BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the third quarter and nine months ended 30 September 2019

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 September		*9 months ended 30 September*	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue		30,188	178,760	331,004	438,949
Cost of sales		(13,726)	(149,206)	(282,723)	(384,642)
Gross profit		16,462	29,554	48,281	54,307
Other operating income		1,592	1,697	3,554	3,713
Selling and promotional expenses		(2,006)	(1,756)	(6,232)	(5,774)
Administrative expenses		(5,791)	(5,788)	(17,284)	(16,542)
Other operating expenses		(727)	(811)	(3,555)	(3,021)
Results from operating activities		9,530	22,896	24,764	32,683
Finance income		3,457	1,947	9,599	6,209
Finance costs		(6,144)	(7,609)	(19,531)	(22,191)
Net finance costs		(2,687)	(5,662)	(9,932)	(15,982)
Share of results (net of tax) of equity-accounted:					
- associates		30,316	15,793	39,227	13,067
- joint ventures		5	838	(206)	1,360
Profit before tax	Note 20	37,164	33,865	53,853	31,128
Tax expense	Note 19	(798)	(3,335)	(4,415)	(6,623)
Profit for the period		36,366	30,530	49,438	24,505
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		24	(219)	47	141
Share of other comprehensive income of associates		2,909	2,945	2,882	2,031
Other comprehensive income for the period		2,933	2,726	2,929	2,172
Total comprehensive income for the period		39,299	33,256	52,367	26,677
Profit attributable to:					
Owners of the Company		36,285	30,323	48,160	23,398
Non-controlling interests		81	207	1,278	1,107
Profit for the period		36,366	30,530	49,438	24,505
Total comprehensive income attributable to:					
Owners of the Company		39,218	33,049	51,089	25,570
Non-controlling interests		81	207	1,278	1,107
Total comprehensive income for the period		39,299	33,256	52,367	26,677
Basic earning per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	7.25	12.80	9.62	9.87

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 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

(The figures have not been audited)

		Unaudited 30 September 2019 RM'000	Audited 31 December 2018 RM'000
ASSETS			
Property, plant and equipment		153,336	130,931
Interests in associates		450,294	408,428
Interests in joint ventures		4,115	4,387
Inventory - Land held for property development		367,833	373,407
Investment properties		81,450	85,161
Intangible assets		3,686	4,196
Deferred tax assets		11,842	12,081
Other investments		3,100	3,100
Trade and other receivables		59,445	65,563
Total non-current assets		**1,135,101**	**1,087,254**
Inventories		622,197	653,186
Contract costs		5,888	5,516
Contract assets		96,240	192,626
Trade and other receivables		123,847	157,525
Deposits and prepayments		9,850	9,154
Current tax recoverable		10,890	10,714
Cash and cash equivalents		286,864	148,070
		1,155,776	1,176,791
Assets classified as held for sale		2,226	595
Total current assets		**1,158,002**	**1,177,386**
Total assets		**2,293,103**	**2,264,640**
EQUITY			
Share capital		454,802	336,092
Treasury shares		(34,748)	(34,748)
Reserves		924,851	873,762
Total equity attributable to owners of the Company		**1,344,905**	**1,175,106**
Non-controlling interests		18,071	17,993
Total equity		**1,362,976**	**1,193,099**
LIABILITIES			
Loans and borrowings	Note 8	152,537	171,881
Trade and other payables		3,524	3,524
Deferred tax liabilities		23,992	24,890
Total non-current liabilities		**180,053**	**200,295**
Loans and borrowings	Note 8	357,289	385,858
Trade and other payables		346,910	445,577
Contract liabilities		37,762	26,805
Provisions		7,672	7,994
Current tax payable		441	5,012
Total current liabilities		**750,074**	**871,246**
Total liabilities		**930,127**	**1,071,541**
Total equity and liabilities		**2,293,103**	**2,264,640**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**2.62** #	**4.70**

 # Derived based on the enlarged issued and paid up capital of approximately 513.80 million ordinary shares, upon the completion of rights issue in January 2019.

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 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the third quarter and nine months ended 30 September 2019

(The figures have not been audited)

		Total equity attributable to owners of the Company							
		Non-Distributable				Distributable			
		Share capital 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 9 months ended 30 September 2018 (Unaudited)									
At 1 January 2018		336,092	10,917	(34,748)	129	795,406	1,107,796	19,553	1,127,349
Foreign currency translation differences for foreign operations		-	141	-	-	-	141	-	141
Share of other comprehensive income/(loss) of associates		-	2,061	-	(30)	-	2,031	-	2,031
Total other comprehensive income/(loss) for the period		-	2,202	-	(30)	-	2,172	-	2,172
Profit for the period		-	-	-	-	23,398	23,398	1,107	24,505
Total comprehensive income/(loss) for the period		-	2,202	-	(30)	23,398	25,570	1,107	26,677
At 30 September 2018		336,092	13,119	(34,748)	99	818,804	1,133,366	20,660	1,154,026
For the 9 months ended 30 September 2019 (Unaudited)									
At 1 January 2019		336,092	13,158	(34,748)	215	860,389	1,175,106	17,993	1,193,099
Foreign currency translation differences for foreign operations		-	47	-	-	-	47	-	47
Share of other comprehensive income/(loss) of associates		-	2,902	-	(20)	-	2,882	-	2,882
Total other comprehensive income/(loss) for the period		-	2,949	-	(20)	-	2,929	-	2,929
Profit for the period		-	-	-	-	48,160	48,160	1,278	49,438
Total comprehensive income for the period		-	2,949	-	(20)	48,160	51,089	1,278	52,367
Contribution by owners of the Company *- Issue of ordinary shares via Rights Issue*	Note 5	118,710	-	-	-	-	118,710	-	118,710
Transaction with non-controlling interests *- Dividends paid by a subsidiary*		-	-	-	-	-	-	(1,200)	(1,200)
At 30 September 2019		454,802	16,107	(34,748)	195	908,549	1,344,905	18,071	1,362,976

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 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2019

(The figures have not been audited)

	Unaudited 30 September 2019 RM'000	Unaudited 30 September 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	53,853	31,128
Adjustments for:		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,565	1,660
Depreciation of property, plant and equipment	4,246	6,326
Dividend income from unquoted shares	(4)	(4)
Finance income	(9,599)	(6,209)
Finance costs	19,531	22,191
Gain on disposal of:		
- property, plant and equipment	(105)	(232)
- assets held for sale	(236)	-
Property, plant and equipment written off	5	57
Share of results of equity-accounted:		
- associates	(39,227)	(13,067)
- joint ventures	206	(1,360)
Unrealised foreign exchange loss	85	131
Operating profit before changes in working capital	30,830	41,131
Changes in working capital:		
Inventories	37,061	(2,642)
Contract cost	(372)	-
Trade and other receivables, deposits and prepayments (including contract assets/liabilities)	147,049	(110,876)
Trade and other payables	(99,441)	112,370
Cash generated from operations	115,127	39,983
Net income taxes paid	(9,756)	(7,383)
Net cash from operating activities	105,371	32,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(27,603)	(22,638)
Proceeds from disposal of:		
- property, plant and equipment	169	291
- assets held for sale	750	-
Changes in pledged deposits	(490)	(900)
Dividends received	4	4
Interest received	9,621	6,151
Net cash used in investing activities	(17,549)	(17,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	118,710	-
Net (repayments of)/proceeds from loans and borrowings	(47,898)	11,269
Repayment of finance lease liabilities	(16)	(20)
Interest paid	(20,372)	(22,448)
Net cash from/(used in) financing activities	50,424	(11,199)
Net increase in cash and cash equivalents	138,246	4,309
Effects of exchange rate changes on cash and cash equivalents	58	90
Cash and cash equivalents at beginning of period	133,453	63,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**271,757**	**67,693**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	189,349	24,015
Cash in hand and at banks	82,408	43,678
Total cash and cash equivalents as shown in statement of cash flows	271,757	67,693

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 2018.

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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 period ended 30 September 2019 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 applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 134, *Interim Financial Reporting*.

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 2018. 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 2018.

The annual financial statements of the Group as at and for the year ended 31 December 2018 are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.

2. Significant accounting policies

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 2018, except as explained below.

During the current period under review, the Group has adopted the following accounting standards, interpretations and amendments which are effective for annual periods beginning on and after 1 January 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*

2. Significant accounting policies (continued)

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

The adoption of the above MFRS standards, interpretations and associated amendments does not have any material financial impact on the financial statements of the Group, except for the following:

MFRS *16, Leases*

MFRS 16 replaces the existing leases guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard which continues to classify leases as finance or operating lease.

The Group adopted MFRS 16 using the modified retrospective method and the comparative figures were not restated.

Having completed a detailed assessment of all lease contracts existing on the date of initial application of MFRS 16, the Group concluded that the adoption of this standard did not have significant impact on its financial statements, other than the presentation of certain leasehold land (classified under property, plant and equipment and investment properties) as right-to-use assets.

For leases that met the definition of low value assets and short-term leases under MFRS 16, the Group had elected not to recognise them as right-to-use assets and the associated lease liabilities for these leases. The lease payments for these low value assets and short-term leases are recognised as expenses to profit or loss, on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.1 Standards, amendments and interpretations yet to be effective

The Group has not applied the following MFRSs and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but are neither effective yet nor early adopted by the Group:

- ***MFRSs effective for annual periods beginning on or after 1 January 2020***
  - Amendment to MFRS 3, *Business Combinations – Definition of a Business*
  - Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
  - Amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

- ***MFRSs effective for annual periods beginning on or after 1 January 2021***
  - MFRS 17, *Insurance Contracts*

- ***MFRSs 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 adoption of the above MFRS standards and associated amendments is not expected to have any material financial impact on the financial statements of the Group.

3. Seasonality or cyclicality of operations

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

4. Estimates

The preparation of the condensed consolidated interim financial statements in conformity with MFRSs 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.

4. Estimates (continued)

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2018.

5. Debt and equity securities

On 25 January 2019, the Company completed the Proposed Rights Issue following the listing and quotation of 263,799,322 Rights shares on the Main Market of Bursa Malaysia Securities Berhad with total Rights Issue proceeds of about RM118.71 million. The total issued and paid up capital of the Company, after the completion of the Rights Issue and excluding treasury shares held, is RM454.80 million, comprising 500,743,322 ordinary shares.

Save as disclosed above, there were no other 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 2019 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 RM27.6 million (30.9.2018: RM22.6 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM69,000 (30.9.2018: RM0.1 million) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

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

8. Loans and borrowings

			30 September 2019 RM'000	31 December 2018 RM'000
Non-current				
Secured	-	Term loans	152,526	171,853
	-	Finance lease	11	28
			152,537	171,881
Current				
Unsecured	-	Revolving credits	309,000	342,000
Secured	-	Term loans	48,267	43,837
	-	Finance lease	22	21
			357,289	385,858
Total			509,826	557,739
			==========	==========

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 2019	9 months ended 30 September 2018
Profit attributable to owners of the Company (RM'000)	48,160	23,398
	-------------	-------------
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	236,944
	-------------	-------------
Basic EPS (sen)	9.62	9.87
	-------------	-------------

Diluted EPS

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

10. Dividend

No dividend was declared/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 and management 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
For the 9 months ended 30 September										
Revenue from external customers	119,956	116,024	194,526	304,499	16,522	18,426	-	-	331,004	438,949
Inter segment revenue	-	-	-	-	3,553	3,718	(3,553)	(3,718)	-	-
Total segment revenue	119,956	116,024	194,526	304,499	20,075	22,144	(3,553)	(3,718)	331,004	438,949
Segment profit/(loss)	4,256	9,730	16,894	17,953	(1,801)	(537)	(1,080)	(1,256)	18,269	25,890
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(1,231)	(1,610)	1,933	2,719	-	-	-	-	702	1,109
- joint ventures	-	-	(206)	1,360	-	-	-	-	(206)	1,360
	3,025	8,120	18,621	22,032	(1,801)	(537)	(1,080)	(1,256)	18,765	28,359
Unallocated expense									(3,437)	(9,189)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									38,525	11,958
Tax expense									(4,415)	(6,623)
Profit for the period									49,438	24,505
Other comprehensive income, net of tax									2,929	2,172
Total comprehensive income for the period									52,367	26,677
Non-controlling interests									(1,278)	(1,107)
Total comprehensive income attributable to the owners of the Company									51,089	25,570

[1] *Share of results of DEHB Group comprised the share of results from two associates, DEHB and Perdana Petroleum Berhad*

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 2018 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	30 September 2019 RM'000	31 December 2018 RM'000
Property, plant and equipment		
- Authorised but not contracted for	1,827	2,435
- Contracted but not provided for	12,374	24,100
	14,201	26,535
	=======	=======

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 2018.

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	
	2019 RM'000	2018 RM'000
Directors of the Company	3,846	3,712
Other key management personnel	4,346	5,745
	8,192	9,457
	========	========

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 9 months ended 30 September 2019 RM'000	Transaction value 9 months ended 30 September 2018 RM'000	Balance outstanding as at 30 September 2019 RM'000	Balance outstanding as at 30 September 2018 RM'000
Transactions with associates				
Construction contract cost	115,058	124,095	(18,260)	(23,320)
Construction contract sum billed	(8,198)	(23,229)	3,878	3,875
Fee charged on management services rendered	-	(675)	-	-
Rental expense on machinery	-	167	-	-
Sale of construction raw materials	-	-	223	223
	=======	=======	=======	=======
Transaction with a company in which certain substantial shareholders have or are deemed to have interests				
Rental expense on properties	-	486	(137)	(1,159)
	=======	=======	=======	=======
Transaction with certain members of the key management personnel of the Group				
Consultant fee paid	180	167	-	-
	=======	=======	=======	=======
Transaction with key management personnel				
Sale of properties	-	779	-	753
	=======	=======	=======	=======

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

17. Review of Group performance

Current 9-month vs corresponding preceding 9-month review (September 2019 vs September 2018)

	Cumulative quarters	
	9 months ended 30 September	
	2019	2018
	RM'000	RM'000
Revenue	331,004	438,949
Operating profit	24,764	32,683
Profit before tax	53,853	31,128

The Group recorded lower revenue of RM331.0 million for the period under review, as compared to RM438.9 million reported in the corresponding period of 2018. The decrease was contributed by both Property and Construction divisions, which recorded a 25% decrease in its revenue when compared against that achieved in the corresponding period of 2018.

At the same time, the Group achieved a higher profit before tax of RM53.9 million, a 73% increase when compared against that achieved in September 2018. The increase in net profit was mainly due to substantial improvement in the share of the results from Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), from RM12.0 million in September 2018 to RM38.5 million in the current period under review.

Current 3-month vs immediate preceding 3-month review (September 2019 vs June 2019)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2019	30 June 2019
	RM'000	RM'000
Revenue	30,188	159,183
Operating profit/(loss)	9,530	(321)
Profit before tax	37,164	10,977

Lower revenue was achieved during the current 3-month period, mainly due to less contributions from the Construction Division arising from lower stage of completion of projects being reported when compared to the immediate preceding quarter. However, the Group had reported higher profit before tax of RM37.2 million during the current period, mainly due to additional cost savings from some substantially completed projects and additional new property sales achieved.

17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (September 2019 vs June 2019) (continued)

At the same time, the share of results from the associate, DEHB, had also improved from a profit after tax of RM14.0 million in the immediate preceding 3-month period to RM29.9 million in the current 3-month period.

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 2019 vs September 2018)

	Cumulative quarters	
	9 months ended 30 September	
	2019	2018
	RM'000	RM'000
Revenue	119,956	116,024
Segment profit	4,256	9,730

Despite higher new property sales achieved of about RM134.9 million (30.9.2018: RM100.6 million), Property revenue and profit did not increase proportionately to the new sales achieved. This was mainly due to competitive rebates given to property buyers as part of strategies to clear off the existing property stock. The changes in product mix sold where more residential properties were sold also led to the drop in the segment profit.

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 vs immediate preceding 3-month review (September 2019 vs June 2019)

	Current 3 months ended 30 September 2019 RM'000	Immediate preceding 3 months ended 30 June 2019 RM'000
Revenue	23,453	47,469
Segment profit/(loss)	2,011	(6,305)

The decline in Property revenue in the current 3-month period was mainly due to lower work progress achieved for the development projects. At the same time, the Group only managed to secure new Property sales of RM15.8 million during the current 3-month period, against the new property sales of RM62.1 million achieved in the immediate preceding quarter.

The segment reported a loss of RM6.3 million in the immediate preceding period (April to June 2019), mainly due to high sale rebates given on certain completed properties sold.

Prospects

The property market remains challenging due to factors such as rising costs of doing business, increased competition, huge overhang of property stocks in the market, weak buying sentiment, strict bank lending policy etc.

Our main focus remains on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching. We have adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to buyers' demand and market conditions. More medium range and affordable properties will be introduced to local markets in the years to come.

At the same time, various initiatives are put in to sell off the existing property stocks to improve this segment performance.

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 2019 vs September 2018)

	Cumulative quarters	
	9 months ended 30 September	
	2019	2018
	RM'000	RM'000
Revenue	194,526	304,499
Segment profit	16,894	17,953

While the Construction revenue dropped by 36% as a result of lower contributions from projects that were substantially completed in previous year, the segment profit did not vary much from that achieved in September 2018. This was mainly due to some cost savings achieved from some completed projects.

Current 3-month vs immediate preceding 3-month review (September 2019 vs June 2019)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2019	30 June 2019
	RM'000	RM'000
Revenue	1,070	106,135
Segment profit	6,510	5,362

Lower Construction revenue was registered, mainly due to lower stage of completion of projects being reported when compared to the immediate preceding quarter. However, the segment profit had improved slightly, mainly due to additional cost savings from certain substantially completed projects.

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

17. Review of Group performance (continued)

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

b) Construction (continued)

Prospects

We continue to implement measures to improve efficiency and control costs. 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.

With continuous efforts and resources invested to further improve our project deliverables, we will focus to complete the current outstanding order book at decent margin and within scheduled timeline. At the same time, we are cautious and selective in project tendering and focus particularly on those projects where we have proven records and experiences, supported with current project management resources.

c) Other Segment

Current 9-month vs corresponding preceding 9-month review (September 2019 vs September 2018)

	Cumulative quarters 9 months ended 30 September	
	2019	**2018**
	RM'000	**RM'000**
Revenue	16,522	18,426
Segment loss	(1,801)	(537)

The drop in Other segment revenue was mainly due to lower trading sales, about 47% lower than that reported in the corresponding period of 2018. At the same time, Other segment also registered higher loss of RM1.8 million, compared to the loss of RM0.5 million reported in September 2018, contributed by fixed overheads and financing costs incurred particularly from the quarry operations.

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 (September 2019 vs June 2019)

	Current 3 months ended 30 September 2019 RM'000	Immediate preceding 3 months ended 30 June 2019 RM'000
Revenue	5,665	5,579
Segment loss	(834)	(1,127)

When compared to the immediate preceding quarter, Other segment showed a slight increase in revenue during the current 3 months, mainly attributable to higher quarry sales during the quarter.

Other segment registered a lower loss of RM0.8 million, compared to RM1.1 million reported in the immediate preceding quarter, due to the incurrence of lower overheads.

Prospects

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 (which is physically completed) for recurring income in near term.

We will continue to improve the quarry operations and achieve economies of scale to manage fixed overheads costs.

17.2 Review of performance of major associate

For the current period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM158.1 million (30.9.2018: unaudited profit after tax of RM66.5 million). The improvement in the DEHB performance was mainly due to higher maintenance work orders performed with improved margin, a one-off extraordinary accounting gain arising from the acquisition of a new subsidiary as well as reversal of impairment of assets during the period under review.

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 group profit before tax being only RM14.8 million for the period under review (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM4.4 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. Additional disclosures on profit before tax

	9 months ended 30 September 2019 RM'000	9 months ended 30 September 2018 RM'000
Profit before tax is arrived at after (crediting)/charging:		
Gain on disposal of:		
- property, plant and equipment	(105)	(232)
- assets held for sale	(236)	-
Interest income from fixed deposits and cash funds	(5,097)	(519)
Other interest income	(4,502)	(5,690)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,565	1,660
Depreciation of property, plant and equipment	4,246	6,326
Foreign exchange loss:		
- unrealised	85	131
- realised	79	33
Interest expense on loans and borrowings	19,531	22,191
Property, plant and equipment written off	5	57

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2019.

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 and/or not completed at the date of this quarterly report. The rights issue exercise as disclosed in Note 5 was completed in January 2019.

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 filed its Defence to the claim on 26 May 2017 and had on 3 July 2017 filed a Notice of Application 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. Parties had exchanged affidavits in respect of the said application and ruling on the same was delivered on 17 January 2018; wherein the judge ruled that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and had set down the matter for trial from 21 to 25 May 2018. However, NLSB had filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling, which appeal is awaiting hearing. The main trial is held in abeyance pending disposal of NLSB's appeal to the Court of Appeal.

There are no changes in the litigation status during the period under review.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 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 28 November 2019.