



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

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the first quarter and three months ended 31 March 2024 <i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 March</i>		<i>3 months ended 31 March</i>	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	80,905	68,521	80,905	68,521
Cost of sales	(76,965)	(61,642)	(76,965)	(61,642)
Gross profit	3,940	6,879	3,940	6,879
Other operating income	726	693	726	693
Selling and promotional expenses	(1,188)	(1,219)	(1,188)	(1,219)
Administrative expenses	(5,543)	(4,240)	(5,543)	(4,240)
Other operating expenses	(4,994)	(3,083)	(4,994)	(3,083)
Results from operating activities	(7,059)	(970)	(7,059)	(970)
Finance income	1,499	1,900	1,499	1,900
Finance costs	(2,568)	(2,851)	(2,568)	(2,851)
Net finance costs	(1,069)	(951)	(1,069)	(951)
Other non-operating expense	(24)	(54)	(24)	(54)
Share of results (net of tax) of equity-accounted:				
- associates	12,096	(4,797)	12,096	(4,797)
- joint ventures	-	2	-	2
Profit/(Loss) before tax	3,944	(6,770)	3,944	(6,770)
Tax expense	(1,089)	(1,203)	(1,089)	(1,203)
Profit/(Loss) for the period	2,855	(7,973)	2,855	(7,973)
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	1	1	1
Share of other comprehensive income of associates	5,481	225	5,481	225
Other comprehensive income for the period	5,482	226	5,482	226
Total comprehensive income/(expenses) for the period	8,337	(7,747)	8,337	(7,747)
Profit/(Loss) attributable to:				
Owners of the Company	2,992	(8,166)	2,992	(8,166)
Non-controlling interests	(137)	193	(137)	193
Profit/(Loss) for the period	2,855	(7,973)	2,855	(7,973)
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	8,474	(7,940)	8,474	(7,940)
Non-controlling interests	(137)	193	(137)	193
Total comprehensive income/(expenses) for the period	8,337	(7,747)	8,337	(7,747)
Basic and diluted earnings/(loss) per ordinary share (EPS) (sen)				
	0.60	(1.63)	0.60	(1.63)

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 2023.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
As at 31 March 2024 <i>(The figures have not been audited)</i>		
	Unaudited	Audited
	31 March 2024 RM'000	31 December 2023 RM'000
ASSETS		
Property, plant and equipment	125,496	128,263
Interests in associates	496,475	487,334
Interests in joint ventures	2,107	2,107
Inventory - Land held for property development	165,448	165,448
Investment properties	68,248	68,760
Intangible assets	60	60
Deferred tax assets	1,433	1,436
Other investments	3,018	3,018
Trade and other receivables	10,906	13,021
Total non-current assets	873,191	869,447
Inventories	547,801	549,231
Contract costs	6,826	5,972
Contract assets	25,713	81,689
Trade and other receivables	123,043	62,952
Deposits and prepayments	6,859	8,066
Current tax recoverable	1,044	996
Other financial assets	6,994	6,994
Cash and cash equivalents	204,342	220,868
	922,622	936,768
Assets classified as held for sale	88	88
Total current assets	922,710	936,856
Total assets	1,795,901	1,806,303
EQUITY		
Share capital	454,802	454,802
Treasury shares	(34,748)	(34,748)
Reserves	895,958	887,484
Total equity attributable to owners of the Company	1,316,012	1,307,538
Non-controlling interests	16,740	16,877
Total equity	1,332,752	1,324,415
LIABILITIES		
Loans and borrowings	61,579	66,682
Deferred tax liabilities	20,437	20,482
Total non-current liabilities	82,016	87,164
Loans and borrowings	125,330	130,282
Trade and other payables	249,815	258,785
Contract liabilities	3,096	3,096
Current tax payable	2,892	2,561
Total current liabilities	381,133	394,724
Total liabilities	463,149	481,888
Total equity and liabilities	1,795,901	1,806,303
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid-up share capital	2.56	2.54

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first quarter and three months ended 31 March 2024

(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 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
<u>For the 3 months ended 31 March 2024 (Unaudited)</u>								
At 1 January 2024, audited	454,802	29,542	(34,748)	113	857,829	1,307,538	16,877	1,324,415
<i>Foreign currency translation differences for foreign operations</i>	-	1	-	-	-	1	-	1
<i>Share of other comprehensive income of associates</i>	-	5,481	-	-	-	5,481	-	5,481
Total other comprehensive income for the period	-	5,482	-	-	-	5,482	-	5,482
Profit/(Loss) for the period	-	-	-	-	2,992	2,992	(137)	2,855
Total comprehensive income/(expenses) for the period	-	5,482	-	-	2,992	8,474	(137)	8,337
At 31 March 2024	454,802	35,024	(34,748)	113	860,821	1,316,012	16,740	1,332,752

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 2023.



QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2024

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the first quarter and three months ended 31 March 2024		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	31 March 2024 RM'000	31 March 2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	3,944	(6,770)
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	-	113
- investment properties	512	718
Depreciation of property, plant and equipment	2,829	2,455
Dividend income from unquoted shares	(40)	-
Finance income	(1,499)	(1,900)
Finance costs	2,568	2,851
Loss on disposal of:		
- deemed disposal of an associate	24	54
Share of results of equity-accounted:		
- associates	(12,096)	4,797
- joint ventures	-	(2)
Unrealised foreign exchange gain	(154)	(32)
Operating (loss)/profit before changes in working capital	(3,912)	2,284
Changes in working capital:		
Inventories	1,439	6,377
Contract assets/liabilities	55,976	9,056
Contract costs	(854)	(22)
Trade and other receivables, deposits and prepayments	(56,898)	(23,786)
Trade and other payables	(8,934)	3,536
Provisions	-	(632)
Cash used in operations	(13,183)	(3,187)
Net income taxes paid	(848)	(2,233)
Net cash used in operating activities	(14,031)	(5,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(71)	(1,100)
- investment properties	-	(2,566)
Changes in pledged deposits	-	2,821
Dividends received from:		
- an associate	8,412	4,206
- unquoted shares	40	-
Interest received	1,628	2,014
Net cash from investing activities	10,009	5,375
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of loans and borrowings	(10,015)	(8,186)
Net repayment of hire purchases	(40)	(39)
Interest paid	(2,603)	(2,859)
Net cash used in financing activities	(12,658)	(11,084)
Net decrease in cash and cash equivalents	(16,680)	(11,129)
Effects of exchange rate changes on cash and cash equivalents	154	32
Cash and cash equivalents at beginning of year	220,868	247,758
CASH AND CASH EQUIVALENTS AT END OF PERIOD	204,342	236,661
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	150,493	184,679
Cash in hand and at banks	53,849	51,982
Total cash and cash equivalents as shown in statement of cash flows	204,342	236,661

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 2023.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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 3-month period ended 31 March 2024 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 audited financial statements for the year ended 31 December 2023. 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 audited consolidated financial statements as at and for the year ended 31 December 2023.

The annual audited financial statements of the Group as at and for the year ended 31 December 2023 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 audited financial statements for the year ended 31 December 2023, except as explained below.

During the current period under review, the Group has adopted the following amendments to the Malaysian Financial Reporting Standards (“MFRSs”) which are effective for annual periods beginning on 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*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

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

2.1 MFRSs and/or amendments yet to be effective for adoption

The Group has not applied the following MFRSs 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 2025***
 - *Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*
- ***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 above-mentioned MFRSs amendments are not expected to have any material financial impacts on the current period and prior periods' 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 audited financial statements for the year ended 31 December 2023.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2024 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 RM71,000 (31.3.2023: RM3.7 million) for the acquisition of property, plant and equipment and/or investment properties (including assets under construction, where applicable), which were satisfied in cash.

Some fully depreciated property, plant and equipment were also 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, additional 344,770 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 2023, the dilution in the equity interest in PPB arising from the RCPS conversion was accounted for as a deemed disposal. A loss of about RM24,000 (31.3.2023: 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.

8. Loans and borrowings

	31 March 2024 RM’000	31 December 2023 RM’000
<i>Non-current</i>		
Secured		
- Term loans	61,296	66,357
- Hire purchases	283	325
	61,579	66,682
	61,579	66,682



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Loans and borrowings (continued)

		31 March 2024 RM'000	31 December 2023 RM'000
Current			
Unsecured	- Revolving credits	105,000	110,000
Secured	- Term loans	20,164	20,118
	- Hire purchases	166	164
		125,330	130,282
		125,330	130,282
	Total	186,909	196,964

9. Earnings per ordinary share ("EPS")

Basic and diluted earnings/(loss) per ordinary share

The calculation of the basic and diluted EPS was based on the net profit/(loss) 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	
	2024	2023
Profit/(Loss) attributable to ordinary shareholders (RM'000)	2,992	(8,166)
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)	0.60	(1.63)

10. Dividend

No dividend was declared/paid by the Board during the current quarter under review.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments

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

The following summary describes the operations in each of the Group's existing reporting segments.

- Property development - Development and construction of residential and commercial properties (including sale of vacant land 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 and other accommodation operations, education 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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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 31 March										
Revenue from external customers	8,874	21,795	64,774	42,098	7,257	4,628	-	-	80,905	68,521
Inter segment revenue	-	-	1,362	13,884	912	622	(2,274)	(14,506)	-	-
Total segment revenue	8,874	21,795	66,136	55,982	8,169	5,250	(2,274)	(14,506)	80,905	68,521
Segment (loss)/profit	(3,056)	3,945	(1,102)	973	(2,139)	(2,753)	(706)	(3,148)	(7,003)	(983)
Share of results (net of tax) of:										
– associates, other than Dayang Enterprise Holdings Bhd. (“DEHB group”)	403	389	4,704	295	-	-	-	-	5,107	684
– joint ventures	-	-	-	2	-	-	-	-	-	2
	(2,653)	4,334	3,602	1,270	(2,139)	(2,753)	(706)	(3,148)	(1,896)	(297)
Unallocated expense									(1,125)	(938)
Loss on deemed disposal of interest in an associate, PPB									(24)	(54)
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									6,989	(5,481)
Tax expense									(1,089)	(1,203)
Profit/(Loss) for the period									2,855	(7,973)
Other comprehensive income, net of tax									5,482	226
Total comprehensive income/(expenses) for the period									8,337	(7,747)
Non-controlling interests									137	(193)
Total comprehensive income/(expenses) attributable to the owners of the Company									8,474	(7,940)

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 2023 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	31 March 2024 RM'000	31 December 2023 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	20,000	20,000

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 audited financial statements as at and for the year ended 31 December 2023.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel

	3 months ended	
	31 March	
	2024	2023
	RM'000	RM'000
Directors of the Company	930	943
Other key management personnel	973	1,055
	<u>1,903</u>	<u>1,998</u>

Other transactions with key management personnel

	Transaction value		Balance	
	3 months ended		outstanding	
	31 March		as at 31 March	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Sale of property	-	3,339	522	2,922

ii) Other related party transactions

	Transaction value		Balance	
	3 months ended		outstanding	
	31 March		as at 31 March	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with associates</u>				
Construction contract costs	22,526	21,894	(16,106)	(19,871)
Construction contract sum billed	-	-	2,256	2,256
Dividend income receivable	(8,412)	(4,206)	-	-
Rental of equipment	-	17	-	(17)
Rental income from premises	(28)	-	6	-
Sales of goods	(102)	(33)	93	-



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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 2024 vs. March 2023)

	Cumulative quarters	
	3 months ended	
	31 March 2024	31 March 2023
	RM'000	RM'000
Revenue	80,905	68,521
Profit/(Loss) before tax	3,944	(6,770)

The Group recorded higher revenue of RM80.9 million during the period under review, against the revenue of RM68.5 million reported in March 2023, mainly due to increased work progress achieved by certain construction projects which were substantially completed during the current period.

At the same time, the Group reported a higher net profit before tax of RM3.9 million, compared against the net loss before tax of RM6.8 million recorded in the corresponding preceding period of 2023. The fluctuation in the net results was analysed as follows:

- segment loss of about RM7.0 million (31.3.2023: RM1.0 million) registered by our core businesses, resulted from lower sales achieved coupled with the incurrence of fixed overheads and interest expense [see Notes 11 and 17.1 for details].
- Improved performance from our major associates, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad. The share of net results (after tax) of the DEHB Group had increased substantially, from a loss of RM5.5 million in March 2023 to a profit of RM7.0 million during the current period under review.

Current 3-month vs. immediate preceding 3-month review (March 2024 vs. December 2023)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2024	31 December 2023
	RM'000	RM'000
Revenue	80,905	19,087
Profit before tax	3,944	23,682

When compared to the immediate preceding quarter (October to December 2023), group revenue had increased, mainly attributable to increased work progress achieved at sites during the current 3-month period.



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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 (March 2024 vs. December 2023) (continued)

However, lower share of net profit from our major associate, DEHB Group, from RM23.4 million in the immediate preceding quarter to RM7.0 million during the current quarter, had led to the overall drop in the current quarter's performance.

Detailed reviews 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 2024 vs. March 2023)

	Cumulative quarters	
	3 months ended	
	31 March 2024	31 March 2023
	RM'000	RM'000
Revenue	8,874	21,795
Segment (loss)/profit	(3,056)	3,945

The Property Development segment recorded a drop in both its revenue and performance during the current period under review. The Group managed to secure new property sales of about RM14.9 million during the 3-month period, being approximately 20% lower than that achieved in March 2023 of about RM18.7 million. In addition, the drop in segment performance was also partly contributed by low work progress achieved particularly from the newly launched development projects.



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17. Review of Group performance (continued)

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

a) *Property development (continued)*

Current 3-month vs. immediate preceding 3-month review (March 2024 vs. December 2023)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2024	31 December 2023
	RM'000	RM'000
Revenue	8,874	13,414
Segment loss	(3,056)	(1,109)

Both Property Development revenue and performance had declined, mainly contributed by lower work progress achieved by existing on-going development projects as well as the incurrence of some fixed overhead. At the same time, the Group had also secured property sales of about RM14.9 million during the current 3-month period, when compared against the property sales secured in the immediate preceding quarter of about RM22.0 million.

Prospects

While the property market is expected to remain soft for 2024, we maintain a positive outlook on the upcoming growth prospects. Despite persistent challenges such as current property overhang issue and shifting consumer purchasing power due to interest rate adjustments and inflationary pressures, the property market in Sarawak starts to show some signs of gradual recovery, buoyed by government initiatives and the resumption of full economic activities.

Similar to most local developers, we have continuously put various sales and marketing initiatives to clear our existing inventory while cautiously introducing new projects at competitive prices amid rising costs of materials and financing. Our primary emphasis and focus in near term will be continuous understanding and meeting customers' needs by offering quality properties and services, with a cautious approach to new product launches, carefully considering factors such as product features, quality, timing, and project scale.

In the years to come and depending on the market, we anticipate higher levels of sales activities in the regions we operate. Several medium housing developments are in the pipeline for near-term launch to cater to the anticipated demand in the market.



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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 (continued)

Aligned with the Group's theme for the year 2024 - '*Crafting Homes for Generations*', we are adapting designs to reflect emerging living trends, including multigenerational active living. As the market shows a growing interest in environmentally sustainable properties, living standards and quality of work, we are also looking into various ways to integrate environmental, social, and governance (ESG) elements into our new product offerings. To enhance the performance of this segment, we have also intensified digital sales and marketing efforts while continuously enhancing and fostering more sustainable customer relationships through various stakeholders' engagement activities. This includes the introduction of some rewards programmes for Naim customers and other stakeholders.

As part of our initiatives to expand our customer base, we are also exploring opportunities to promote our products beyond Sarawak and even Malaysia, through the Sarawak-Malaysia My Second Home (SMM2H) programme. At the same time, we are also looking into various possible business opportunities to acquire strategically located land for mass affordable housing projects, integrating diverse amenities and facilities.

b) *Construction*

Current 3-month vs. corresponding preceding 3-month review (March 2024 vs. March 2023)

	Cumulative quarters	
	3 months ended	
	31 March 2024	31 March 2023
	RM'000	RM'000
Revenue	64,774	42,098
Segment (loss)/profit	(1,102)	973

When compared to the corresponding preceding period of 2023, the Construction revenue had increased by about 54%, mainly attributable to higher work progress on the existing ongoing projects. Nevertheless, this Segment recorded a net loss of RM1.1 million, mainly due to the fixed overheads incurred.



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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)

Current 3-month vs. immediate preceding 3-month review (March 2024 vs. December 2023)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2024	31 December 2023
	RM'000	RM'000
Revenue	64,774	(3,312)
Segment (loss)/profit	(1,102)	4,478

Higher construction revenue for the current 3-month period was mainly due to increased work progress achieved on the existing ongoing projects which had been substantially completed during the period. The Segment however registered a marginal loss during the current period due to the incurrence of fixed overhead costs.

In the immediate preceding 3-month period (October to December 2023), the decrease in Construction revenue was mainly attributable to the effect of non-recognition of certain variation works that are still currently under assessment, as a prudence measure. The segment profit, on the other hand, improved as a result of some cost savings arising from the completion of certain projects upon the finalisation of accounts with the clients and/or contractors.

Prospects

The current projects on hand are under close monitoring and management to ensure that these projects are completed within the targeted timeline and achieve the expected returns.

At the same time, we continuously identify and look out for potential opportunities arising from numerous people-centric initiatives currently implemented or going to be implemented by the State, to build up and replenish our order book to sustain the performance of this Segment. Our focus will primarily be on projects where we have proven track records and experience, supported by available project management resources.



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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

Current 3-month vs. corresponding preceding 3-month review (March 2024 vs. March 2023)

	Cumulative quarters	
	3 months ended	
	31 March 2024	31 March 2023
	RM'000	RM'000
Revenue	7,257	4,628
Segment loss	(2,139)	(2,753)

During the current period under review, Other Segment reported an improvement in its revenue as a result of higher quarry sales and improved hotel room occupancy rates. Despite the improved revenue, the Segment continued to incur losses, largely due to fixed overheads and interest expense.

Current 3-month vs. immediate preceding 3-month review (March 2024 vs. December 2023)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2024	31 December 2023
	RM'000	RM'000
Revenue	7,257	8,985
Segment (loss)/profit	(2,139)	506

When compared to the immediate preceding quarter, both the revenue and performance of this Segment had declined during the current 3 months, mainly due to lower trading and quarry sales as well as the incurrence of some fixed overheads.

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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 revitalisation initiatives by the Group have been underway for some time now, aimed at enhancing occupancy rates and investment yields, which we believe may take some time to yield fruitful results. Some proposed initiative plans include the introduction of new anchor stores, food & beverage, and other exciting retail offerings, as well as some proposed upgrades to the physical mall infrastructure of the malls.

Amidst the changing landscape of work culture, including the rise of remote work and the expansion of e-commerce, we remain committed to keeping our rental rates competitive to achieve fair yields. We also continuously implement various cost control measures to streamline operations and mitigate overheads, particularly during low operation activity periods. Efforts to optimise revenue streams also extend to more prudent debt management practices, with close monitoring and management of collections from retail leasing businesses.

Additionally, Sarawak's focus on education sector development presents good opportunities for growth and diversification. With the proposed upcoming investment in education infrastructure and initiatives in the near term by our education business, including technological advancements in learning platforms, we aim to capitalise on these trends and contribute to the region's educational landscape where we operate in the years to come.

17.2 Review of performance of major associates

For the period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited net profit after tax attributable to owners of about RM27.9 million, against a net loss after tax of RM15.9 million in the corresponding period of 2023. The improvement in DEHB's performance during the current period was mainly due to higher work orders/contracts as well as increased vessel chartering margin and vessel utilisation rates.

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18. Tax expense

The Group reported higher tax expense of about RM1.1 million for the current period, despite the net loss incurred (excluding shares of after-tax results of associates and joint ventures), mainly due to higher non-deductible expenses and the effect of non-recognition of additional deferred tax assets arising from certain loss-making and low-performing operations.

19. Additional disclosures on profit before tax

	3 months ended 31 March	
	2024	2023
	RM'000	RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):		
Loss on disposal of:		
- deemed disposal of an associate	24	54
Interest income from fixed deposits and cash funds	(1,005)	(1,018)
Other interest income	(494)	(882)
Amortisation of:		
- intangible assets	-	113
- investment properties	512	718
Depreciation of property, plant and equipment	2,829	2,455
Foreign exchange (gain)/loss:		
- unrealised	(154)	(32)
- realised	10	(9)
Interest expense on loans and borrowings	2,568	2,851

Save as disclosed, there were no material provisions for, and write-off of, inventories, gain or loss arising from the disposal of financial derivatives or other exceptional items for the period under review.

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 2024.

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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, NESB agreed to the appointment of a sole arbitrator. The appointed Arbitrator had ordered, *inter-alia*, for the hearing dates to be fixed in July 2024 and August 2024. Pursuant to the directive from the arbitrator, both parties' quantum expert witnesses had submitted their assessment reports on the parties' claims and counter-claims on 12 January 2024, their respective rebuttal reports on 22 March 2024 and joint statement on 10 May 2024. The next due date for the submission of supplementary reports by the parties' quantum expert witnesses, if any, is scheduled on 31 May 2024.

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 2024, there are no changes in 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, summarised 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 annual audited financial statements for the financial year ended 31 December 2023 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 30 May 2024.