BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the third quarter and nine months ended 30 September 2016
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 September		*9 months ended 30 September*	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Revenue		50,057	132,168	285,141	397,417
Cost of sales		(44,436)	(118,224)	(258,199)	(351,801)
Gross profit		5,621	13,944	26,942	45,616
Other operating income		5,642	8,790	16,542	12,628
Selling and promotional expenses		(1,856)	(3,099)	(6,501)	(9,455)
Administration expenses		(3,910)	(8,892)	(21,126)	(26,083)
Other expenses		114	29	(95)	-
Results from operating activities		5,611	10,772	15,762	22,706
Finance income		2,204	2,424	7,064	6,003
Finance costs		(6,333)	(4,113)	(17,969)	(10,922)
Net finance costs		(4,129)	(1,689)	(10,905)	(4,919)
Share of results (net of tax) of equity-accounted:					
- associates		10,870	25,415	3,928	46,896
- joint ventures		(837)	(616)	(1,269)	302
Profit before tax	Note 20	11,515	33,882	7,516	64,985
Tax expense	Note 19	1,725	(2,636)	(3,434)	(7,172)
Profit for the period		13,240	31,246	4,082	57,813
Other comprehensive income/(loss), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(927)	(2,241)	181	(2,959)
Share of other comprehensive income/(loss) of an associate		5,452	-	(7,256)	4,409
Other comprehensive income/(loss) for the period		4,525	(2,241)	(7,075)	1,450
Total comprehensive income/(loss) for the period		17,765	29,005	(2,993)	59,263
Profit/(Loss) attributable to:					
Owners of the Company		12,841	31,526	3,067	57,544
Non-controlling interests		399	(280)	1,015	269
Profit/(Loss) for the period		13,240	31,246	4,082	57,813
Total comprehensive income/(loss) attributable to:					
Owners of the Company		17,366	29,285	(4,008)	58,994
Non-controlling interests		399	(280)	1,015	269
Total comprehensive income/(loss) for the period		17,765	29,005	(2,993)	59,263
Basic earnings per ordinary share attributable to owners of the Company (sen)	Note 9	5.42	13.31	1.29	24.29

The notes set out on pages 5 to 21 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 2015.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the third quarter and nine months ended 30 September 2016

(The figures have not been audited)

		Unaudited 30 September 2016 RM'000	Audited 31 December 2015 RM'000
ASSETS			
Property, plant and equipment		87,865	87,302
Prepaid lease payments		2,377	2,399
Interests in associates		395,897	394,287
Interests in joint ventures		2,257	3,724
Land held for property development		406,997	404,339
Investment properties		84,313	70,092
Intangible assets		5,727	6,237
Deferred tax assets		27,061	23,372
Other investments		2,974	2,974
Trade and other receivables		81,688	86,399
Total non-current assets		**1,097,156**	**1,081,125**
Inventories		62,401	28,595
Property development costs		466,430	461,338
Trade and other receivables		393,203	448,222
Deposits and prepayments		34,086	30,500
Current tax recoverable		11,622	9,013
Cash and cash equivalents		50,790	52,952
		1,018,532	1,030,620
Assets classified as held for sale		160	172
Total current assets		**1,018,692**	**1,030,792**
Total assets		**2,115,848**	**2,111,917**
EQUITY			
Share capital		250,000	250,000
Share premium		86,092	86,092
Treasury shares		(34,748)	(34,748)
Reserves		1,001,916	1,005,933
Total equity attributable to owners of the Company		**1,303,260**	**1,307,277**
Non-controlling interests		18,729	15,105
Total equity		**1,321,989**	**1,322,382**
LIABILITIES			
Loans and borrowings	Note 8	100,607	109,747
Deferred tax liabilities		26,305	26,563
Total non-current liabilities		**126,912**	**136,310**
Loans and borrowings	Note 8	356,302	296,283
Trade and other payables		310,143	355,366
Current tax payable		502	1,576
Total current liabilities		**666,947**	**653,225**
Total liabilities		**793,859**	**789,535**
Total equity and liabilities		**2,115,848**	**2,111,917**
Net assets per ordinary share attributable to owners of the Company (RM)		**5.21**	**5.23**

The notes set out on pages 5 to 21 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 2015.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the third quarter and nine months ended 30 September 2016
(The figures have not been audited)

	Note	Share capital RM' 000	Share premium RM' 000	Foreign currency translation 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
		Total equity attributable to owners of the Company								
		Non-Distributable					Distributable			
For the 9 months ended 30 September 2015 (Unaudited)										
At 1 January 2015		250,000	86,092	1,729	(34,748)	16	957,939	1,261,028	13,770	1,274,798
Foreign currency translation differences for foreign operations		-	-	(2,959)	-	-	-	(2,959)	-	(2,959)
Share of other comprehensive income of an associate		-	-	4,386	-	23	-	4,409	-	4,409
Total other comprehensive income for the period		-	-	1,427	-	23	-	1,450	-	1,450
Profit for the period		-	-	-	-	-	57,544	57,544	269	57,813
Total comprehensive income for the period		-	-	1,427	-	23	57,544	58,994	269	59,263
Changes in ownership interests in a subsidiary		-	-	-	-	-	6	6	(6)	-
Reclassification of foreign currency translation reserve to profit or loss		-	-	(6,554)	-	-	-	(6,554)	-	(6,554)
Transactions with owners of the Company										
- Dividends		-	-	-	-	-	(8,293)	(8,293)	-	(8,293)
Transaction with non-controlling interests										
- Issue of shares by a subsidiary		-	-	-	-	-	-	-	400	400
At 30 September 2015		250,000	86,092	(3,398)	(34,748)	39	1,007,196	1,305,181	14,433	1,319,614
For the 9 months ended 30 September 2016 (Unaudited)										
At 1 January 2016		250,000	86,092	21,591	(34,748)	362	983,980	1,307,277	15,105	1,322,382
Foreign currency translation differences for foreign operations		-	-	181	-	-	-	181	-	181
Share of other comprehensive loss of an associate		-	-	(6,899)	-	(357)	-	(7,256)	-	(7,256)
Total other comprehensive loss for the period		-	-	(6,718)	-	(357)	-	(7,075)	-	(7,075)
Profit for the period		-	-	-	-	-	3,067	3,067	1,015	4,082
Total comprehensive (loss)/income for the period		-	-	(6,718)	-	(357)	3,067	(4,008)	1,015	(2,993)
Changes in ownership interests in a subisidiary		-	-	-	-	-	(9)	(9)	(391)	(400)
Transaction with non-controlling interests										
- Issue of shares by a subsidiary		-	-	-	-	-	-	-	3,000	3,000
At 30 September 2016		250,000	86,092	14,873	(34,748)	5	987,038	1,303,260	18,729	1,321,989

The notes set out on pages 5 to 21 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 2015.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2016

(The figures have not been audited)

	Unaudited 30 September 2016 RM'000	Unaudited 30 September 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,516	64,985
Adjustments for:		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,133	946
- prepaid lease payments	21	19
Depreciation of property, plant and equipment	5,639	5,361
Dividend income from unquoted shares	(124)	-
Finance income	(7,064)	(6,003)
Finance costs	17,969	10,922
Loss/(Gain) on disposal of:		
- property, plant and equipment	54	(116)
Property, plant and equipment written off	203	22
(Reversal of)/Allowance for impairment loss on receivables	(2,468)	1,001
Share of results of equity-accounted:		
- associates	(3,928)	(46,896)
- joint ventures	1,269	(302)
Unrealised foreign exchange gain	(182)	(11,149)
Operating profit before changes in working capital	20,548	19,300
Changes in working capital:		
Inventories	6,167	(10,385)
Property development costs	(48,841)	(75,303)
Trade and other receivables, deposits and prepayments	58,693	(142,183)
Trade and other payables	(58,480)	39,456
Cash used in operations	(21,913)	(169,115)
Net income taxes paid	(10,555)	(10,914)
Net cash used in operating activities	(32,468)	(180,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(6,294)	(6,178)
- investment property	(3,073)	(28,156)
- associate	(35)	-
Proceeds from disposal of :		
- property, plant and equipment	239	233
Decrease in deposits pledged to licensed banks	-	41
Increase in investment in an existing subsidiary	(400)	-
Distribution of profit received from joint ventures	-	15,300
Dividends received	124	8,922
Interest received	2,616	562
Net cash used in investing activities	(6,823)	(9,276)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other loans and borrowings	50,803	126,803
Net proceeds from/(repayment of) finance lease liabilities	76	(10)
Proceeds from issuance of shares to non-controlling interest	3,000	400
Dividends paid to:		
- owners of the Company	-	(8,293)
Other interest paid	(16,933)	(9,277)
Net cash from financing activities	36,946	109,623
Net decrease in cash and cash equivalents	(2,345)	(79,682)
Effects of exchange rate changes on cash and cash equivalents	170	1,875
Cash and cash equivalents at beginning of period	52,561	161,378
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**50,386**	**83,571**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	16,846	28,912
Cash in hand and at banks	33,540	54,659
Total cash and cash equivalents as shown in statement of cash flows	50,386	83,571

The notes set out on pages 5 to 21 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 2015.

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 Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

1. Basis of preparation

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 a complete annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015. 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 Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

The annual financial statements of the Group as at and for the year ended 31 December 2015 are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

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 quarter/period under review.

2. Significant accounting policies

Given that certain Group entities are transitioning entities (being entities subject to the application of IC Interpretation 15, *Agreements for the Construction of Real Estate* or the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities), the Group is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") Framework until 1 January 2018 as mandated by the Malaysian Accounting Standards Board ("MASB").

As a result, the Group (including the transitioning entities) will continue to apply FRSs as their financial reporting framework to prepare their financial statements for two further annual periods ending 31 December 2016 and 31 December 2017.

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2015.

2. Significant accounting policies (continued)

During the current period under review, the Group has adopted the following revised accounting standards and amendments which are effective for annual periods beginning on and after 1 January 2016:

- Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements,* FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements - Accounting for Acquisitions of Interest in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendment to FRS 119, *Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendment to FRS 134, *Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)*

The initial application of the abovementioned standards and amendments does not have any material financial impacts 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 FRSs accounting standards and amendments that have been issued by the MASB but are neither yet effective nor early adopted by the Group:

- ***Effective for annual periods beginning on or after 1 January 2017***

  Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*
  Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

- ***Effective for a date yet to be determined***

  Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128*, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2.2 Migration to new accounting framework

The Group's financial statements for the annual period beginning on 1 January 2018 and the subsequent annual periods will be prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards.

In the interim, the following accounting standards that have been issued by the MASB will be effective for adoption for annual periods beginning on or after 1 January 2018:

- ***Effective for annual periods beginning on or after 1 January 2018***

  MFRS 15, *Revenue from Contracts with Customers*
  MFRS 9, *Financial Instruments (2014)*
  Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*

- ***Effective for annual periods beginning on or after 1 January 2019***

  MFRS 16, *Leases*

The Group is currently assessing the financial impact that may arise from the migration to MFRS, including the adoption of MFRS 1, MFRS 15, MFRS 9 and MFRS 16.

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 the condensed consolidated interim financial statements in conformity with FRSs 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. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty were the same as those disclosed in the annual financial statements as at and for the year ended 31 December 2015.

5. Debt and equity securities

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

There was no share buy-back during the period under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 September 2016 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 RM6.3 million (30.9.2015: RM6.2 million), of which RM105,000 (30.9.2015: RM90,000) was in the form of finance lease assets.

Property, plant and equipment with a carrying amount of about RM0.4 million (30.9.2015: RM0.1 million) were either disposed of or written off during the period under review.

7. Changes in the composition of the Group

i) Increase in investment in an existing subsidiary

In January 2016, Naim Land Sdn. Bhd. acquired the remaining equity interest of 40% in Bina Hartamas Sdn. Bhd. ("BHSB") which it did not own from minority shareholders for a consideration of RM400,000. The resultant equity interest held by the Group in BHSB increased from 60% to 100%.

This change in the ownership interest was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of the net assets in BHSB, which was immaterial, was adjusted against the Group's reserves.

ii) Additional investments arising from new shares issued by existing subsidiaries

On 1 April 2016, Naim Capital Sdn. Bhd. subscribed for additional 4,998 ordinary shares of RM1.00 each in Naim Capital Housing Sdn. Bhd. ("NCHSB"), settled in cash.

On 27 September 2016, the Company subscribed for additional new 8,750,000 ordinary shares of RM1.00 each in Naim Assets Sdn. Bhd. ("NASB"), satisfied in cash. At the same time, NASB subscribed for additional 9,900,000 ordinary shares of RM1.00 each in Naim Hotel Sdn. Bhd. ("NHSB"), satisfied in cash.

The new subscription in NCHSB, NASB and NHSB did not have any material impact to the Group as there is no change in the Group's equity interest in NCHSB, NASB and NHSB.

iii) Increase in investment in an existing associate

On 1 April 2016, Miri Specialist Hospital Sdn. Bhd. ("MSHSB") which is a 30% owned associate of the Group, issued 19,666,667 ordinary shares of RM1.00 each to Naim Land Sdn. Bhd. ("NLSB") and a third party, where 5,900,000 ordinary shares of RM1.00 each were subscribed by NLSB for a consideration of RM5,900,000, satisfied by way of settlement of the amount due from MSHSB. The new subscription in MSHSB did not have any impact to the Group as there is no change in the Group's equity interest in MSHSB.

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

iv) Acquisition of new subsidiary/associate

On 18 August 2016, a direct subsidiary, Naim Engineering Sdn. Bhd. subscribed for 7,000,000 ordinary shares of RM1.00 each in NAIM GAMUDA (NAGA) JV SDN. BHD. (formerly known as Barisan Sehati Sdn. Bhd.), representing 70% of the equity interest therein, for a cash consideration of RM7,000,000. The acquisition did not have a material impact on the Group's assets and liabilities due to the dormancy of the investee company.

On the same day, NESB also acquired a 35% stake in GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD. (formerly known as General Mission Sdn. Bhd.) for a cash consideration of RM35,000.

8. Loans and borrowings

		30 September 2016 RM'000	31 December 2015 RM'000
Non-current			
Secured	- Term loans	100,523	109,720
	- Finance lease	84	27
		100,607	109,747
Current			
Unsecured	- Revolving credit	344,000	284,000
Secured	- Term loans	12,262	12,262
	- Finance lease	40	21
		356,302	296,283
Total		456,909	406,030

9. Earnings per ordinary share ("EPS")

Basic EPS

The calculation of the basic EPS was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	9 months ended 30 September	
	2016	**2015**
Profit attributable to owners of the Company (RM'000)	3,067	57,544
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	1.29	24.29

Diluted EPS

No diluted EPS was presented as there are no dilutive potential ordinary shares.

10. Dividend

No dividend was declared/or paid during the current period under review.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments

The Group has three reportable segments, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director (GMD) (being the Chief Operating Decision Maker), reviews internal management reports for resource allocation and decision making at least on a quarterly basis.

The following summary describes the operations in each of the Group's existing reporting 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 as well as quarry operation.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the GMD. 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

The GMD reviews the statements of financial position of subsidiaries for resource allocation and decision making instead of a summary of consolidated assets and liabilities by segments. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
For the 9 months ended 30 September										
Revenue from external customers	116,022	118,390	139,856	249,368	29,263	29,659	-	-	285,141	397,417
Inter segment revenue	-	-	-	-	7,608	10,019	(7,608)	(10,019)	-	-
Total segment revenue	116,022	118,390	139,856	249,368	36,871	39,678	(7,608)	(10,019)	285,141	397,417
Segment profit/(loss)	17,153	13,862	(5,627)	8,555	822	(66)	(1,071)	(461)	11,277	21,890
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	1,006	-	512	1,187	-	-	-	-	1,518	1,187
- joint ventures	-	-	(1,269)	302	-	-	-	-	(1,269)	302
	18,159	13,862	(6,384)	10,044	822	(66)	(1,071)	(461)	11,526	23,379
Unallocated expense									(6,420)	(4,103)
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									2,410	45,709
Tax expense									(3,434)	(7,172)
Profit for the period									4,082	57,813
Other comprehensive (loss)/income, net of tax									(7,075)	1,450
Total comprehensive (loss)/income for the period									(2,993)	59,263
Non-controlling interests									(1,015)	(269)
Total comprehensive (loss)/income attributable to the owners of the Company									(4,008)	58,994

12. Subsequent events

There are no material events subsequent to the end of the period reported on, that has not been reflected in the condensed 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 2015 till the date of this quarterly report.

14. Capital expenditure commitments

	30 September 2016 RM'000	31 December 2015 RM'000
Authorised but not contracted for		
- Authorised but not contracted for	1,348	41,721
- Contracted but not provided for	35,521	36,971
	36,869	78,692
	=======	=======

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Related parties

i) Transactions with key management personnel

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

	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
Directors of the Company	4,136	3,909
Other key management personnel	7,566	7,249
	11,702	11,158

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Transaction with associates</u>				
Construction contract cost	7,116	18,032	(970)	(4,209)
Construction contract sum billed	(4,160)	-	-	-
Dividend income receivable	-	(8,922)	-	-
Rental expense on machinery	2,041	4,581	(956)	(1,268)
Sale of construction raw materials	(4,200)	(915)	2,440	581
Purchase of construction materials	-	425	-	-

iii) Transaction with a company in which certain substantial shareholders have or are deemed to have interests

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental of properties	486	378	(496)	(183)

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 lower revenue of RM285.1 million for the nine-month period under review, as compared to RM397.4 million reported in the corresponding period of 2015, mainly contributed by the Construction division [see Note 17.1 (b) for details)].

The Group profit before tax declined substantially from RM65.0 million in September 2015 to RM7.5 million in September 2016. The decline was mainly attributed to our major associate, Dayang Enterprise Holdings Bhd. The share of results from this associate decreased significantly from RM45.7 million in September 2015 to RM2.4 million in the current period under review (see Note 17.2 for details).

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

17.1 Review of performance of operating segments and current year prospects

a) Property

Current 9-month vs corresponding preceding 9-month review (September 2016 vs September 2015)	For the current 9 months under review, Property segment achieved revenue of RM116.0 million, against that RM118.4 million achieved in the corresponding period of 2015. At the same time, Property profit has improved slightly from RM13.9 million in 2015 to RM17.0 million in 2016. The increase was partly due to improved work progress of development projects. The Group also recorded higher new sales of about RM86 million for the current 9 months, compared to that RM77 million achieved in the corresponding period of 2015.
Current 3-month vs immediate preceding 3-month review (September 2016 vs June 2016)	Compared to the immediate preceding quarter (April to June 2016), Property revenue decreased from RM37.2 million to RM24.6 million in the current quarter. The segment profit also declined from RM4.8 million in the previous quarter to RM2.7 million in the current quarter. The drop was mainly due to lower progress of development works achieved and lower new sales reported during the current quarter.

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

The property market continues to experience slow down and remain challenging due to factors such as rising costs of doing business, increased competition, weakening buyers' sentiment and strict bank lending policy.

In the near term, we continue to focus on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching and put in aggressive and intensive efforts to sell off the existing properties stocks.

At the same time, a cautious attitude / approach has been adopted particularly on product launches and product types, which are more selective and sensitive to the buyers' demand and market conditions. We believe that continuous in-depth study and monitoring of the buying sentiments will enable us to tailor better product development to suit the market.

In short, product planning and pricing as well as tightening of costs control (including appropriate right sizing and cost cutting) are amongst the key measures being implemented in order to sustain the performance in our Property segment in the near term.

On-going project - Bandar Baru Permyjaya

On-going project - Bintulu Paragon

On-going project - Kuching Paragon

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

Current 9-month vs corresponding preceding 9-month review (September 2016 vs September 2015)

Construction segment recorded lower revenue of RM139.9 million, against RM249.4 million achieved in the corresponding period of 2015. At the same time, the Segment also registered a loss of RM5.6 million, against a profit of RM8.6 million in the corresponding period of 2015. The decline in the performance of this Division was partly due to lower contributions from certain construction projects that had been substantially completed during 2015.

At the same time, the performance of the Construction Division was also badly affected by the delay in the commencement of certain newly secured projects due to late finalisation of contract details with the clients. This has led to lower contributions from these newly secured projects for the current period, by more than 50% from what was initially expected.

Increased operational costs incurred as well as adjustments to the contract sums (in particular the provisional items) arising from the completion of some projects has also led to higher loss incurred during the current period.

Substantially completed project - MRT stations

On-going projects- housing construction

Current 3-month vs immediate preceding 3-month review (September 2016 vs June 2016)

Compared to the immediate preceding quarter, the Construction revenue decreased from RM47.3 million to RM17.8 million in the current quarter, mainly attributable to lower contributions from certain projects that had been substantially completed during the quarter. The Segment performance has improved, from RM14.0 million loss in the preceding quarter to a modest RM1.2 million profit in the current quarter. On top of the increased work progress at site, recovery of certain liquidated and ascertained damages and bad debts previously provided for certain completed projects also led to the improvement in the segment performance.

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 improve efficiency and to closely monitor operational costs. Meanwhile, strict monitoring of the progress of projects is implemented to ensure they are on schedule. Apart from that, we are also continuously educating the project team that they are empowered and responsible to implement, manage and account for each of the projects to ensure it is completed and delivered within budget and on schedule. We will continue to improve existing risk management system and process, and embark on tightening of internal controls for this segment. Appropriate right sizing and cost cutting are to be carried out as part of the process to better manage the costs. With continuous efforts and resources invested to further improve our project deliverables, we remain cautiously optimistic to complete the current outstanding order book at decent margin and within scheduled timeline. Meanwhile, we have participated in a number of sizeable construction tenders and we are cautiously optimistic to secure some contracts to replenish our order book which currently stands above RM2 billion.

c) Other segment

Current 9-month vs corresponding preceding 9-month review (September 2016 vs September 2015)	During the current 9-month period, Other segment reported revenue of about RM29.3 million, similar to that achieved in the corresponding period of 2015. At the same time, the Segment also showed an improvement in its performance, from a loss of RM0.07 million in September 2015, to a profit of RM0.8 million in September 2016. The improvement was mainly due to higher trading and premix sales achieved with improved margin.

17. Review of Group performance (continued)

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

c) *Other segment* (continued)

Current 3-month vs immediate preceding 3-month review (September 2016 vs June 2016)

Other segment reported a decrease in revenue from RM11.5 million in the immediate preceding quarter to RM7.6 million in the current quarter. The Segment also registered a loss of RM0.5 million, against a profit of RM1.9 million, mainly due to lower trading and quarry sales achieved against the fixed operational costs.

Prospects

In the near term, we will continue to improve the quarry and premix operations by putting various measures to market and sell the products to achieve economies of scale and improve their performance.

The property investment and trading operations will continue to contribute positively to the Group results.

In addition to retail property, we will be embarking on other types of commercial properties, for example hotel in Bintulu Paragon, for recurring income.

Permy Mall, Miri – recurring income

Proposed Bintulu hotel

17.2 Review of performance of major associate

DEHB

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported a lower level of profit after tax attributable to owners, from RM155.7 million in September 2015 to RM7.8 million in September 2016. The decline was mainly due to higher finance costs, one off break fund costs arising from early loan settlements and losses reported by newly acquired subsidiary, Perdana Petroleum Berhad (which was acquired by DEHB in the last quarter of 2015).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The Group's effective tax rate for the current period under review is slightly higher than the prima facie tax rate of 24%, mainly due to higher non-deductible expenses as well as the tax effect arising from the closure of projects.

20. Profit before tax

	9 months ended 30 September	
	2016 RM'000	**2015 RM'000**
Profit before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- property, plant and equipment	54	(116)
Interest income from fixed deposits and cash funds	(340)	(470)
Other interest income	(5,607)	(4,105)
Amortisation of:		
- intangible assets	510	510
- investment property	1,133	946
- prepaid lease payments	21	19
Depreciation of property, plant and equipment	5,639	5,361
Liquidated and ascertained damages (LAD) income	(2,877)	-
Write back of LAD provisions	(10,322)	-
Foreign exchange (gain)/loss		
- unrealised	(182)	(11,149)
- realised	7	-
Interest expense on loans and borrowings	16,781	9,277
Property, plant and equipment written off	203	22
(Reversal of)/Allowance for impairment loss on receivables	(2,468)	1,001

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 quarter under review.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2016.

22. Status of corporate proposals

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

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

23. Breakdown of realised and unrealised profits or losses

	30 September 2016 RM'000	31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	847,355	849,083
- unrealised	26,187	28,297
	873,542	877,380
Share of retained earnings from:		
- associates	177,178	174,383
- joint ventures	457	1,924
	1,051,177	1,053,687
Less: Consolidation adjustments	(64,139)	(69,707)
Total group retained earnings as per consolidated statement of changes in equity	987,038	983,980

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.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 was not qualified.

25. 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 24 November 2016.