BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the first quarter and three months ended 31 March 2017
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 March		*3 months ended 31 March*	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue		113,622	139,004	113,622	139,004
Cost of sales		(96,060)	(119,373)	(96,060)	(119,373)
Gross profit		17,562	19,631	17,562	19,631
Other operating income		1,342	10,602	1,342	10,602
Selling and promotional expenses		(2,507)	(2,774)	(2,507)	(2,774)
Administration expenses		(7,174)	(10,681)	(7,174)	(10,681)
Other operating expenses		(438)	-	(438)	-
Results from operating activities		8,785	16,778	8,785	16,778
Finance income		2,087	1,820	2,087	1,820
Finance costs		(5,875)	(3,954)	(5,875)	(3,954)
Net finance costs		(3,788)	(2,134)	(3,788)	(2,134)
Share of results (net of tax) of equity-accounted:					
- associates		(12,654)	(8,218)	(12,654)	(8,218)
- joint ventures		(393)	(589)	(393)	(589)
(Loss)/Profit before tax	Note 20	(8,050)	5,837	(8,050)	5,837
Tax expense	Note 19	(3,076)	(4,585)	(3,076)	(4,585)
(Loss)/Profit for the period		(11,126)	1,252	(11,126)	1,252
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		(92)	1,605	(92)	1,605
Share of other comprehensive loss of an associate		(2,416)	(17,055)	(2,416)	(17,055)
Other comprehensive loss for the period		(2,508)	(15,450)	(2,508)	(15,450)
Total comprehensive loss for the period		(13,634)	(14,198)	(13,634)	(14,198)
(Loss)/Profit attributable to:					
Owners of the Company		(11,289)	897	(11,289)	897
Non-controlling interests		163	355	163	355
(Loss)/Profit for the period		(11,126)	1,252	(11,126)	1,252
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(13,797)	(14,553)	(13,797)	(14,553)
Non-controlling interests		163	355	163	355
Total comprehensive loss for the period		(13,634)	(14,198)	(13,634)	(14,198)
Basic earnings per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	(4.76)	0.38	(4.76)	0.38

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 2016.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the first quarter and three months ended 31 March 2017

(The figures have not been audited)

		Unaudited 31 March 2017 RM'000	Audited 31 December 2016 RM'000
ASSETS			
Property, plant and equipment		93,481	89,130
Prepaid lease payments		2,363	2,370
Interests in associates		407,733	422,918
Interests in joint ventures		7,213	4,906
Land held for property development		385,962	398,772
Investment properties		88,999	87,667
Intangible assets		5,387	5,557
Deferred tax assets		29,359	29,466
Other investments		2,974	2,974
Trade and other receivables		79,312	82,324
Total non-current assets		**1,102,783**	**1,126,084**
Inventories		92,972	103,525
Property development costs		459,674	441,545
Trade and other receivables		471,582	449,959
Deposits and prepayments		30,870	29,343
Current tax recoverable		12,152	12,453
Cash and cash equivalents		63,758	64,055
		1,131,008	1,100,880
Assets classified as held for sale		90	757
Total current assets		**1,131,098**	**1,101,637**
Total assets		**2,233,881**	**2,227,721**
EQUITY			
Share capital		250,000	250,000
Share premium		86,092	86,092
Treasury shares		(34,748)	(34,748)
Reserves		999,431	1,013,228
Total equity attributable to owners of the Company		**1,300,775**	**1,314,572**
Non-controlling interests		18,867	18,704
Total equity		**1,319,642**	**1,333,276**
LIABILITIES			
Loans and borrowings	Note 8	138,176	123,619
Trade and other payables		10,057	10,057
Deferred tax liabilities		25,884	26,199
Total non-current liabilities		**174,117**	**159,875**
Loans and borrowings	Note 8	379,172	355,216
Trade and other payables		360,179	378,986
Current tax payable		771	368
Total current liabilities		**740,122**	**734,570**
Total liabilities		**914,239**	**894,445**
Total equity and liabilities		**2,233,881**	**2,227,721**
Net assets per ordinary share attributable to owners of the Company (RM)		**5.20**	**5.26**

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 2016.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the first quarter and three months ended 31 March 2017
(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	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
For the 3 months ended 31 March 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		-	-	1,605	-	-	-	1,605	-	1,605
Share of other comprehensive loss of an associate		-	-	(16,666)	-	(389)	-	(17,055)	-	(17,055)
Total other comprehensive loss for the period		-	-	(15,061)	-	(389)	-	(15,450)	-	(15,450)
Profit for the period		-	-	-	-	-	897	897	355	1,252
Total comprehensive income/(loss) for the period		-	-	(15,061)	-	(389)	897	(14,553)	355	(14,198)
Changes in ownership interests in a subsidiary		-	-	-	-	-	(9)	(9)	(391)	(400)
At 31 March 2016		250,000	86,092	6,530	(34,748)	(27)	984,868	1,292,715	15,069	1,307,784
For the 3 months ended 31 March 2017 (Unaudited)										
At 1 January 2017, as per audited		250,000	86,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
Foreign currency translation differences for foreign operations		-	-	(92)	-	-	-	(92)	-	(92)
Share of other comprehensive income/(loss) of an associate		-	-	(2,434)	-	18	-	(2,416)	-	(2,416)
Total other comprehensive income/(loss) for the period		-	-	(2,526)	-	18	-	(2,508)	-	(2,508)
(Loss)/Profit for the period		-	-	-	-	-	(11,289)	(11,289)	163	(11,126)
Total comprehensive income/(loss) for the period		-	-	(2,526)	-	18	(11,289)	(13,797)	163	(13,634)
At 31 March 2017		250,000	86,092	25,907	(34,748)	125	973,399	1,300,775	18,867	1,319,642

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 2016.

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter and three months ended 31 March 2017

(The figures have not been audited)

	Unaudited 31 March 2017 RM'000	Unaudited 31 March 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(8,050)	5,837
Adjustments for:		
Amortisation of:		
- intangible asset	170	170
- investment properties	554	219
- prepaid lease payments	7	9
Depreciation of property, plant and equipment	1,640	1,684
Finance income	(2,087)	(1,820)
Finance costs	5,875	3,954
Loss/(Gain) on disposal of:		
- property, plant and equipment	1	-
- assets held for sale	(532)	-
Property, plant and equipment written off	-	3
Share of results of equity-accounted:		
- associates	12,654	8,218
- joint ventures	393	589
Unrealised foreign exchange gain	8	418
Operating profit before changes in working capital	10,633	19,281
Changes in working capital:		
Inventories	10,810	2,159
Property development costs	(5,496)	(20,129)
Trade and other receivables, deposits and prepayments	(23,485)	(2,883)
Trade and other payables	(13,531)	5,502
Cash (used in)/from operations	(21,069)	3,930
Net income taxes paid	(2,572)	(3,905)
Net cash (used in)/from operating activities	(23,641)	25
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(8,376)	(3,674)
'- non-controlling interest in an existing subsidiary	-	(400)
Increase in deposits pledged to licensed banks	(265)	-
Increase in investment in an existing joint venture	(2,700)	-
Interest received	1,851	180
Net cash used in investing activities	(9,490)	(3,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other loans and borrowings	38,524	19,934
Net repayment of finance lease liabilities	(10)	(5)
Interest paid	(5,855)	(3,364)
Net cash from financing activities	32,659	16,565
Net (decrease)/increase in cash and cash equivalents	(472)	12,696
Effects of exchange rate changes on cash and cash equivalents	(91)	(418)
Cash and cash equivalents at beginning of period	63,976	52,561
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**63,413**	**64,839**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	26,287	22,204
Cash in hand and at banks	37,126	42,635
Total cash and cash equivalents	63,413	64,839
Add: Cash included as held for sale	-	-
Total cash and cash equivalents as shown in statement of cash flows	63,413	64,839

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 2016.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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 three months ended 31 March 2017 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 2016. 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 2016.

The annual financial statements of the Group as at and for the year ended 31 December 2016 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 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 the annual period ending 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 2016.

2. Significant accounting policies (continued)

During the current period under review, the Group has adopted the following FRSs and amendments which are effective for annual periods beginning on or after 1 January 2017:

- *Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- *Amendments to FRS 107, Statement of Cash Flows - Disclosure Initiative*
- *Amendments to FRS 112, Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

The initial application of the abovementioned FRSs and amendments does not have any material financial impacts on the financial statements of the Group.

2.1 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 MASB has issued a number of accounting standards, amendments and interpretations under the MFRSs framework, which 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***
    - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
    - Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
    - Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
    - MFRS 9, *Financial Instruments (2014)*
    - MFRS 15, *Revenue from Contracts with Customers*
    - Clarifications to MFRS 15, *Revenue from Contracts with Customers*
    - Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
    - Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*
    - IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

2.1 Migration to new accounting framework (continued)

- ***Effective for annual periods beginning on or after 1 January 2019***
  - MFRS 16, *Leases*
- ***Effective from a date yet to be determined***
  - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is currently assessing the financial impact that may arise from the migration to MFRS, including the adoption of MFRS 1, MFRS 9, MFRS 15 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 quarter 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 2016.

5. Debt and equity securities

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

There was no share buy-back during the quarter under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 31 March 2017 is 13,056,000 shares.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

During the current quarter, the Group acquired property, plant and equipment costing about RM8.4 million (31.3.2016: RM3.7 million), satisfied in cash.

Property, plant and equipment with a carrying amount of about RM500 (31.3.2016: RM3,000) were either disposed of and/or written off during the quarter under review.

7. Changes in the composition of the Group

There was no change in the composition of the Group during the quarter under review.

8. Loans and borrowings

		31 March 2017 RM'000	31 December 2016 RM'000
Non-current			
Secured	- Term loans	138,113	123,545
	- Finance lease	63	74
		138,176	123,619
Current			
Unsecured	- Revolving credits	360,000	339,000
Secured	- Term loans	19,131	16,175
	- Finance lease	41	41
		379,172	355,216
Total		517,348	478,835
		==========	==========

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	3 months ended 31 March 2017	2016
(Loss)/Profit attributable to owners of the Company (RM'000)	(11,289)	897
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	(4.76)	0.38

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 quarter under review.

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.

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
For the 3 months ended 31 March										
Revenue from external customers	41,430	54,224	62,208	74,703	9,984	10,077	-	-	113,622	139,004
Inter segment revenue	-	-	-	-	1,288	7,083	(1,288)	(7,083)	-	-
Total segment revenue	41,430	54,224	62,208	74,703	11,272	17,160	(1,288)	(7,083)	113,622	139,004
Segment profit/(loss)	6,987	9,636	550	7,092	379	(601)	(272)	318	7,644	16,445
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	(125)	211	(41)	(893)	-	-	-	-	(166)	(682)
- joint ventures	-	-	(393)	(589)	-	-	-	-	(393)	(589)
	6,862	9,847	116	5,610	379	(601)	(272)	318	7,085	15,174
Unallocated expense									(2,647)	(1,801)
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									(12,488)	(7,536)
Tax expense									(3,076)	(4,585)
(Loss)/Profit for the period									(11,126)	1,252
Other comprehensive loss, net of tax									(2,508)	(15,450)
Total comprehensive loss for the period									(13,634)	(14,198)
Non-controlling interests									(163)	(355)
Total comprehensive loss attributable to the owners of the Company									(13,797)	(14,553)

12. Subsequent events

There are no material events subsequent to the end of the quarter 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 2016 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	31 March 2017 RM'000	31 December 2016 RM'000
Authorised but not contracted for		
- Authorised but not contracted for	3,817	4,117
- Contracted but not provided for	34,524	34,937
	38,341	39,054
	=======	=======

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 2016.

16. Related parties

i) Transactions with key management personnel

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

	3 months ended 31 March	
	2017 RM'000	2016 RM'000
Directors of the Company	1,212	1,451
Other key management personnel	2,230	2,464
	3,442	3,915
	========	========

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Transactions with associates				
Construction contract cost	312	2,390	(1,069)	(2,451)
Construction contract sum billed	(1,485)	-	1,004	-
Management fee charged	(175)	-	-	-
Rental expense on machinery	331	548	(272)	(759)
Sale of construction raw materials	(1,001)	(855)	1,541	1,467
	=======	=======	=======	=======

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

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Rental of properties	162	162	(586)	(183)
	=======	=======	=======	=======

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 RM113.6 million for the quarter under review, as compared to RM139.0 million reported in the corresponding quarter of 2016. The decline was due to lower revenue reported by the Property and Construction divisions, about 20% lower than that reported in the 1st quarter of 2016.

The Group performance (before tax) declined substantially from a profit of RM5.8 million in March 2016 to a loss of RM8.0 million in March 2017. The decline was partly due to lower profit achieved from our core business, particularly from the Property and Construction divisions (see Note 17.1 for details). At the same time, the share of loss from our major associate, Dayang Enterprise Holdings Bhd. had increased from RM7.5 million in March 2016 to RM12.5 million in the current quarter 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 3-month vs corresponding preceding 3-month review (March 2017 vs March 2016)	For the current quarter under review, Property segment achieved lower revenue of RM41.4 million, against the RM54.2 million achieved in the corresponding quarter in 2016. At the same time, Property profit also decreased from RM9.6 million in 2016 to RM7.0 million in 2017. The drop in both Property revenue and profit was due to lower development progress achieved during the current quarter. However, the Group managed to achieve new sales of about RM52.1 million, as compared to RM51.2 million achieved in 2016.
Current 3-month vs immediate preceding 3-month review (March 2017 vs December 2016)	When compared to the immediate preceding quarter (October to December 2016), Property revenue increased from RM33.2 million to RM41.4 million in the current quarter. The Segment performance had also improved, from a loss of RM1.3 million in the immediate preceding quarter to a profit of RM7.0 million in the current quarter. The increase was mainly due to higher sales reported during the current quarter.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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)

a) *Property* (continued)

Prospects

We expect the property market to remain challenging due to factors such as rising costs of doing business, increased competition and property stocks, weak buying sentiment, strict bank lending policy etc.

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

At the same time, we have also adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to the buyers' demand and market conditions. This will enable us to tailor better product development to suit the market. Some plans are also in the pipeline to launch more medium range and affordable projects in the years to come.

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

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 3-month vs corresponding preceding 3-month review (March 2017 vs March 2016)

Construction segment recorded lower revenue of RM62.2 million, against the RM74.7 million achieved in the corresponding quarter of 2016. Despite the increased work progress achieved for the newly secured projects during the current quarter of 2017, the Segment reported a marginal profit of RM0.6 million in the current quarter, compared against a profit of RM7.1 million in the corresponding quarter of 2016.

The higher construction profit of RM7.1 million was recorded in the previous 1st quarter of 2016 (i.e. January to March 2016), mainly due to successful recovery of loss & expense from a client and write back of certain LAD provided in prior years amounting to RM14.8 million.

On-going project- private hospital project

On-going projects- housing construction

Current 3-month vs immediate preceding 3-month review (March 2017 vs December 2016)

When compared to the immediate preceding quarter, the Construction revenue decreased from RM102.3 million to RM62.2 million in the current quarter, mainly attributable to lower work progress achieved during the quarter. However, the Segment showed an improvement in its performance, from a loss of RM13.2 million in the immediate preceding quarter to a profit of RM0.6 million in the current quarter, mainly due to positive contributions from existing projects (commenced in late 2016).

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	We continue to implement measures to improve efficiency and cost control. At the same time, we also enhance project monitoring to ensure projects are on schedule, improve risk management system 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 3-month vs corresponding preceding 3-month review (March 2017 vs March 2016)	During the current quarter, Other segment reported revenue of about RM10.0 million, similar to that achieved in the corresponding period of 2016, mainly due to the changes in sales mix during the current quarter. Despite the trading operation reported sales of about 70% higher than that of 2016, that increase was negated by a 70% drop in the premix and quarry sales. The Segment also recorded a profit of RM0.4 million in current quarter against a loss of RM0.6 million in March 2016. The improvement was mainly due to higher trading sales achieved with improved margin and the changes in sales mix as explained above.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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)

c) Other segment (continued)

Current 3-month vs immediate preceding 3-month review (March 2017 vs December 2016)

Other segment recorded a 35% increase in its revenue, from RM7.4 million in the immediate preceding quarter to RM10.0 million in the current quarter, mainly due to higher trading sales with improved margin, as explained in the preceding page.

The Segment also reported a profit of RM0.4 million (October to December 2016: a loss of RM1.4 million), mainly contributed by some gains arising from the disposal of non-performing business.

Prospects

In the near term, we 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

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), registered a loss after tax attributable to owners of about RM42.6 million, against a profit after tax of RM26.3 million achieved in the corresponding quarter of 2016.

DEHB

18. Profit guarantee

The Group did not issue any profit guarantee.

19. Tax expense

The Group's effective tax rate for the current quarter under review is slightly higher than the prima facie tax rate of 24%, mainly due to non-deductible expenses and the effect of unrecognised deferred tax assets arising from certain loss making operations.

20. Loss/Profit before tax

	3 months ended 31 March	
	2017 RM'000	**2016 RM'000**
Loss/Profit before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- property, plant and equipment	1	-
- assets held for sale	(532)	-
Interest income from fixed deposits and cash funds	(59)	(186)
Other interest income	(2,028)	(1,634)
Amortisation of:		
- intangible assets	170	170
- investment property	554	219
- prepaid lease payments	7	9
Depreciation of property, plant and equipment	1,640	1,684
Write back of liquidated and ascertained damages provisions	-	(9,658)
Foreign exchange loss:		
- unrealised	8	418
- realised	99	6
Interest expense on loans and borrowings	5,875	3,944
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 quarter under review.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2017.

22. Status of corporate proposals

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

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

23. Status of material litigations

Land issue

a) On 20 March 2017, Naim Land Sdn. Bhd. (“NLSB”) received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB’s existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years. On 26 May 2017, NLSB has filed its defence in court.

Other litigations

(i) On 25 April 2017, another subsidiary, Naim Engineering Sdn. Bhd. (“NESB”) received a payment claim totalling RM4,610,378.17 from a subcontractor, made against NESB under the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”). On 11 May 2017, NESB had submitted its payment response. Later, on 22 May 2017, NESB received the Notice of Adjudication and has 10 working days therefrom to respond.

(ii) On 25 April 2017, NESB received another three separate payments claims amounting to RM29,595,135.55 from a subcontractor, made against NESB under the CIPAA. NESB is instituting a counterclaim against the said subcontractor. NESB submitted a Payment Response on 11 May 2017 and is currently awaiting for the subcontractor's response.

The Directors are of the opinion that the above-mentioned payment claims by the subcontractors are baseless and frivolous and had instructed our solicitors to vigorously contest the two cases to defend our interest.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

24. Breakdown of realised and unrealised profits or losses

	31 March 2017 RM'000	31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	815,382	813,170
- unrealised	28,405	30,257
	843,787	843,427
Share of retained earnings from:		
- associates	188,764	188,972
- joint ventures	7,213	3,106
	1,039,764	1,035,505
Less: Consolidation adjustments	(66,365)	(50,817)
Total group retained earnings as per consolidated statement of changes in equity	973,399	984,688

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.

25. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 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 29 May 2017.