



NAIM HOLDINGS BERHAD
Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the first quarter and three months ended 31 March 2023				
<i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	68,521	99,167	68,521	99,167
Cost of sales	(61,642)	(88,735)	(61,642)	(88,735)
Gross profit	6,879	10,432	6,879	10,432
Other operating income	693	1,568	693	1,568
Selling and promotional expenses	(1,219)	(879)	(1,219)	(879)
Administrative expenses	(4,240)	(5,930)	(4,240)	(5,930)
Other operating expenses	(3,083)	(2,172)	(3,083)	(2,172)
Results from operating activities	(970)	3,019	(970)	3,019
Finance income	1,900	1,558	1,900	1,558
Finance costs	(2,851)	(2,538)	(2,851)	(2,538)
Net finance costs	(951)	(980)	(951)	(980)
Other non-operating expense	(54)	(16)	(54)	(16)
Share of results (net of tax) of equity-accounted:				
- associates	(4,797)	7,352	(4,797)	7,352
- joint ventures	2	251	2	251
(Loss)/Profit before tax	(6,770)	9,626	(6,770)	9,626
Tax expense	(1,203)	(2,488)	(1,203)	(2,488)
(Loss)/Profit for the period	(7,973)	7,138	(7,973)	7,138
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	1	3	1	3
Share of other comprehensive income of associates	225	974	225	974
Other comprehensive income for the period	226	977	226	977
Total comprehensive (expenses)/income for the period	(7,747)	8,115	(7,747)	8,115
(Loss)/Profit attributable to:				
Owners of the Company	(8,166)	6,900	(8,166)	6,900
Non-controlling interests	193	238	193	238
(Loss)/Profit for the period	(7,973)	7,138	(7,973)	7,138
Total comprehensive (expenses)/income attributable to:				
Owners of the Company	(7,940)	7,877	(7,940)	7,877
Non-controlling interests	193	238	193	238
Total comprehensive (expenses)/income for the period	(7,747)	8,115	(7,747)	8,115
Basic and diluted (loss)/earnings per ordinary share (EPS)				
(sen)	(1.63)	1.38	(1.63)	1.38

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 2022.



QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
As at 31 March 2023 <i>(The figures have not been audited)</i>			
		Unaudited	Audited
		31 March	31 December
		2023	2022
		RM'000	RM'000
ASSETS			
Property, plant and equipment		116,357	117,721
Interests in associates		431,750	440,582
Interests in joint ventures		2,031	2,027
Inventory - Land held for property development		172,242	172,242
Investment properties		82,351	80,503
Intangible assets		-	113
Deferred tax assets		2,168	2,229
Other investments		3,017	3,017
Trade and other receivables		23,700	30,700
Total non-current assets		833,616	849,134
Inventories		551,847	558,215
Contract costs		4,752	4,730
Contract assets		29,649	39,316
Trade and other receivables		109,643	77,365
Deposits and prepayments		8,843	10,449
Current tax recoverable		1,454	1,334
Other financial assets		12,595	15,416
Cash and cash equivalents		236,661	247,758
		955,444	954,583
Assets classified as held for sale		83	83
Total current assets		955,527	954,666
Total assets		1,789,143	1,803,800
EQUITY			
Share capital		454,802	454,802
Treasury shares		(34,748)	(34,748)
Reserves		836,687	844,627
Total equity attributable to owners of the Company		1,256,741	1,264,681
Non-controlling interests		22,143	21,950
Total equity		1,278,884	1,286,631
LIABILITIES			
Loans and borrowings	Note 8	81,909	87,620
Deferred tax liabilities		20,988	21,167
Total non-current liabilities		102,897	108,787
Loans and borrowings	Note 8	142,816	145,330
Trade and other payables		259,546	256,017
Contract liabilities		1,260	1,871
Provisions		2,840	3,472
Current tax payable		900	1,692
Total current liabilities		407,362	408,382
Total liabilities		510,259	517,169
Total equity and liabilities		1,789,143	1,803,800
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital		2.45	2.46

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 2022.



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first quarter and three months ended 31 March 2023

(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
<u>For the 3 months ended 31 March 2022 (Unaudited)</u>								
At 1 January 2022, audited	454,802	12,662	(34,748)	123	797,986	1,230,825	21,737	1,252,562
<i>Foreign currency translation differences for foreign operations</i>	-	3	-	-	-	3	-	3
<i>Share of other comprehensive income of associates</i>	-	974	-	-	-	974	-	974
Total other comprehensive income for the period	-	977	-	-	-	977	-	977
Profit for the period	-	-	-	-	6,900	6,900	238	7,138
Total comprehensive income for the period	-	977	-	-	6,900	7,877	238	8,115
At 31 March 2022	454,802	13,639	(34,748)	123	804,886	1,238,702	21,975	1,260,677
<u>For the 3 months ended 31 March 2023 (Unaudited)</u>								
At 1 January 2023, audited	454,802	21,720	(34,748)	112	822,795	1,264,681	21,950	1,286,631
<i>Foreign currency translation differences for foreign operations</i>	-	1	-	-	-	1	-	1
<i>Share of other comprehensive income of associates</i>	-	225	-	-	-	225	-	225
Total other comprehensive income for the period	-	226	-	-	-	226	-	226
(Loss)/Profit for the period	-	-	-	-	(8,166)	(8,166)	193	(7,973)
Total comprehensive income/(expenses) for the period	-	226	-	-	(8,166)	(7,940)	193	(7,747)
At 31 March 2023	454,802	21,946	(34,748)	112	814,629	1,256,741	22,143	1,278,884

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 2022.



QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2023

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the first quarter and three months ended 31 March 2023		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	31 March	31 March
	2023	2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(6,770)	9,626
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	113	170
- investment properties	718	531
Depreciation of property, plant and equipment	2,455	2,229
Finance income	(1,900)	(1,558)
Finance costs	2,851	2,538
Loss on disposal of:		
- deemed disposal of an associate	54	16
Net change in impairment loss on financial assets and contract assets	-	(623)
Share of results of equity-accounted:		
- associates	4,797	(7,352)
- joint ventures	(2)	(251)
Unrealised foreign exchange gain	(32)	(44)
Operating profit before changes in working capital	2,284	5,282
Changes in working capital:		
Inventories	6,377	(21,113)
Contract assets/liabilities	9,056	2,065
Contract costs	(22)	(172)
Trade and other receivables, deposits and prepayments	(23,786)	35,103
Trade and other payables	3,536	(16,860)
Provisions	(632)	-
Cash (used in)/generated from operations	(3,187)	4,305
Net income taxes paid	(2,233)	(1,033)
Net cash (used in)/from operating activities	(5,420)	3,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(1,100)	(264)
- investment properties	(2,566)	(223)
Changes in pledged deposits	2,821	56
Dividends received from an associate	4,206	-
Interest received	2,014	1,641
Net cash from investing activities	5,375	1,210
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of loans and borrowings	(8,186)	(9,077)
Net repayment of hire purchases	(39)	(37)
Interest paid	(2,859)	(2,586)
Net cash used in financing activities	(11,084)	(11,700)
Net decrease in cash and cash equivalents	(11,129)	(7,218)
Effects of exchange rate changes on cash and cash equivalents	32	44
Cash and cash equivalents at beginning of period	247,758	274,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	236,661	267,577
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	184,679	222,737
Cash in hand and at banks	51,982	44,840
Total cash and cash equivalents as shown in statement of cash flows	236,661	267,577

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 2022.



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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 31 March 2023 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*.

The condensed consolidated interim financial statements do not include all of the information required for a set of complete annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. 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 2022.

The annual financial statements of the Group as at and for the year ended 31 December 2022 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 2022, except as explained below.

During the current period under review, the Group has adopted the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments of the MFRSs which are effective for annual periods beginning on 1 January 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*



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2. Significant accounting policies (continued)

The adoption of the above MFRSs and amendments did not have any material financial impact on the financial statements of the Group.

2.1 Standards, amendments and interpretations yet to be effective

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

- ***MFRSs effective for annual periods beginning on or after 1 January 2024***
 - Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
 - Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- ***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 initial applications of the abovementioned MFRSs and amendments are not expected to have any material financial impacts on the financial statements of the Group.

3. Seasonality or cyclicity of operations

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

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 2022.



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5. Debt and equity securities

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

There was no share buy-back during the period under review. The total number of ordinary shares repurchased in earlier periods retained as treasury shares as of 31 March 2023 remains at 13,056,000 shares.

6. *Acquisitions and/or disposals of property, plant and equipment and investment properties*

During the current period, the Group incurred about RM3.7 million (31.3.2022: RM0.5 million) for the acquisition of property, plant and equipment and investment properties (including assets under construction), which were satisfied in cash. Some fully depreciated property, plant and equipment were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

Dilution in equity interest in an existing associate, Perdana Petroleum Berhad ("PPB")

During the current period under review, some 766,800 redeemable convertible preference shares ("RCPS") in PPB were converted into ordinary shares by the RCPS holders of PPB. Although the Group's resultant equity interest in PPB following the conversion of RCPS did not vary much from the 3.47% as of 31 December 2022, the dilution in the equity interest in PPB arising from the RCPS conversion was accounted for as a deemed disposal. A loss of about RM54,000 was recognised as other non-operating expense in profit or loss for the current period under review.

Save as disclosed, there were no other major changes in the composition of the Group during the period under review.



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8. Loans and borrowings

		31 March 2023 RM'000	31 December 2022 RM'000
Non-current			
Secured	- Term loans	81,460	87,130
	- Hire purchases	449	490
		81,909	87,620
Current			
Unsecured	- Revolving credits	118,750	120,000
Secured	- Term loans	23,907	25,173
	- Hire purchases	159	157
		142,816	145,330
	Total	224,725	232,950

9. Earnings per ordinary share ("EPS")

Basic and diluted (loss)/earnings per ordinary share

The calculation of the basic and diluted EPS was based on the net (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding excluding treasury shares bought back in previous years, presented as follows:

	3 months ended 31 March 2023	2022
(Loss)/Profit attributable to ordinary shareholders (RM'000)	(8,166)	6,900
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic and diluted EPS (sen)	(1.63)	1.38



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10. Dividend

No dividend was declared/paid by the Board during the current 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 and vacant lot with infrastructure).

Construction - Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).

Others - All other business segments with profit contributions less than 10%. This includes trading of building and construction materials, provision of sand extraction and land filling services, property investment and management, hotel operation 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.



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11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
For the period ended 31 March										
Revenue from external customers	21,795	25,520	42,098	69,319	4,628	4,328	-	-	68,521	99,167
Inter segment revenue	-	-	13,884	16,961	622	586	(14,506)	(17,547)	-	-
Total segment revenue	21,795	25,520	55,982	86,280	5,250	4,914	(14,506)	(17,547)	68,521	99,167
Segment profit/(loss)	3,945	4,125	973	759	(2,753)	(1,458)	(3,148)	(192)	(983)	3,234
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	389	2,270	295	1,785	-	-	-	-	684	4,055
- joint ventures	-	-	2	251	-	-	-	-	2	251
	4,334	6,395	1,270	2,795	(2,753)	(1,458)	(3,148)	(192)	(297)	7,540
Unallocated expense									(938)	(1,195)
Loss on deemed disposal of interests in associates, DEHB and PPB									(54)	(16)
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									(5,481)	3,297
Tax expense									(1,203)	(2,488)
(Loss)/Profit for the period									(7,973)	7,138
Other comprehensive income, net of tax									226	977
Total comprehensive (expenses)/income for the period									(7,747)	8,115
Non-controlling interests									(193)	(238)
Total comprehensive (expenses)/income attributable to the owners of the Company									(7,940)	7,877

¹ Share of results of DEHB Group comprises the share of results from two associates, DEHB and Perdana Petroleum Berhad ("PPB")



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12. Subsequent events

There are no material events subsequent to the end of the period reported on, that have 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 2022 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	31 March 2023 RM'000	31 December 2022 RM'000
<i>Property, plant and equipment</i>		
- Authorised and contracted for	1,800	-
- Authorised but not contracted for	12,700	15,000
<i>Investment properties</i>		
- Authorised and contracted for	4,800	1,200
- Authorised but not contracted for	25,700	30,000
	45,000	46,200

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 2022.



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16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel

	3 months ended 31 March	
	2023 RM'000	2022 RM'000
Directors of the Company	943	960
Other key management personnel	1,055	1,202
	<u>1,998</u>	<u>2,162</u>

Other transactions with key management personnel

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sale of property	<u>3,339</u>	-	<u>2,922</u>	-

ii) Other related party transactions

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Transactions with associates</u>				
Construction contract costs	21,894	37,480	(19,871)	(17,299)
Construction contract sum billed	-	-	2,256	2,523
Dividend income receivable	(4,206)	-	-	-
Rental of equipment	17	-	(17)	-
Sales of goods	<u>(33)</u>	-	<u>-</u>	<u>-</u>



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

17. Review of Group performance

Current 3-month vs corresponding preceding 3-month review (March 2023 vs March 2022)

	Cumulative quarters	
	3 months ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Revenue	68,521	99,167
(Loss)/Profit before tax	(6,770)	9,626

When compared to March 2022, lower group revenue of RM68.5 million was recorded during the period under review, mainly contributed by lower property sales secured as well as lower work progress achieved at project sites.

At the same time, the Group reported a net loss before tax of RM6.8 million, compared against a net profit before tax of RM9.6 million reported in the corresponding period of 2022. The fluctuation in net results was analysed as follows:

- a segment loss of about RM1.0 million recorded by our core businesses, against a segment profit of about RM3.2 million reported in March 2022 [see Notes 11 and 17.1 for details].
- share of loss from our major associates, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad. The share of results (after tax) of the DEHB Group had declined, from a profit of RM3.3 million in March 2022 to a loss of RM5.5 million in the current period under review.

Current 3-month vs immediate preceding 3-month review (March 2023 vs December 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2023	31 December 2022
	RM'000	RM'000
Revenue	68,521	73,216
(Loss)/Profit before tax	(6,770)	7,712

When compared to the immediate preceding quarter (October to December 2022), group revenue and performance had declined mainly attributable to lower work progress achieved from the ongoing projects during the 3-month period. A net share of loss of RM5.5 million (October to December 2022: a net share of profit of RM4.5 million) of the DEHB Group had also led to the decline in the group performance during the quarter under review.



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

17. Review of Group performance (continued)

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's prospects

a) *Property development*

Current 3-month vs corresponding preceding 3-month review (March 2023 vs March 2022)

	Cumulative quarters	
	3 months ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Revenue	21,795	25,520
Segment profit	3,945	4,125

Property Development showed a decline in its revenue and performance during the current period under review, mainly attributable to lower property sales secured as well as the incurrence of some fixed overheads and interest expenses. New property sales of about RM18.7 million were secured during the period, approximately 19% lower than that achieved in March 2022 of about RM23.1 million.

Current 3-month vs immediate preceding 3-month review (March 2023 vs December 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2023	31 December 2022
	RM'000	RM'000
Revenue	21,795	13,625
Segment profit	3,945	3,496

Both Property Development revenue and profit had improved, mainly contributed by higher property sales of about RM18.7 million (October to December 2022: RM3.6 million) as well as some cost savings arising from project completion.



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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's prospects (continued)

a) *Property development (continued)*

Prospects

The property market remains soft but is expected to gradually recover in the short to medium term. Property overhang issues, declining customers' purchasing power, interest rate hikes and rising inflationary pressure are among the key concerns and challenges faced by the property market, leading to a continuing weakening of overall market sentiment. Most developers primarily focus to clear their existing stocks (completed and/or under construction) as much as possible while new launches are either deferred and/or introduced to the market in small phases with competitive prices. The developers are also facing various challenges in completing their projects, coupled with rising building materials costs, labour shortages and rising financing costs.

In the years to come and depending on the market, the Group expects sales activities to improve gradually. Our primary emphasis and focus in the near term will be continuous understanding and meeting customers' needs by building and delivering properties that are value-for-money in terms of quality and service. A more cautious approach has been adopted towards new product launches in terms of timing, project size and product types, including product re-design to accommodate new living trends and environmental social and governance (ESG) elements.

Continuous sales and marketing initiatives such as digital marketing, various enhanced and value-added service packages have been introduced along the way to sell off our property stocks to improve the performance of this segment and reduce associated holding costs. In addition to continuously targeting the local market, we are also looking into potential opportunities to promote our products outside Sarawak.

At the same time, we have also closely managed and monitored the development progress and development costs to ensure that the properties are completed within the planned budget and handed over to buyers on a timely schedule.

As part of our medium-term plans to sustain the performance of this Segment, we are also looking into various possible business opportunities to acquire new land in strategic locations within Sarawak and/or Malaysia, particularly for mass affordable housing development equipped with various facilities and amenities.



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17. Review of Group performance (continued)

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

b) Construction

Current 3-month vs corresponding preceding 3-month review (March 2023 vs March 2022)

	Cumulative quarters	
	3 months ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Revenue	42,098	69,319
Segment profit	973	759

Construction revenue had declined by about 39% during the period under review, mainly contributed by a decrease in work progress at the site for its existing ongoing construction projects. Nevertheless, this Segment recorded a marginal profit as a result of lower interest costs and fixed overheads incurred.

Current 3-month vs immediate preceding 3-month review (March 2023 vs December 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2023	31 December 2022
	RM'000	RM'000
Revenue	42,098	55,393
Segment profit/(loss)	973	(3,767)

The Segment recorded a drop in its revenue during the current 3-month period, mainly attributable to lower work progress achieved from existing ongoing construction projects. The Segment performance however had improved, contributed by lower overheads incurred as explained above.



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17. Review of Group performance (continued)

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

b) *Construction (continued)*

Prospects

We continuously manage and monitor the project execution closely as they progress, to make sure that the construction projects are completed within the planned schedule and achieve the expected margin.

At the same time, we also continuously build up and replenish our order book to sustain the performance of this Segment. Nonetheless, we are cautious and selective in project tendering and focus particularly on those projects where we have proven track records and experiences, supported by current project management resources.

c) *Other Segment*

Current 3-month vs corresponding preceding 3-month review (March 2023 vs March 2022)

	Cumulative quarters	
	3 months ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Revenue	4,628	4,328
Segment loss	(2,753)	(1,458)

When compared to the corresponding period of 2022, higher revenue was reported by Other Segment mainly due to increased trading and quarry sales during the period under review. A decline in the hotel occupancy rates had also adversely impacted the overall revenue performance for this Segment.

Other Segment continued to register a loss due to the incurrence of some fixed overheads and interest expenses.



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17. Review of Group performance (continued)

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

c) *Other Segment* (continued)

*Current 3-month vs immediate preceding 3-month review
(March 2023 vs December 2022)*

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2023	31 December 2022
	RM'000	RM'000
Revenue	4,628	4,198
Segment loss	(2,753)	(2,717)

When compared to the immediate preceding quarter, the Other Segment showed a slight improvement in its revenue during the current 3 months, mainly due to higher trading sales and quarry sales recorded in the period.

Nevertheless, this segment continued to register a loss due to the incurrence of fixed overheads and interest expenses, particularly from its low-performing operations.

Prospects

The Group expects contributions from this segment to gradually improve in the near term, particularly in the retail leasing and hotel businesses in Bintulu and Miri. Various revamping activities commenced last financial year, aiming to improve the current occupancy rates and investment yield, which we believe may take some time to yield fruitful results.

Meanwhile, we will keep our rental rates competitive to achieve a fair yield as well as to cater to the changing working culture (i.e. work-from-home culture) and rising e-commerce businesses. We will continuously implement various cost control measures to bring down overheads, particularly when the operations level is low. At the same time, we have also monitored and managed the collection of debts from the retail leasing business closely while providing necessary support and assistance to our tenants.



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17. Review of Group performance (continued)

17.2 Review of performance of major associates

For the period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited net loss after tax attributable to owners of about RM15.9 million, against a net profit after tax of RM13.8 million in the corresponding period of 2022. The decline in DEHB's performance during the current period was mainly due to lower work orders/contracts as a result of the monsoon season, higher operating costs and vessel maintenance costs incurred during the first quarter of the year.

18. Tax expense

The Group reported higher tax expense of about RM1.2 million, when compared to the net loss excluding tax and shares of results from associates and joint ventures, mainly due to the effect of non-recognition of additional deferred tax assets arising from certain loss-making and low-performing operations.

19. Additional disclosures on loss/profit before tax

	3 months ended	
	31 March	
	2023	2022
	RM'000	RM'000
Loss/Profit before tax is arrived at after (crediting)/charging:		
Loss on disposal of:		
- deemed disposal of an associate	54	16
Interest income from fixed deposits and cash funds	(1,018)	(770)
Other interest income	(882)	(788)
Amortisation of:		
- intangible assets	113	170
- investment properties	718	531
Depreciation of property, plant and equipment	2,455	2,229
Foreign exchange gain:		
- unrealised	(32)	(44)
- realised	(9)	-
Interest expense on loans and borrowings	2,851	2,538
Net change in impairment loss on financial assets and contract assets	-	(623)

Save as disclosed, there were no 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.



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20. Profit guarantee

The Group did not issue any profit guarantee.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2023.

22. Update of material litigation

Contract litigation

On 12 November 2020, Naim Engineering Sdn. Bhd. (“NESB”) received a Writ of Summons together with a Statement of Claim from a subcontractor in respect of two completed work packages. The claims against NESB were for damages and/or compensation in the sum of about RM32.93 million, or alternatively a sum of about RM29.60 million, costs of engaging an expert and/or the continuous costs until the completion of the suit, judgement interest and costs.

Following the stay of proceedings in favour of arbitration as agreed by both parties, a Notice of Arbitration dated 16 July 2021 was received on 19 July 2021. On 11 April 2022, both NESB and the subcontractor agreed and confirmed the appointment of the arbitrator. A preliminary meeting with the arbitrator was held on 23 May 2022. On 18 July 2022, the subcontractor filed their statement of claim whereas NESB filed its statement of defence and counterclaim on 11 October 2022. The subcontractor then submitted a reply and their defence to NESB's counterclaim on 20 December 2022. NESB further replied to the subcontractor's defence to counterclaim on 24 February 2023. Both parties exchanged their respective lists of documents on 18 April 2023, of which NESB is currently performing an internal assessment and review.

Based on our records, the Group is of the view that the claim by the subcontractor is frivolous. As such, the Group does not expect the claim to succeed and is of the view that the claim does not have material financial and/or operational impact to the Group. Notwithstanding, in the event that the claim is allowed by the Arbitrator, the financial impact is limited to what is claimed by the subcontractor in the Statement of Claim. The Group has instructed its solicitor to vigorously contest the claim.



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23. Status of corporate proposals

Status of Utilisation of Proceeds from the Disposal of Land in prior year

As at 31 March 2023, the utilisation status of the sale proceeds arising from the prior year's land disposal by a wholly-owned subsidiary, Petrochemical Hub Sdn. Bhd. amounting RM340 million was updated as follows:

Details of utilisation	Utilisation		Approved timeframe for utilisation	Extended timeframe for utilisation
	Approved RM'000	Actual RM'000		
Capital investment	15,000	-	Within 24 months from completion	Within 48 months from completion, expiring on 20 October 2024
Repayment of bank borrowings	117,000	117,000	Within 12 months from completion	-
Dividends to shareholders	90,000	90,000	Within 12 months from completion	-
Working capital for property development activities	75,000	75,000	Within 18 months from completion	-
Estimated expenses in relation to the Disposal	43,000	43,000	Within 9 months from completion	-
Total sales proceeds	340,000	325,000		

Save as disclosed, there are no other corporate proposals announced and/or not completed at the date of this quarterly report.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2022 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 25 May 2023.