BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the second quarter and six months ended 30 June 2017
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 June		*6 months ended 30 June*	
		2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue		94,922	96,080	208,544	235,084
Cost of sales		(84,011)	(94,390)	(180,071)	(213,763)
Gross profit		10,911	1,690	28,473	21,321
Other operating income		1,515	298	2,857	10,900
Selling and promotional expenses		(2,167)	(1,871)	(4,674)	(4,645)
Administrative expenses		(8,100)	(6,535)	(15,274)	(17,216)
Other operating expenses		(1,244)	(209)	(1,682)	(209)
Results from operating activities		915	(6,627)	9,700	10,151
Finance income		1,937	3,040	4,024	4,860
Finance costs		(6,135)	(7,682)	(12,010)	(11,636)
Net finance costs		(4,198)	(4,642)	(7,986)	(6,776)
Other non-operating expense		(8,321)	-	(8,321)	-
Share of results (net of tax) of equity-accounted:					
- associates		(12,050)	1,276	(24,704)	(6,942)
- joint ventures		783	157	390	(432)
Loss before tax	Note 20	(22,871)	(9,836)	(30,921)	(3,999)
Tax expense	Note 19	(452)	(574)	(3,528)	(5,159)
Loss for the period		(23,323)	(10,410)	(34,449)	(9,158)
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		307	(497)	215	1,108
Realisation of reserves to profit or loss		(2,455)	-	(2,455)	-
Share of other comprehensive loss of an associate		(5,754)	4,347	(8,170)	(12,708)
Other comprehensive (loss)/income for the period		(7,902)	3,850	(10,410)	(11,600)
Total comprehensive loss for the period		(31,225)	(6,560)	(44,859)	(20,758)
Profit/(Loss) attributable to:					
Owners of the Company		(23,577)	(10,671)	(34,866)	(9,774)
Non-controlling interests		254	261	417	616
Loss for the period		(23,323)	(10,410)	(34,449)	(9,158)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(31,479)	(6,821)	(45,276)	(21,374)
Non-controlling interests		254	261	417	616
Total comprehensive loss for the period		(31,225)	(6,560)	(44,859)	(20,758)
Basic earnings per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	(9.95)	(4.50)	(14.71)	(4.13)

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 2016.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the second quarter and six months ended 30 June 2017
(The figures have not been audited)

		Unaudited 30 June 2017 RM'000	Audited 31 December 2016 RM'000
ASSETS			
Property, plant and equipment		98,722	89,130
Prepaid lease payments		2,356	2,370
Interests in associates		379,216	422,918
Interests in joint ventures		8,125	4,906
Land held for property development		384,646	398,772
Investment properties		88,465	87,667
Intangible assets		5,217	5,557
Deferred tax assets		29,217	29,466
Other investments		2,974	2,974
Trade and other receivables		77,232	82,324
Total non-current assets		**1,076,170**	**1,126,084**
Inventories		87,555	103,525
Property development costs		467,048	441,545
Trade and other receivables		496,002	449,959
Deposits and prepayments		29,153	29,343
Current tax recoverable		13,318	12,453
Cash and cash equivalents		55,435	64,055
		1,148,511	1,100,880
Assets classified as held for sale		89	757
Total current assets		**1,148,600**	**1,101,637**
Total assets		**2,224,770**	**2,227,721**
EQUITY			
Share capital		250,000	250,000
Share premium		86,092	86,092
Treasury shares		(34,748)	(34,748)
Reserves		967,952	1,013,228
Total equity attributable to owners of the Company		**1,269,296**	**1,314,572**
Non-controlling interests		19,121	18,704
Total equity		**1,288,417**	**1,333,276**
LIABILITIES			
Loans and borrowings	Note 8	138,141	123,619
Trade and other payables		6,874	10,057
Deferred tax liabilities		25,537	26,199
Total non-current liabilities		**170,552**	**159,875**
Loans and borrowings	Note 8	384,123	355,216
Trade and other payables		381,088	378,986
Current tax payable		590	368
Total current liabilities		**765,801**	**734,570**
Total liabilities		**936,353**	**894,445**
Total equity and liabilities		**2,224,770**	**2,227,721**
Net assets per ordinary share attributable to owners of the Company (RM)		**5.08**	**5.26**

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 2016.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the second quarter and six months ended 30 June 2017

(The figures have not been audited)

	Note	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 6 months ended 30 June 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		-	-	1,108	-	-	-	1,108	-	1,108
Share of other comprehensive loss of an associate		-	-	(12,305)	-	(403)	-	(12,708)	-	(12,708)
Total other comprehensive loss for the period		-	-	(11,197)	-	(403)	-	(11,600)	-	(11,600)
Profit for the period		-	-	-	-	-	(9,774)	(9,774)	616	(9,158)
Total comprehensive income/(loss) for the period		-	-	(11,197)	-	(403)	(9,774)	(21,374)	616	(20,758)
Changes in ownership interests in a subsidiary		-	-	-	-	-	(9)	(9)	(391)	(400)
At 30 June 2016		250,000	86,092	10,394	(34,748)	(41)	974,197	1,285,894	15,330	1,301,224
For the 6 months ended 30 June 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		-	-	215	-	-	-	215	-	215
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate		-	-	(2,445)	-	(10)	-	(2,455)	-	(2,455)
Share of other comprehensive income/(loss) of an associate		-	-	(8,192)	-	22	-	(8,170)	-	(8,170)
Total other comprehensive income/(loss) for the period		-	-	(10,422)	-	12	-	(10,410)	-	(10,410)
(Loss)/Profit for the period		-	-	-	-	-	(34,866)	(34,866)	417	(34,449)
Total comprehensive income/(loss) for the period		-	-	(10,422)	-	12	(34,866)	(45,276)	417	(44,859)
At 30 June 2017		250,000	86,092	18,011	(34,748)	119	949,822	1,269,296	19,121	1,288,417

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 2016.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

For the second quarter and six months ended 30 June 2017

(The figures have not been audited)	**Unaudited 30 June 2017 RM'000**	**Unaudited 30 June 2016 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(30,921)	(3,999)
Adjustments for:		
Amortisation of:		
- intangible asset	340	340
- investment properties	1,094	711
- prepaid lease payments	14	15
Depreciation of property, plant and equipment	3,290	3,864
Finance income	(4,024)	(4,860)
Finance costs	12,010	11,636
Loss/(Gain) on disposal of:		
- associate	8,321	-
- property, plant and equipment	(58)	54
- assets held for sale	(532)	-
Property, plant and equipment written off	107	80
Share of results of equity-accounted:		
- associates	24,704	6,942
- joint ventures	(390)	432
Unrealised foreign exchange gain	904	1,668
Operating profit before changes in working capital	14,859	16,883
Changes in working capital:		
Inventories	15,969	3,130
Land held for property development	1,316	-
Property development costs	(12,531)	(29,587)
Trade and other receivables, deposits and prepayments	(45,041)	12,478
Trade and other payables	3,818	(14,689)
Cash used in operations	(21,610)	(11,785)
Net income taxes paid	(4,713)	(6,998)
Net cash used in operating activities	(26,323)	(18,783)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(15,932)	(5,544)
- investment properties	(5)	-
- non-controlling interest in an existing subsidiary	-	(400)
Proceeds from disposal of :		
- property, plant and equipment	68	245
- assets held for sale	1,200	-
Increase in deposits pledged to licensed banks	(692)	-
Increase in investment in an existing joint venture	(2,700)	-
Interest received	3,742	271
Net cash used in investing activities	(14,319)	(5,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other loans and borrowings	43,450	37,869
Net (repayment of)/proceeds from finance lease liabilities	(21)	85
Interest paid	(11,872)	(10,238)
Net cash from financing activities	31,557	27,716
Net (decrease)/increase in cash and cash equivalents	(9,085)	3,505
Effects of exchange rate changes on cash and cash equivalents	(227)	(281)
Cash and cash equivalents at beginning of period	63,976	52,561
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**54,664**	**55,785**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	15,290	22,218
Cash in hand and at banks	39,374	33,567
Total cash and cash equivalents	54,664	55,785
Add: Cash included as held for sale	-	-
Total cash and cash equivalents as shown in statement of cash flows	54,664	55,785

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 2016.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 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 six months ended 30 June 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 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 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*
    - 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 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*
  - IC Interpretation 23, *Uncertainty over Income Tax Treatments*

- ***Effective for annual periods beginning on or after 1 January 2021***

  - MFRS 17, *Insurance Contracts*

- ***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 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 2016.

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 June 2017 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 RM16.0 million (30.6.2016: RM5.5 million), satisfied in cash.

Property, plant and equipment with a carrying amount of about RM0.1 million (30.6.2016: RM0.4 million) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

Decrease in equity interest in an existing associate, Dayang Enterprise Holdings Bhd. ("DEHB")

The Group's equity interest in DEHB decreased from 29.06% to 26.42% following a private placement exercise effected by DEHB during April 2017. The dilution in equity interest was accounted for as deemed disposal with the resulting loss of RM8.3 million recognised as part of other non-operating expense in the profit or loss.

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

8. Loans and borrowings

			30 June 2017 RM'000	**31 December 2016 RM'000**
Non-current				
Secured	-	Term loans	138,083	123,545
	-	Finance lease	58	74
			138,141	123,619
Current				
Unsecured	-	Revolving credits	360,000	339,000
Secured	-	Term loans	24,087	16,175
	-	Finance lease	36	41
			384,123	355,216
Total			522,264	478,835

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	6 months ended 30 June	
	2017	**2016**
Loss attributable to owners of the Company (RM'000)	(34,866)	(9,774)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	(14.71)	(4.13)

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 period 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 6 months ended 30 June										
Revenue from external customers	69,535	91,447	122,917	122,013	16,092	21,624	-	-	208,544	235,084
Inter segment revenue	-	-	-	-	5,085	7,884	(5,085)	(7,884)	-	-
Total segment revenue	69,535	91,447	122,917	122,013	21,177	29,508	(5,085)	(7,884)	208,544	235,084
Segment profit/(loss)	6,278	14,384	1,770	(6,872)	954	1,315	(809)	(1,267)	8,193	7,560
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	73	967	515	194	-	-	-	-	588	1,161
- joint ventures	-	-	390	(432)	-	-	-	-	390	(432)
	6,351	15,351	2,675	(7,110)	954	1,315	(809)	(1,267)	9,171	8,289
Unallocated expense									(6,479)	(4,185)
Loss on disposal of interests in an associate, DEHB									(8,321)	-
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									(25,292)	(8,103)
Tax expense									(3,528)	(5,159)
Loss for the period									(34,449)	(9,158)
Other comprehensive loss, net of tax									(10,410)	(11,600)
Total comprehensive loss for the period									(44,859)	(20,758)
Non-controlling interests									(417)	(616)
Total comprehensive loss attributable to the owners of the Company									(45,276)	(21,374)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2016 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	30 June 2017 RM'000	31 December 2016 RM'000
Property, plant and equipment		
- Authorised but not contracted for	3,707	4,117
- Contracted but not provided for	33,413	34,937
	37,120	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 period under review are as follows:

	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Directors of the Company	2,458	2,862
Other key management personnel	4,373	5,213
	6,831	8,075
	========	========

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Transactions with associates				
Construction contract cost	43,158	4,365	(13,266)	(1,378)
Construction contract sum billed	(5,997)	-	2,434	-
Management fee charged	(341)	-	-	-
Rental expense on machinery	452	1,591	(207)	(1,528)
Sale of construction raw materials	(1,242)	(3,102)	927	3,254
Sale of property, plant and equipment	(1,200)	-	-	-
	=======	=======	=======	=======

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

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Rental expense on properties	324	324	(229)	(324)
	=======	=======	=======	=======

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

	Cumulative quarter	
	6 months ended 30 June	
	2017	2016
	RM'000	RM'000
Revenue	208,544	235,084
Operating profit	9,700	10,151
Loss before tax	(30,921)	(3,999)

Current 6-month vs corresponding preceding 6-month review (June 2017 vs June 2016)

Decline in group revenue, from RM235.1 million in June 2016 to RM208.5 million in June 2017, was mainly due to lower property revenue, being 24% lower than that reported in the corresponding period of 2016.

The Group has reported a loss before tax of RM30.9 million, against a loss of RM4 million reported in June 2016, mainly due to the following:

- lower profit achieved from our business, particularly from the Property division (see Note 17.1(a) for details);
- an accounting loss of RM8.3 million arising from the dilution in equity interest in an associate, Dayang Enterprise Holdings Bhd. ("DEHB") (also see Note 7 for details); and
- the share of loss from DEHB increased from RM8.1 million in June 2016 to RM25.3 million in the current period under review (see Note 17.2 for details).

	Current	Immediate preceding
	3-month ended	3-month ended
	30 June 2017	31 March 2017
	RM'000	RM'000
Revenue	94,922	113,622
Operating profit	915	8,785
Loss before tax	(22,871)	(8,050)

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

When compared to the immediate preceding quarter (January to March 2017), the drop in group revenue by 16% was mainly due to lower property revenue reported during the current 3 months.

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

17. Review of Group performance (continued)

***Current 3-month vs immediate preceding 3-month review (June 2017 vs March 2017)* (continued)**

At the same time, the Group also registered higher loss of RM22.9 million in the current quarter (January to March 2017: RM8.1 million loss), mainly contributed by the loss on deemed disposal of interest in DEHB of RM8.3 million as explained above.

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

	Cumulative quarter	
	6 months ended 30 June	
	2017	2016
	RM'000	RM'000
Revenue	69,535	91,447
Segment profit	6,278	14,384

Current 6-month vs corresponding preceding 6-month review (June 2017 vs June 2016)

For the current period under review, Property segment achieved lower revenue of RM69.5 million, against the RM91.5 million achieved in the corresponding quarter in 2016. At the same time, Property profit also decreased by 56% to RM6.3 million in the current quarter. The drop in both Property revenue and profit was due to lower development progress achieved from the existing on-going development projects during the current quarter.

Despite the above drop in property performance, the Group managed to achieve higher new sales of about RM78.9 million, against RM72.7 million achieved in June 2016.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 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)**

	Current 3-month ended 30 June 2017 RM'000	Immediate preceding 3-month ended 31 March 2017 RM'000
Revenue	28,105	41,430
Segment (loss)/profit	(709)	6,987

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

When compared to the immediate preceding quarter (January to March 2017), the drop in Property revenue and performance was mainly due to lower development progress achieved during the current quarter.

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.

17. Review of Group performance (continued)

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

b) Construction

	Cumulative quarter 6 months ended 30 June	
	2017	**2016**
	RM'000	**RM'000**
Revenue	122,917	122,013
Segment profit/(loss)	1,770	(6,872)

Current 6-month vs corresponding preceding 6-month review (June 2017 vs June 2016)

Construction segment reported revenue of about RM122.9 million, fairly similar to that achieved in the corresponding period of 2016. Construction performance also recorded an improvement, reporting a profit of RM1.8 million in the current period (30.6.2016: a loss of RM6.9 million) mainly due to increased work progress achieved from the existing on-going projects.

	Current 3-month ended 30 June 2017	Immediate preceding 3-month ended 31 March 2017
	RM'000	**RM'000**
Revenue	60,709	62,208
Segment profit	1,220	550

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

When compared to the immediate preceding quarter, the Construction revenue decreased from RM62.2 million to RM60.7 million in the current quarter. However, the Segment profit had improved, from RM550,000 in the immediate preceding quarter to RM1.2 million in the current quarter, mainly due to increased work progress as explained above.

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 being 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

	Cumulative quarter 6 months ended 30 June	
	2017	2016
	RM'000	RM'000
Revenue	16,092	21,624
Segment profit	954	1,315

Current 6-month vs corresponding preceding 6-month review (June 2017 vs June 2016)

Decline in both revenue and profit for Other segment was mainly due to lower premix sales, about 95% lower than that reported in June 2016 as a result of the completion of existing sales orders.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 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 ended 30 June 2017 RM'000	Immediate preceding 3-month ended 31 March 2017 RM'000
Revenue	6,108	9,984
Segment profit	575	379

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

Other segment reported lower revenue during the current 3 months, against RM10.0 million in the immediate preceding quarter, mainly attributable to lower trading sales achieved. On the other hand, this segment showed slight improvement in its performance, partly contributed by the higher quarry sales achieved during the period.

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.

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 RM90.8 million, against RM28.3 million loss achieved in the corresponding period of 2016. The loss was mainly due to impairment loss on property, plant and equipment, foreign exchange losses and lower charter rates achieved.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

Despite the loss before tax of RM30.9 million as reported in the current period, the Group incurred tax expense of RM3.5 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

20. Loss before tax

	6 months ended 30 June	
	2017 RM'000	**2016 RM'000**
Loss before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- associate	8,321	-
- property, plant and equipment	(58)	54
- assets held for sale	(532)	-
Interest income from fixed deposits and cash funds	(183)	(278)
Other interest income	(3,841)	(3,750)
Amortisation of:		
- intangible assets	340	340
- investment properties	1,094	711
- prepaid lease payments	14	15
Depreciation of property, plant and equipment	3,290	3,864
Write back of liquidated and ascertained damages provision	-	(10,322)
Foreign exchange loss:		
- unrealised	904	1,668
- realised	(24)	6
Interest expense on loans and borrowings	12,010	10,857
Property, plant and equipment written off	107	80

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 June 2017.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Status of corporate proposals

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

23. Update of material litigations status

Land issue

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. NLSB has filed a Notice of Application on 21 July 2017 for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. The application is fixed to be heard on 4 October 2017.

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 28 July 2017, NESB received the Adjudication Claim and has until 25 August 2017 to respond with an Adjudication Response.

(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 still 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.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

	30 June 2017 RM'000	31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	812,538	813,170
- unrealised	27,462	30,257
	840,000	843,427
Share of retained earnings from:		
- associates	150,264	188,972
- joint ventures	8,125	3,106
	998,389	1,035,505
Less: Consolidation adjustments	(48,567)	(50,817)
Total group retained earnings as per consolidated statement of changes in equity	949,822	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 24 August 2017.