes in the estimates reported in the prior financial year that have a material effect in the current period.

**5. Debt and equity securities**

There were no issuances, cancellations, repurchases, re-sales and repayments of debt and equity securities for the current period under review.

There was no share buy-back during the year. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 31 March 2014 is 13,056,000 shares.

**6. Property, plant and equipment – *acquisitions and disposals***

During the current period, the Group acquired property, plant and equipment costing about RM629,000 (31.03.2013: RM5,831,000), satisfied in cash.

Property, plant and equipment with a carrying amount of about RM1,585,000 (31.03.2013: RM126,000) were disposed of and/or written off during the period under review.

**7. Changes in the composition of the Group**

**a) *Decrease in investment in an existing associate***

In January 2014, the Company disposed approximately 2.7% of its equity interest in Dayang Enterprise Holdings Bhd. ("DEHB") for a total cash consideration of RM82,072,000 (net of transaction costs). Upon the disposal, the resultant equity interest in DEHB has decreased from 33.63% to 30.93%. The Group recognised a gain of RM61,692,000 from the disposal (see Note 20).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**7. Changes in the composition of the Group (continued)**

**b) *Disposal of a subsidiary***

Following the Group's commitment to a plan to sell Total Reliability Sdn. Bhd. ("TRSB") towards end of 2013, on 21 January 2014, a direct subsidiary, Naim Land Sdn. Bhd. ("NLSB") then entered into a share sale agreement with one of non-controlling shareholders of TRSB to dispose of its entire 51% equity interest held in TRSB for a consideration of RM6,503,000, to be settled over a period of 10 months.

The assets and liabilities of TRSB were classified as held for sale in the statement of financial position as at 31 March 2014 and 31 December 2013. The disposal is expected to be completed by the fourth quarter of 2014.

**c) *Additional investments arising from new shares issued by existing subsidiaries***

During the period, Naim Capital Sdn. Bhd., a direct subsidiary of Naim Engineering Sdn. Bhd. ("NESB") subscribed for additional 999,998 ordinary shares of RM1.00 each in Naim Capital Port Sdn. Bhd. ("NCPSB"), settled in cash. The subscription did not have any impact to the Group as there was no change in the group equity interest in NCPSB.

At the same time, Unique Composite Sdn. Bhd. ("UCSB") which was previously a 100% owned subsidiary, issued new ordinary shares to NESB and third parties, where 399,998 shares of RM1.00 each was subscribed by NESB in cash. The resultant equity interests held by NESB in UCSB decreased from 100% to 80%. At the same time, the Group also recognised an increase in non-controlling interests of RM124,000.

**8. Loans and borrowings**

| | | | 31 March 2014 RM'000 | 31 December 2013 RM'000 |
|---|---|---|---|---|
| ***Non-current*** | | | | |
| Secured | - | Term loans | 47,445 | 48,245 |
| Unsecured | - | Islamic Bonds | - | 150,000 |
| | | | 47,445 | 198,245 |
| ***Current*** | | | | |
| Secured | - | Finance leases | 25 | 37 |
| | - | Term loans | 3,997 | 4,262 |
| Unsecured | - | Islamic Bonds | - | 150,000 |
| | - | Revolving credit | 130,000 | - |
| | | | 134,022 | 154,299 |
| Total | | | 181,467 | 352,544 |

## 8. Loans and borrowings (continued)

On 31 March 2014, the Company redeemed its outstanding Islamic Bonds (including coupon expense accrued thereon) amounting to RM153,477,000 in full prior to the respective maturity dates (which were to be due in 2016 and 2021). Subsequently, the Company cancelled the Islamic Securities Programmes.

## 9. Earnings per ordinary share ("EPS")

***Basic/Diluted EPS***

The calculation of the basic/diluted EPS was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

| | **3 months ended 31 March** | |
|---|---|---|
| | **2014** | **2013** |
| Profit attributable to owners of the Company (RM'000) | 95,815 | 41,160 |
| Weighted average number of ordinary shares, net of treasury shares bought back ('000) | 236,944 | 236,944 |
| Basic/Diluted EPS (sen) | 40.44 | 17.37 |

## 10. Dividend

The following dividend was paid by the Company during the current quarter under review:

| Type of dividend | Rate (sen) | For the year end | Payment date | RM'000 |
|---|---|---|---|---|
| Final interim single-tier dividend | 3.0 | 31 December 2013 | 8 January 2014 | 7,108 |

## 11. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business unit, the Group Managing Director (being the Chief Operating Decision Maker), reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments.

| | | |
|---|---|---|
| Property development | - | Development and construction of residential and commercial properties (including sale of vacant land). |
| Construction | - | Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects). |
| Others | - | Manufacture and sale of buildings and construction materials, provision of sand extraction and land filling services, property investment holdings as well as quarry operation. |

Performance is measured based on segment profit before tax as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms. Unallocated items mainly comprise corporate and headquarters expenses and other investment income, which are managed on a group basis and are not allocated to any operating segment.

***Segment assets and liabilities***

For decision making and resources allocation, the Group Managing Director reviews the statements of financial position of respective subsidiaries. As such, information on segment assets and segment liabilities is not presented.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**11. Operating segments (continued)**

| | Property development | | Construction | | Others | | Inter-segment elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **For the 3 months ended 31 March** | | | | | | | | | | |
| Revenue from external customers | 70,233 | 68,486 | 75,651 | 49,503 | 8,168 | 10,915 | - | - | 154,052 | 128,904 |
| Inter segment revenue | - | - | - | - | 11,094 | 10,802 | ( 11,094) | ( 10,802) | - | - |
| Total segment revenue | 70,233 | 68,486 | 75,651 | 49,503 | 19,262 | 21,717 | ( 11,094) | ( 10,802) | 154,052 | 128,904 |
| Segment profit/(loss) | 26,489 | 18,184 | 6,012 | 4,081 | ( 1,398) | 2,161 | ( 710) | ( 2,319) | 30,393 | 22,107 |
| Share of results of: | | | | | | | | | | |
| - associates, other than Dayang Enterprise Holdings Bhd. ("DEHB") | - | - | 1,748 | 3,109 | 35 | 289 | - | - | 1,783 | 3,398 |
| - joint ventures | - | - | ( 186) | 3,528 | - | - | - | - | ( 186) | 3,528 |
| | 26,489 | 18,184 | 7,574 | 10,718 | ( 1,363) | 2,450 | ( 710) | ( 2,319) | 31,990 | 29,033 |
| Unallocated (expense)/income | | | | | | | | | ( 2,662) | 3,045 |
| Gain on disposal of partial interests in an associate | | | | | | | | | 61,692 | - |
| Share of results of an associate, DEHB (in oil and gas segment) | | | | | | | | | 10,838 | 19,317 |
| Tax expense | | | | | | | | | ( 6,158) | ( 9,494) |
| Profit for the period | | | | | | | | | 95,700 | 41,901 |
| Other comprehensive (loss)/income | | | | | | | | | ( 475) | ( 10,533) |
| Total comprehensive income for the period | | | | | | | | | 95,225 | 31,368 |
| Non-controlling interests | | | | | | | | | 115 | ( 741) |
| Total comprehensive income attributable to the owners of the Company | | | | | | | | | 95,340 | 30,627 |

### 12. Subsequent events

On 17 April 2014 and 6 May 2014, a direct subsidiary, Naim Land Sdn. Bhd. subscribed for the entire interest of Exclusive Paragon Sdn. Bhd. and Bina Hartamas Sdn. Bhd., comprising 2 ordinary shares of RM1.00 each respectively, for a cash consideration of RM2 respectively. The acquisition of the subsidiaries has no material impact on the results of the Group due to dormancy.

Saved as disclosed above, there are no material events subsequent to the end of the period reported on, that has not been reflected in the consolidated interim financial statements for the said period, made up to the date of this quarterly report.

### 13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2013 till the date of this quarterly report.

### 14. Capital commitments

| | 31 March 2014<br>RM'000 | 31 December 2013<br>RM'000 |
|---|---|---|
| ***Authorised but not contracted for*** | | |
| Property, plant and equipment | 18,503 | 19,098 |
| | ======= | ======= |

### 15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profile are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

## 16. Related parties

***Transactions with key management personnel***

Total compensations payable/paid to key management personnel during the period under review are as follows:

| | 3 months ended 31 March 2014 RM'000 | 3 months ended 31 March 2013 RM'000 |
|---|---|---|
| Directors of the Company | 2,037 | 2,776 |
| Other key management personnel | 1,372 | 1,481 |
| | 3,409 | 4,257 |

***Other related party transactions***

| | Transaction value 3 months ended 31 March 2014 RM'000 | Transaction value 3 months ended 31 March 2013 RM'000 | Balance outstanding as at 31 March 2014 RM'000 | Balance outstanding as at 31 March 2013 RM'000 |
|---|---|---|---|---|
| Transactions with associates | | | | |
| Construction contract cost | 1,723 | - | ( 594) | - |
| Dividend income receivable | ( 8,922) | ( 9,247) | - | 9,247 |
| Purchase of construction | 2,763 | 942 | ( 1,195) | ( 207) |
| materials | | | | - |
| Rental expense on machinery | 3,807 | - | ( 1,113) | - |
| | ====== | ====== | ====== | ====== |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

### 17. Review of Group performance

The Group recorded improved revenue of RM154 million for the quarter under review, as compared to RM129 million reported in the corresponding quarter of 2013. The increase was mainly contributed by the construction segment, on account of higher progress of existing construction projects [see Note 17.1 for further details].

At the same time, the Group profit before tax for the current quarter increased by 98% from RM51.4 million in 2013 to RM101.9 million in 2014, mainly due to substantial gain of RM61.7 million arising from disposal of partial interests in an associate.

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1.

#### 17.1 Review of performance of operating segments and current year prospects

***a) Property***

| | |
|---|---|
| *Current 3-month vs Corresponding preceding 3-month review (March 2014 vs March 2013)* | For the current quarter under review, the Property segment achieved revenue of RM70.2 million, 2.5% higher than the RM68.5 million achieved in the first quarter of 2013. At the same time, the property profit also increased, from RM18.2 million in 2013 to RM26.5 million in 2014. The increase was partly attributed to the contribution from prior year sales as a result of increased progress of development works and cost saving reported from substantially completed projects. The Property segment also reported new sales of about RM26 million during the quarter. |
| *Current 3-month vs immediate preceding 3 month review (March 2014 vs December 2013)* | Compared to the immediate preceding quarter, Property revenue decreased by 21.9% from RM89.9 million to RM70.2 million. The profit of the Property segment also decreased from RM31.6 million in the immediate preceding quarter to RM26.5 million in the current quarter, mainly due to less contributions from certain substantially completed projects. |

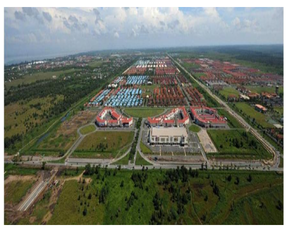
**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

## 17. Review of Group performance (continued)

### 17.1 Review of performance of operating segments and current year prospects (continued)

#### *a) Property (continued)*

*Prospects*



*Bandar Baru Permyjaya – Steady contributor to Naim*

Various initiatives/measures have been undertaken by the government since 2013 to curb property speculation and to regularise the property prices, including an increase of Real Property Gain Tax (RPGT) of up to 30% and the removal of various interest capitalisation scheme (e.g. Developers Interest Bearing Scheme) on property sales. With the introduction of GST of 6% in April 2015, it may raise property costs, especially residential properties. As a result, prices may potentially go up, thus affecting the demand and affordability of properties.

*Proposed Bintulu Paragon – future contributor to Naim*

Our sales performance continues to be sustained by solid market support in our existing established townships located in Miri which registered strong take-up rates.However, we expect slower take-up rates in the newly launched products comprising high rise condominium and high end commercial units in Kuching and Bintulu. Aggressive marketing, competitive pricing and attractive product packages are put in place to improve the take-up rates. We believe, with the demand from the SCORE projects, the continued growth in the current property market in Sarawak would help to sustain demand for these properties.

*Proposed Kuching Paragon – future contributor to Naim*

As part of our long term plans, we continue to actively seek opportunities to acquire strategic land banks within Malaysia to further strengthen the growth of the Property segment in terms of sales, profit and market share.

We remain cautious going forward, in view of the mixed outlook of property market in Sarawak for the year ahead. Product planning and pricing as well as tightening of costs control strategies are amongst the key measurements to be implemented in order to sustain the performance in our Property segment.

## 17. Review of Group performance (continued)

### 17.1 Review of performance of operating segments and current year prospects (continued)

#### b) *Construction*

*Current 3-month vs corresponding preceding 3-month review (March 2014 vs March 2013)*

The Construction segment recorded higher revenue of RM75.7 million against RM49.5 million achieved in the same quarter in 2013. The segment profit also increased from RM4.1 million in first quarter of 2013 to RM6.0 million in current quarter. The increase was attributable to the higher progress of existing on-going construction projects.

*LNG Train 9 with JGC*

*MRT projects*

*Current 3-month vs Immediate preceding 3-month review (March 2014 vs December 2013)*

Lower Construction revenue of RM75.7 million was achieved for the current quarter, compared to RM107.9 million reported in the immediate preceding quarter, mainly due to substantial completion of some existing projects in the quarter under review. However, the Construction segment reported higher profit of RM6.0 million against a loss of RM55.9 million in the immediate preceding quarter. Substantial provision of about RM48 million was made during the immediate preceding quarter for liquidated and ascertained damages ("LAD"), bad debts and potential obligations/liabilities, leading to higher loss in 2013.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**17. Review of Group performance (continued)**

**17.1 Review of performance of operating segments and current year prospects (continued)**

***b) Construction* (continued)**

| | |
|---|---|
| *Prospects* | Various proactive efforts and measures have been put in place to tighten cost and improve efficiency to closely monitor operational costs and improve construction margin. This is to ensure that the progress of projects is under close monitoring and on schedule while sustaining the profitability of projects, in view of the rising construction costs.<br><br>At the same time, we will progressively divert our existing construction resources to the Property division which has consistently contributed good margin and growth in performance.<br><br>A number of sizeable construction tenders has been submitted and we are cautiously optimistic to secure some to replenish our order book which currently stands above RM1 billion. |

***c) Other segment***

| | |
|---|---|
| *Current 3-month vs corresponding preceding 3-month review (March 2014 vs March 2013)* | Other segment recorded revenue of RM8.2 million in the current quarter against RM10.9 million in the same quarter of 2013. At the same time, Other segment performance registered a loss of RM1.4 million in the current quarter against profit of RM2.2 million in the corresponding quarter of 2013. The loss is mainly attributable to our quarry and premix operations in Malaysia and Fiji which reported lower sales and were running below capacity. |
| *Current 3-month vs immediate preceding 3-month review (March 2014 vs December 2013)* | Other segment recorded slight increase in revenue from RM7.8 million in the immediate preceding quarter to RM8.2 million in the current quarter. Concurrently, the segment reported a lower loss of RM1.4 million (Oct to Dec 2013: RM4.2 million loss). The improvement was mainly due to the improved performance from the trading division. |

**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**17. Review of Group performance (continued)**

**17.1 Review of performance of operating segments and current year prospects (continued)**

***c) Other segment* (continued)**

*Prospects*

*Permy Mall, Miri – recurring income*

For the near term, we still continue to improve the quarry, premix and sand extraction operations by putting various measures to market and sell the products to achieve economies of scale and improve their performance. This includes possible plans to divest non-performing business including plant and machineries in Fiji in order to realise some funds and to reduce further losses.

Meanwhile, we expect the property investment and trading operations to continue to contribute positively to the income of the Group.

**17.2 Review of performance of major associate**

*DEHB – major contributor to group profit*

Our associate, Dayang Enterprise Holdings Bhd. (DEHB), registered a profit after tax of about RM34.7 million, a decrease of 40% over the RM57.4 million achieved in the corresponding period in 2013.

Based on the share price of DEHB of RM3.68 as at 26 May 2014 (closing price), the estimated market value of the Group's investment in DEHB, based on current shareholding of 30.93%, is approximately RM938 million.

**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**18. Profit guarantee**

The Group did not issue any profit guarantee.

**19. Tax expense**

| | 3 months ended 31 March 2014 RM'000 | 3 months ended 31 March 2013 RM'000 |
|---|---|---|
| Current tax expense | | |
| Malaysian - current period | 12,148 | 7,737 |
| - prior years | - | - |
| | 12,148 | 7,737 |
| Deferred tax (income)/expense | | |
| Malaysian - current period | ( 3,275) | 1,757 |
| - prior years | ( 2,715) | - |
| | ( 5,990) | 1,757 |
| Total tax expense recognised in statements of profit or loss and other comprehensive income | 6,158 | 9,494 |
| Share of tax of associates and joint ventures | 2,842 | 5,411 |
| Pro-forma group tax expense | 9,000 | 14,905 |
| Profit excluding tax | 101,858 | 51,395 |
| Add: Share of tax of associates and joint ventures | 2,842 | 5,411 |
| | 104,700 | 56,806 |
| Effective tax rate (%) | 8.6 | 26.2 |

The Group's effective tax rate for the current quarter under review is lower than the prima facie tax rate of 25%, mainly due to the effect of deferred tax assets not recognised for certain loss-making subsidiaries as well as substantial capital gain arising from disposal of partial interests in an associate.

**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

## 20. Profit before tax

| | 3 months ended 31 March 2014 RM'000 | 3 months ended 31 March 2013 RM'000 |
|---|---|---|
| **Profit before tax is arrived at after (crediting)/charging:** | | |
| Gain on disposal of: | | |
| - property, plant and equipment | ( 941) | ( 44) |
| - associate | ( 61,692) | - |
| Interest income from fixed deposits and cash funds | ( 1,557) | ( 1,333) |
| Amortisation of: | | |
| - intangible assets | 170 | 170 |
| - investment property | 321 | 508 |
| - prepaid lease payments | 7 | 6 |
| Depreciation of property, plant and equipment | 3,477 | 2,991 |
| Unrealised foreign exchange (gain)/loss | ( 200) | 1,854 |
| Interest expense on loans and borrowings | 6,730 | 4,135 |
| Property, plant and equipment written off | - | 3 |

Save as disclosed, there were neither impairment of assets, provision for and write-off of inventories, gain or loss arising from disposal of financial derivatives or other exceptional items for the period under review.

## 21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2014.

## 22. Status of corporate proposals

There are no corporate proposals announced at the date of this quarterly report.

## 23. Material litigations

***Update of Legal Suits***

a. On 26 October 2009, Naim Land Sdn. Bhd. ("NLSB") received a Writ of Summons and Statement of Claim from 6 persons suing on behalf of themselves and 25 other families against NLSB, the Superintendent of Lands & Surveys Kuching Division, the State Government of Sarawak and the Government of Malaysia claiming to have Native Customary Rights over an area over which NLSB has been awarded a contract to design and construct Bengoh Dam. On 19th May 2014, the Plaintiffs withdrew the action against NLSB and the High Court held that there shall be no order as to costs nor any liberty to file afresh.

**23. Material litigations (continued)**

***Update of Legal Suits*** **(continued)**

b. On 10 January 2012, NLSB received a Writ of Summons and Statement of Claim from a contractor seeking for, *inter alia*, a refund of liquidated and ascertained damages of RM55,849 and additional cost allegedly incurred by the contractor for additional work in the sum of RM963,411 arising for the execution and completion of the proposed site clearance and earthworks for a new housing project in Kuching. Full trial has been completed on 26 July 2013. On 21st January 2014, the High Court decided in favour of the contractor. NLSB is currently appealing against the High Court's decision. The estimated claim amount of RM2,702,000 has been accrued for in the accounts since year 2013.

**24. Breakdown of realised and unrealised profits or losses**

| | 3 months ended 31 March | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| Total retained earnings of the Company and its subsidiaries | | |
| - realised | 855,245 | 540,882 |
| - unrealised | 9,058 | 2,895 |
| | 864,303 | 543,777 |
| The share of retained earnings (realised) from: | | |
| - associates | 106,115 | 204,889 |
| - joint ventures | 43,983 | 22,422 |
| | 1,014,401 | 771,088 |
| Less: Consolidation adjustments | (207,318) | (247,401) |
| Total group retained earnings as stated in consolidated statement of changes in equity | 807,083 | 523,687 |

The determination of realised and unrealised profits or losses is based on 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 on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**25. Auditors' report on preceding annual financial statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

**26. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 May 2014.