

BUILDING VALUE SPIRITEDLY



NAIM HOLDINGS BERHAD

REGISTRATION NO. 200201017804 (585467 - M)

ANNUAL REPORT 2022

NAIM HOLDINGS BERHAD ANNUAL REPORT 2022

BUILDING VALUE SPIRITEDLY



NAIM HOLDINGS BERHAD

REGISTRATION NO. 200201017804 (585467 - M)

Registered and Head Office

9th Floor Wisma Naim, 2½ Mile, Rock Road,
93200 Kuching, Sarawak, Malaysia.

Tel : +6 082 411667
Fax : +6 082 429869
E-mail : enquiries@naim.com.my
Website : www.naim.com.my
naimproperties.com.my
Facebook : Naim Properties

Kuching | Bintulu | Miri



Scan this to our
Annual Report 2022

Not out of the
woods YET

GROUP HIGHLIGHTS 2022

Total assets of
RM1.8
billion

Net assets of
RM1.3
billion

Revenue of
RM368.6
million

Profit of
RM24.8
million

Land bank of
1,445
acres

DESA BAHAGIA

NAM
SOUTH LAKE
PERMYJAYA

NAIM SOUTHLAKE
PERMYJAYA

PRIMA VILLA

UPCOMING SOON
TO MARKET

desa damai
PERMYJAYA, MIRI



Scan For
More Details

- **Lilium**
Single Storey Terrace House
- **Valeria**
Double Storey Terrace House
- **Illora**
Double Storey Semi-Detached House

NAM
BANDAR BARU
PERMYJAYA
MIRI

NAIM BANDAR BARU
PERMYJAYA (BBP)

DESA DAMAI
PERMYJAYA, MIRI

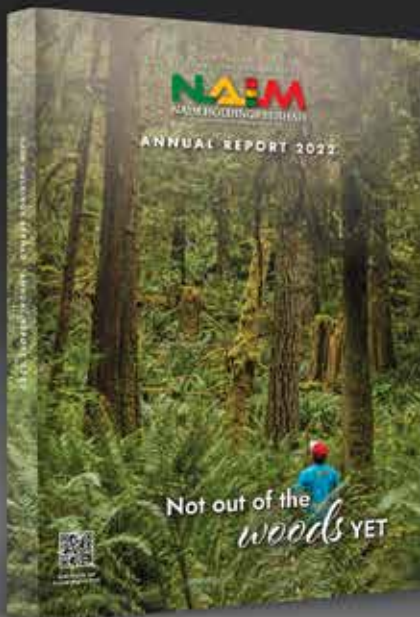
To bring tears of joy to
ONE MILLION
people and more

RATIONALE FOR COVER DESIGN

The cover depicts a typical rainforest in Borneo with unknown risks and challenges. Nevertheless, it also brings abundant resources and opportunities.


Amidst the vast jungle with an uncharted path, stood a person, despite the anxiety; he looks forward, seemingly eager to navigate his way *out of the woods*.

In 2022, NAIM stepped into the woods, faced adversity and embraced challenges with grit and optimism, but we emerged stronger towards sustainable growth.



21st Twenty-First Annual General Meeting of

BUILDING VALUE SPIRITEDLY



NAIM HOLDINGS BERHAD

The **Twenty-First** (“21st”) Annual General Meeting (“AGM”) of Members of NAIM HOLDINGS BERHAD will be conducted at **Naim Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak** on **Thursday, 25 May 2023 at 10:00 a.m.**

Disclaimer: The featured photographs and perspective drawings in this report are subject to amendment as maybe required by the Authorities or project consultants and cannot form part of an offer or contract. Whilst every care has been taken in providing them, Naim cannot be held responsible for any inaccuracy.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains some forward-looking statements in respect to the NAIM Group's financial condition, results of operations and business. These forward-looking statements represent the NAIM Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. In this respect, readers must therefore not rely solely on these statements in making investment decisions regarding the NAIM Group. You should rely on your own evaluation to assess the merits and risks of any investment decisions and seek independent advices from your stockbroker, bank manager, solicitor, accountant, financial consultant/analyst or other professional adviser immediately. The Board and the NAIM Group shall not be responsible for any investment decisions made by readers in reliance on those forward-looking statements. Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise in the interim of the publication of this Annual Report and the time of reading this Annual Report.

CORPORATE PROFILE

Commencing operations in 1995 with its landmark development in **Tudan, Miri** (now known as **Naim Bandar Baru Permyjaya**), Naim ventured into construction with its first low cost housing project for the then Sarawak Housing and Development Commission and the construction of the **Pujut 7 bridge** across Miri River in 1997.

In 1999, it expanded to Kuching with its **Naim Desa Ilmu development**, followed by its satellite township called the **Naim Riveria development** in Kota Samarahan, Kuching. Naim was listed on the Main Market of Bursa Malaysia Securities Berhad on 12 September 2003.

Today, Naim Holdings Berhad, an investment holding company with two main subsidiaries, **Naim Land Sdn. Bhd. (NLSB)** and **Naim Engineering Sdn. Bhd. (NESB)**, is a fully-integrated property and construction player focusing on integrated property developments, construction, civil engineering, oil and gas and infrastructure projects, as well as oil and gas industry involvement through its investment in Dayang Enterprise Holdings Bhd.

With its flagship property developments known as **Naim Bandar Baru Permyjaya in Miri**, **Naim Kuching Paragon integrated development**, **Naim Desa Ilmu and Naim Riveria in Kuching** and **Naim Bintulu Paragon integrated development**, NAIM has built and developed more than 23,000 units of property for the Sarawak community.



Customer satisfaction year after year clearly demonstrates the philosophies of NAIM's existence – excellent quality, timely delivery, value and customer service. This has resulted in a total of 42 industry awards and accolades being won since 2002, an acknowledgement of NAIM's significant contribution in the property and construction sectors.

NAIM is a Class A Contractor with ISO 9001 certification. It is also one of Malaysia's leading Bumiputera contractors, having carried out more than RM5 billion worth of works (including its own development projects).



NAIM Head Office, 2½ Mile
Rock Road, Kuching, Sarawak

FLAGSHIP PROPERTY DEVELOPMENTS



MIRI, SARAWAK
NAIM Bandar Baru Permyjaya

1995 - Current



BINTULU, SARAWAK
NAIM Bintulu Paragon Integrated Development

2012 - Current





KUCHING, SARAWAK
NAIM Desa Ilmu

2000 - Current



KUCHING, SARAWAK
NAIM Riviera

2005 - 2020



KUCHING, SARAWAK
NAIM Sapphire Luxury Homes

2014 - Current



VISION, MISSION, CORPORATE RESPONSIBILITY STATEMENT & H.I.-C.O.D.E.S CORE VALUES



Our Vision

To bring tears of joy to one million people and more

Our Mission

To achieve our aspirations, we are committed to **BUILD VALUE SPIRITEDLY**, with you and for you by:

- ◆ Exceeding customer expectations.
- ◆ Being the best company to invest in and do business with.
- ◆ Developing our people to be the best they can be.
- ◆ Being an exemplary corporate citizen that contributes generously to the society, community and environment.

Corporate Responsibility Statement

To consider, monitor and ensure that our operations continue to have a positive impact on our employees, the communities we work in and the environment that nurtures us, and to promote trust and mutual respect amongst our customers and all other stakeholders.





H. I. - C. O. D. E. S Core Values

I believe in:

H I - C O D E S

Humility:

Humility isn't about thinking less of yourself. It's about thinking of yourself less.

Integrity:

Integrity is not something you show others. It's how you behave behind their back.

Courage:

Courage doesn't mean you don't get afraid. It means you don't let fear stop you.

Optimism:

Optimism is the ability to see the good in every situation.

Determination:

Determination is the drive that makes the impossible, possible.

Enthusiasm:

Enthusiasm is about living every day of your life as a fresh new start.

SPIRITED:

The embodiment of HI-CODE values

I am living the H.I.-C.O.D.E.S. values everyday!



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Naim Kuching Paragon Integrated Development



The Artist Impression

PART 1

Performance at a Glance

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FINANCIAL CALENDAR

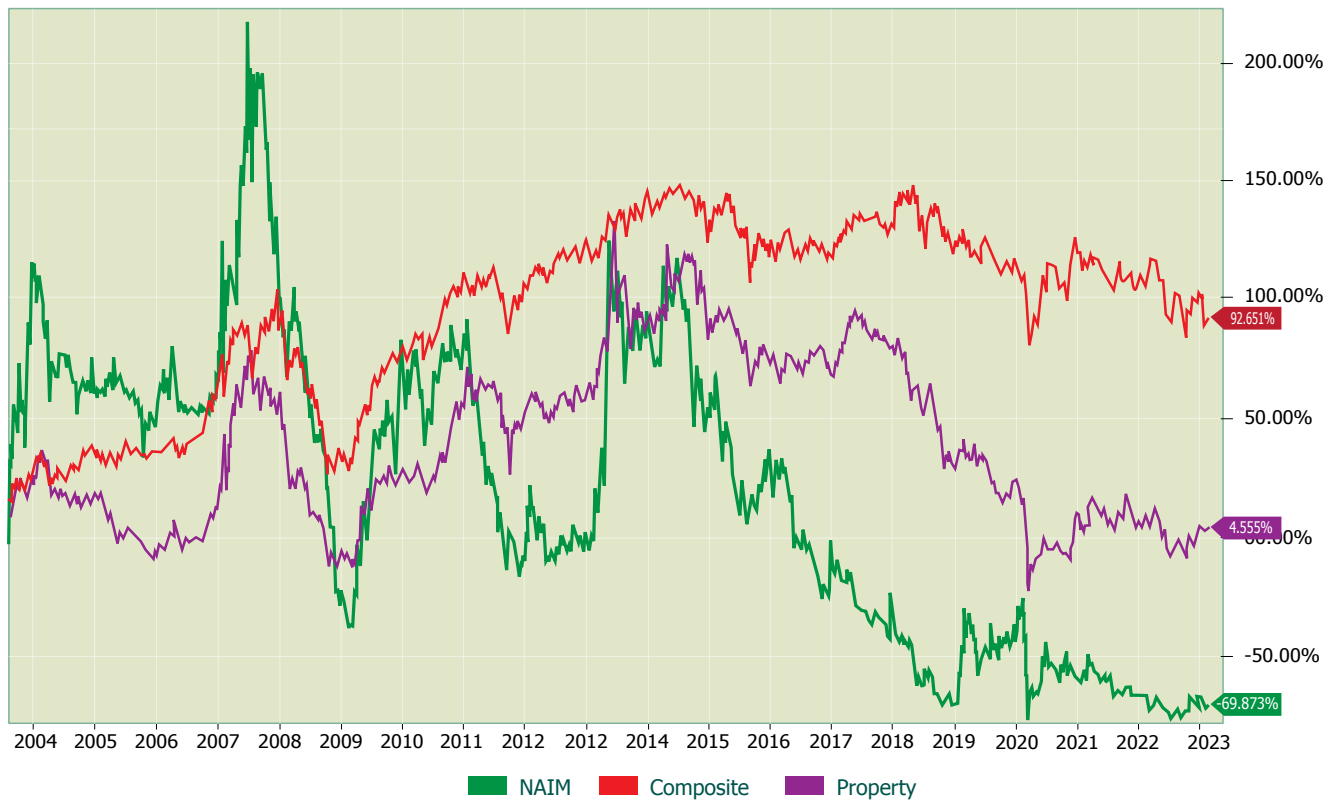
| | | |
|----------------------------------|---------------|------------------|
| Announcement of Results | 1st quarter | 26 May 2022 |
| | 2nd quarter | 25 August 2022 |
| | 3rd quarter | 24 November 2022 |
| | 4th quarter | 22 February 2023 |
| Notice of Annual General Meeting | 27 April 2022 | |
| Annual General Meeting | 26 May 2022 | |

Investor Relations Service

The Group maintains a website (www.naim.com.my) which provides detailed information on the Group's operations and latest developments. For further details, please forward your queries to investorrelations@naim.com.my

SHARE PERFORMANCE

NAIM HOLDINGS BERHAD Share Performance Chart
from 12 September 2003 to 31 March 2023



5-YEAR FINANCIAL HIGHLIGHTS (IN RM MILLION)

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------------|---------------------|---------------------|-----------------------|--------------------|
| Revenue | 605 | 411 | 589 | 422 | 369 |
| Profit/(Loss) before tax | 79 | 63 | 101 | (71) | 32 |
| Net Profit/(Loss) attributable to Owners of the Company | 65 | 57 | 54 | (79) | 25 |
| Basic Earnings/(Loss) per share (sen) | 27.43 [^] | 11.71 ^{**} | 10.69 ^{^^} | (15.71) ^{^^} | 4.95 ^{^^} |
| Total Assets | 2,265 | 2,244 | 2,060 | 1,836 | 1,804 |
| Shareholders' Equity | 1,175 | 1,349 | 1,349 | 1,231 | 1,265 |
| Net Tangible Assets | 1,171 | 1,345 | 1,347 | 1,230 | 1,265 |
| Net Tangible Assets per Share (RM) [#] | 4.68 | 2.62 | 2.63 | 2.39 | 2.46 |
| Total Number of Shares (gross) (in million) | 250 | 514 | 514 | 514 | 514 |

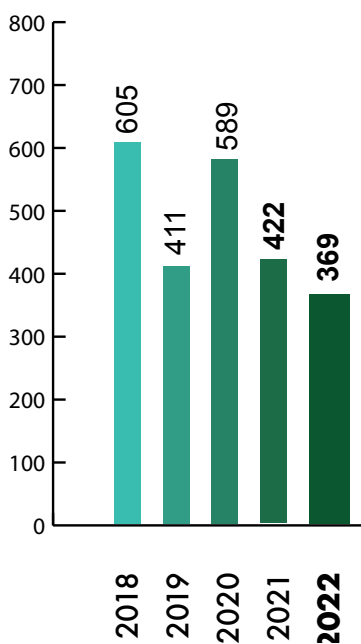
[^] Based on total no. of issued shares of 236.9 million (net of treasury shares of 13.1 million)

^{**} Based on total weighted average no. of shares of 483.4 million (net of treasury shares of 13.1 million)

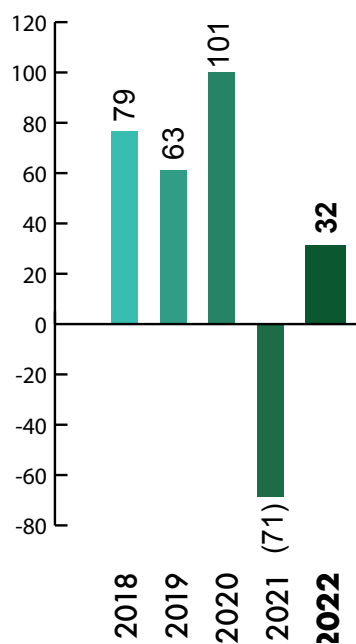
^{^^} Based on total no. of issued shares of 500.7 million (net of treasury shares of 13.1 million)

[#] Based on total no. of issued paid up shares of 513.8 million

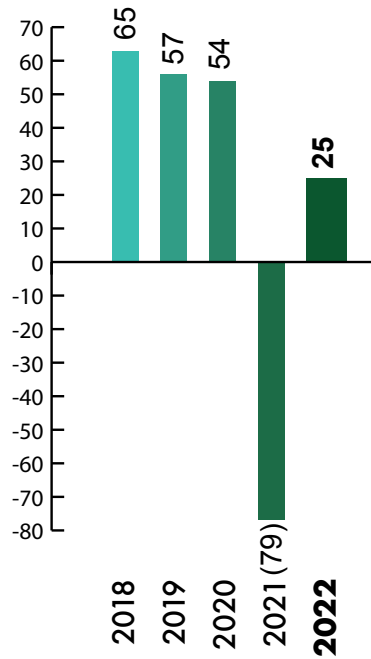
Revenue (in RM million)



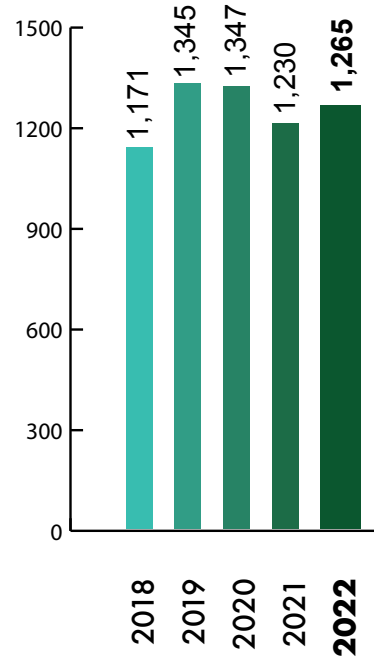
Profit/(Loss) before tax (in RM million)



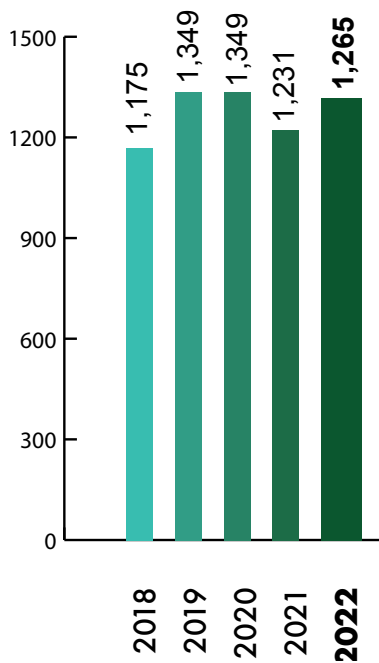
Net Profit/(Loss) attributable to Owners of the Company (in RM million)



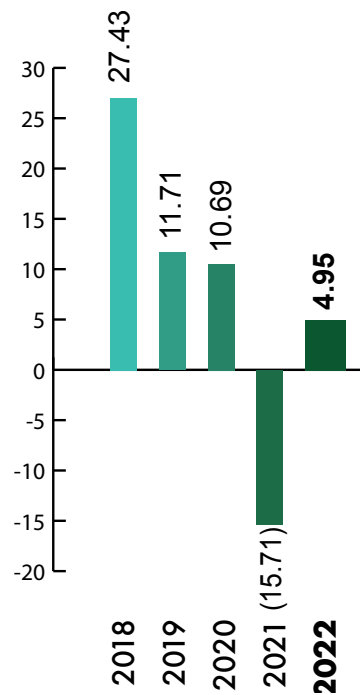
Net Tangible Assets (in RM million)



Shareholders' Equity (in RM million)



Earnings/(Loss) per Share (sen)







PART 2

Corporate Information

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TEAM PROFILES**
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

- Datuk Amar Abdul Hamed Bin Haji Sepawi

Managing Director

- Datuk Hasmi Bin Hasnan

Executive Director

- Beh Boon Ewe

Independent Non-Executive Directors

- Datin Mary Sa'diah Binti Zainuddin
- Tan Chuan Dyi
- Sulaihah Binti Maimunni
- Datuk Ahmad Bin Abu Bakar

Non-Independent Non-Executive Director

- Chin Chee Kong

Company Secretaries

- Joyce Tan (MAICSA 7066653)
SSM Practising Certificate No. 202208000308
- Lim Tien Wei (MAICSA 7073465)
SSM Practising Certificate No. 202208000234

Registered Corporate Office

9th Floor, Wisma Naim, 2½ Mile, Rock Road
93200 Kuching, Sarawak, Malaysia
Tel: **+6 082 411 667** Fax: **+6 082 429 869**

Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A Vertical Business Suite
Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200
Kuala Lumpur, Malaysia
Tel: **+6 03 2783 9299** Fax: **+6 03 278 39222**

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Listed on 12 September 2003
Sector : **Property**
Stock Code : **5073**
Stock Name : **Naim**

Auditor

KPMG PLT

CORPORATE STRUCTURE (AS AT DATE OF ANNUAL REPORT)

BUILDING VALUE SPIRITEDLY



NAIM HOLDINGS BERHAD

REGISTRATION NO. 200201017804 (585467 - M)



PROPERTY

- **Naim Land Sdn. Bhd.** 199301006476 (261213-T)

PROPERTY DEVELOPMENT

- **Khidmat Mantap Sdn. Bhd.** 200001004847 (507452-T)
- **Desa Ilmu Sdn. Bhd.** 199601041500 (413853-U)
- **Naim Commercial Sdn. Bhd.** 199501030503 (359709-W)
- **Peranan Makmur Sdn. Bhd.** 200601030374 (750132-X)
- **Samalaju Properties Sdn. Bhd.** 200601032936 (752695-D)*

PROPERTY INVESTMENT AND MANAGEMENT

- **Yakin Pelita Sdn. Bhd.** 199901009501 (484401-H)
- **Naim Realty Sdn. Bhd.** 199501030756 (359962-P)
- **Naim Assets Sdn. Bhd.** 200101024882 (560640-X)
- **Harmony Faber Sdn. Bhd.** 201201023318 (1007810-K)
- **Naim Hotel Sdn. Bhd.** 201401044371 (1120553-M)
- **Petrochemical Hub Sdn. Bhd.** 200001014100 (516706-K)
- **Naim Property Services Sdn. Bhd.** 201301009801 (1039643-U)
- **Miri Specialist Hospital Sdn. Bhd.** 201001032447 (916372-H)*



ENGINEERING / CONSTRUCTION

- **Naim Engineering Sdn. Bhd.** 199701004707 (420203-W)
- **Naim Capital Sdn. Bhd.** 199501030360 (359566-U)
- **Naim Capital Port Sdn. Bhd.** 201201018905 (989050-T)
- **Naim Capital Housing Sdn. Bhd.** 201201015373 (988890-K)
- **NAIM GAMUDA (NAGA) JV SDN. BHD.** 201601024286 (1195225-X)
- **GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD.** 201601023739 (1194678-D)*
- **Kempas Sentosa Sdn. Bhd.** 199301007338 (262075-U)*



OTHER BUSINESSES

TRADING / SERVICES

- **Naim Supply & Logistic Sdn. Bhd.** 199501032222 (361428-K)
- **Naim Human Capital Sdn. Bhd.** 201401031921 (1108005-W)

QUARRY OPERATIONS

- **Simbol Warisan Sdn. Bhd.** 200601030446 (750204-D)
- **Jelas Kemuncak Resources Sdn. Bhd.** 200601026936 (746691-M)



OIL & GAS

- **Dayang Enterprise Holdings Bhd.** 200501030106 (712243-U)*
- **Perdana Petroleum Berhad** 199501042909 (372113-A)*



TWENTY SEVEN OTHER SEMI-ACTIVE AND DORMANT COMPANIES

* Associates

DIRECTORS' PROFILES



Age
73
Gender
Male

Nationality
Malaysian

Date of Appointment
25 July 2003

Datuk Amar Abdul Hamed Bin Haji Sepawi

Chairman

Academic/Professional Qualification(s)

- BSc (Hons) from University of Malaya
- Undergraduate studies in forestry at the Australia National University
- MSc in Forest Products from Oregon State University, USA

Board Committees

- Chairman, Nominating Committee
- Member, Risk Management Committee

Present Directorship in other Public Listed Companies

- Ta Ann Holdings Berhad
- Sarawak Plantation Berhad

Present Directorship in Non-Listed Public Company

- Sarawak Energy Berhad

Working Experience and Occupation

He is the Non-Executive Chairman of Naim Land Sdn. Bhd. since 12 October 1995. Whilst remaining active in the timber and plantation industries, Datuk Amar Abdul Hamed developed his career around his keen personal interest in the construction sector, which was first acquired through school vacation jobs in Miri. For more than 40 years, he has been an active investor, manager and director in companies carrying out civil works, offshore engineering, construction, housing and property development. He also has past directorship and ownership in oil and gas company, education and communication sector.

He was conferred the coveted Sarawak State Outstanding Entrepreneurship Award 2014 by the Ministry of Industrial Development, in association with the Sarawak Chamber of Commerce and Industries (SCCI) and Ernst & Young in recognition of his contribution towards the State's economic development. In 2015, he was adjudged The BrandLaureate's prestigious 'Man of the Year' Brand ICON Leadership Award 2015, an internationally recognised award honouring great iconic brand leaders who have transformed their brands into powerful brands which sustain the test of time. On 19 October 2022, he was honoured to receive the Outstanding Global Muslim Entrepreneur Lifetime Achievement Award by Global Muslim Business Forum.

He was also a member of the National Economic Consultative Council II.

He has been appointed as a member of a special advisory body to consult Prime Minister Dato Seri Anwar Ibrahim on finance matters on 7 February 2023.



Datuk Hasmi Bin Hasnan

Managing Director

Age
70

Academic/Professional Qualification(s)

- BSc in Estate Management from the London South Bank University, UK
- Senior Certified Valuer with the International Real Estate Institute, USA
- Member of the International Real Estate Federation (FIABCI)

Gender
Male

Nationality
Malaysian

Date of Appointment
25 July 2003

Board Committee

- Member, Remuneration Committee

Present Directorship in other Public Listed Companies

- Dayang Enterprise Holdings Bhd
- Perdana Petroleum Berhad

Present Directorship in Non-Listed Public Companies

- Naim Incorporated Berhad
- Kebajikan Dayang Fatimah Berhad
(non-profit company, limited by guarantee)

Working Experience and Occupation

He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993, he became the Managing Director of Naim Land Sdn. Bhd. and has since been the main driving force behind the company's growth and expansion. He was awarded the Property Man of the Year for 2008 by FIABCI in Kuala Lumpur.

DIRECTORS' PROFILES (CONTINUED)

Age
62

Beh Boon Ewe

Executive Director

Gender
Male

Academic/Professional Qualification(s)

- Bachelor of Civil Engineering, Monash University, Victoria, Australia

Nationality
Malaysian

Working Experience and Occupation

Date of Appointment
26 November 2020

Prior to joining Naim, he has about 24 years of working experience in construction project management involved in projects such as infrastructure, housing, resettlement scheme, airport and smelting plant.

He joined NAIM in May 2006 as Project Manager. Since then, he held various positions in the construction division such as Senior Project Manager, Project Director, Head of Planning and QC, Senior Regional General Manager of Miri and Joint Vice President of Operations. He was assigned to Fiji from 2010 to 2012 as the Project Director for the Project Upgrading of Kings Road from Waito to Wailotua. On 1 February 2020, he was promoted to the position of Chief Operating Officer – Construction. He had been re-designated to his current role as Executive Advisor – Construction on 1 January 2023.



Datin Mary Sa'diah Binti Zainuddin

Independent Non-Executive Director

Academic/Professional Qualification(s)

- Bachelor of Social Science (Hons), Universiti Sains Malaysia

Board Committees

- Chairman, Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship in other Public Listed Company

- KKB Engineering Berhad

Working Experience and Occupation

She has more than 30 years of experience in the oil and gas industry and was the General Manager, Petronas Sarawak Regional Office Kuching since 2009 till her retirement on 31 December 2012. Her 30 years' of wide experience in Petronas includes management, public relations, administration, marketing, procurement and corporate affairs. She is also the President of Hockey Association of Sarawak, Vice President of Malaysia Hockey Confederation and a member of the Kuching North City Commission.

Age
67

Gender
Female

Nationality
Malaysian

Date of Appointment
27 February 2013

DIRECTORS' PROFILES (CONTINUED)

Age
65

Chin Chee Kong

Gender
Male

Non-Independent and Non-Executive Director

Nationality
Malaysian

Academic/Professional Qualification(s)

- Member, Malaysian Institute of Certified Public Accountants & Malaysian Institute of Accountants

Date of Appointment
1 October 2015

Board Committees

- Member, Audit Committee

Present Directorship in other Public Listed Company

- Perdana Petroleum Berhad

Present Directorship in Non-Listed Public Companies

- Industrial and Commercial Bank of China (Malaysia) Berhad
- Kebajikan Dayang Fatimah Berhad
(non-profit company, limited by guarantee)

Working Experience and Occupation

He joined Peat Marwick Mitchell & Co (now known as KPMG) in Kuala Lumpur, Malaysia on 2 February 1979 as an audit junior. KPMG registered him as an articled student with The Malaysian Association of Certified Public Accountants (now known as The Malaysian Institute of Certified Public Accountants or MICPA) in the second half of 1979. After having passed the Foundation and Professional examinations set by MICPA and in the process won all the 5 gold medals on offer for the Professional I and Professional II examinations, he was seconded to the tax division of KPMG Melbourne, Australia from October 1984 to March 1985.

In August 1985, he was transferred to take charge of the Kuching Office of the firm and on 1 October 1990, he was promoted to be a partner of KPMG Malaysia. During his tenure with the Firm, he was principally involved in the provision of audit, taxation, financial advisory and corporate advisory services to corporate clients, both public listed and privately held. He retired from the Firm on 1 January 2014.



Tan Chuan Dyi

Independent Non-Executive Director

Academic/Professional Qualification(s)

- Bachelor of Science in Business Administration
– Finance from California State University of Fresno

Board Committee

- Chairman, Audit Committee
- Member, Anti-Bribery & Corruption Compliance Committee

Working Experience and Occupation

He joined PRG Holdings Bhd in 2014 and is currently the Chief Operating Officer, Manufacturing Division of Furniweb Holdings Limited that is principally engaged in manufacturing industry listed on GEM of the Stock Exchange of Hong Kong Limited. He has more than 20 years of experience in the financial services industry, particularly in the areas of fund management, institutional broking, investment banking and capital markets.

Prior to joining PRG Group, he was with Kenanga Investment Bank where during his tenure, he has held several positions namely Director, Head of Equity Syndication, Institutional Business and Projects.

Prior to Kenanga Investment Bank, he was Head, Equity Capital Markets of RHB Investment Bank Bhd. He started his career in the industry with Arab-Malaysian Asset Management before moving to Affin Securities and CIMB as Senior Vice President, Institutional Sales.

Age
51

Gender
Male

Nationality
Malaysian

Date of Appointment
23 February 2017

DIRECTORS' PROFILES (CONTINUED)



Age
66

Gender
Female

Nationality
Malaysian

Date of Appointment
1 August 2018

Sulaihah Binti Maimunni

Independent Non-Executive Director

Academic/Professional Qualification(s)

- Bachelor of Science in Civil Engineering (Hons), Swansea University, United Kingdom

Board Committees

- Member, Risk Management Committee
- Member, Nominating Committee
- Member, Anti-Bribery & Corruption Compliance Committee

Working Experience and Occupation

She has 30 years of experience in the development and project management of privatised and non-privatised construction projects in Malaysia and in several other countries. She also has some experience in financial analysis of projects and management of companies. Her experience in roads, expressways, infrastructure, land development and dam with notably the roads in Sabah, Fiji, expressways in Malaysia, Qatar and India, land development in Malaysia, Vietnam and Qatar and dam in Malaysia. She has also undertaken several feasibility studies in Pakistan, Sri Lanka, Ghana, Sudan, Morocco, Indonesia, Chile and several countries in the Middle East.

Her career development has been via Minconsult Sdn. Bhd., a consultancy firm where she spent 8 years developing her career from graduate engineer to senior engineer, the UEM Group, for 17 years rising from project engineer in Pengurusan Lebuhraya Bhd to Executive Director/Chief Executive Officer of UEM Construction Sdn. Bhd. with responsibilities in project development/management, company management and directorship in several non-listed companies, Sarawak Hidro Sdn. Bhd., the developer of Bakun Dam where she, on secondment from the UEM Group, spent 2 years as the Managing Director to progress the more than 2 years delayed project and lastly with Naim Holdings Berhad for 3 years from 2009, as Vice President at the Managing Director's office with additional appointment as Executive Director of Naim Holdings Berhad and Director of Dayang Enterprise Holdings Bhd, both public listed companies.



Datuk Ahmad Bin Abu Bakar

Independent Non-Executive Director

Academic/Professional Qualification(s)

- Fellow Member of the Chartered Association of Certified Accountants (UK)
- Chartered Accountant under the Malaysian Institute of Accountants

Board Committee

- Chairman, Anti-Bribery & Corruption Compliance Committee
- Chairman, Remuneration Committee
- Member, Audit Committee

Working Experience and Occupation

He has more than three decades of experience in accounting, banking, manufacturing, managerial and directorial roles alongside his vast insight in the field of property development, oil and gas, oil palm and timber-related industries. He was a board member of various listed, including Land & General Berhad, Naim Holdings Berhad, UDA Holdings Berhad Group and other non-listed companies. He was a manager for Sime Darby subsidiary companies, DMIB Berhad and Consolidated Plantations Bhd.

Age
68

Gender
Male

Nationality
Malaysian

Date of Appointment
1 June 2019

Please refer to page 203 for Directors' securities holdings in the Company.

There is no other family relationship between the Directors and/or major shareholders of the Company.

Apart from directors who are also substantial shareholders, none of the other directors have family relationship with major shareholders.

None of the Directors has been convicted of any offence within the past 5 years other than traffic offences.

Please refer to page 74 and 75 for Directors' attendance at board meetings held during the financial year.

SENIOR MANAGEMENT TEAM PROFILES



Emily Hii San San

Senior Vice President Cum Chief Financial Officer

Age

46

Gender

Female

Nationality

Malaysian

Academic/Professional Qualification(s)

- Bachelor of Commerce Degree, major in Accountancy and Diploma for Graduates, University of Otago, New Zealand
- Chartered Accountant of Chartered Accountants (ACCA) Australia and New Zealand
- Member of Malaysian Institute of Accountants (MIA)

Working Experience

Being a chartered accountant, Emily Hii was attached to KPMG as Senior Audit Manager prior to joining NAIM on 1 June 2010 as Finance Manager. Soon after, she was promoted to Deputy Director Finance in August 2012 to lead both the Finance and Corporate Planning portfolios. Emily was promoted to her current role as Senior Vice President cum Chief Financial Officer on 1 February 2019.

She has more than 20 years of working experience in accounting, tax, audit, finance, treasury and corporate finance planning. In her current role, she is actively involved in the Group's core business divisions' strategic development, continuous budgetary management and monitoring as well as steering the Group's procurement and other key policies revamp activities. Emily also plays an active role as the Executive Committee in major business decision making.

Shaharum Bin Ramli

Deputy Chief Operating Officer
– Strategic Planning and New Business

Age

43

Gender

Male

Nationality

Malaysian

Academic/Professional Qualification(s)

- Bachelor of Engineering, major in Chemical Engineering from University of Adelaide, 2003.
- Member of Petroleum Engineers

Working Experience

Shaharum Ramli joined NAIM on 1 July 2022 as Deputy Chief Operating Officer – Strategic Planning and New Business, to drive business transformation strategies, to grow core businesses of the Group and to develop new business ventures.

He brings more than 19 years of experience in strategic business development, drawing on international exposure that spans across 6 continents - North America, South America, Africa, Middle East, Europe and Oceania, as well as an in-depth expertise in Malaysia.

He is responsible for the Group's Market Research and Feasibility Analysis, Design and Planning and Business Development, in addition to overseeing and managing the Kuching Regional Office.



Lim Tek Sheng

Head - Retail, Property Investment and Management

Age
55

Gender
Male

Nationality
Malaysian

Academic/Professional Qualification(s)

- Master of Business Administration, Graduate School, Universiti Utara Malaysia, 1999
- Bachelor of Arts, School of Social Science and Law, La Trobe University, Australia, 1992
- Registered Property Manager(PM3031), Board of Valuers, Appraisers, Estate Agents and Property Managers

Working Experience

Jensen Lim joined NAIM on 1 February 2023, as Head - Retail, Property Investment and Management.

Having worked as the senior management in various companies namely Tesco, Laura Ashley, Tesco, Popular, Debenhams, Corus Hotel, MUI Berhad, Asiamalls and Guocoland Berhad. Jensen brings more than 30 years of experiences in retail, mall, hotel and property management.

Jensen currently oversees all regions' Property Investment and Management matters including the efficient management of residential, hotel, commercial properties, and other assets.

Loh Yen Hua

Chief People Officer

Age
42

Gender
Female

Nationality
Malaysian

Academic/Professional Qualification(s)

- Bachelor of Education (Hons) TESL, Universiti Industri Selangor
- Certificate in Talent, Competency & Talent Management, Pennsylvania State University
- Certified Coaching & Mentoring Professional, ITD World
- Certified Practitioner of Neuro-Linguistic Programming (NLP) & Certified NLP Coach, American Board of Neuro-Linguistic Programming (ABNLP)
- Time Line Therapy™ Practitioner – Time Line Therapy™ Association
- Certified & Registered Hypnotherapist, American Board of Hypnotherapy (ABH)
- Professional in Human Resources – International (PHRi), HR Certification Institute

Working Experience

Elise Loh joined NAIM on 6 September 2022, as Chief People Officer, to lead the Organisational Development and Strategic Human Resource (HR), Talent Acquisition and Employer Branding, Rewards and Performance Management, Talent Development and Management, and Culture and Change Management portfolios.

Prior to joining NAIM, Elise has dedicated 13 solid years honing her HR best practices in various industries: Insurance, Property and Construction, Service and Retail, with exposure working in MNC, GLC and PLC. While talent development and management has been her first love in HR, her forte are also in employee engagement, performance management, employer branding, and Diversity, Equity and Inclusion (DEI) agenda.

In her current role, she is responsible in strategising and driving sustainable people transformation and positive human capital growth.

SENIOR MANAGEMENT TEAM PROFILES (CONTINUED)



Alexander Lim Kuok Hui

Chief Information Officer

Age
46

Gender
Male

Nationality
Malaysian

Academic/Professional Qualification(s)

- Master of Science in Computer Science, Oxford Brookes University, United Kingdom
- Bachelor of Science (Hons) in Computer Science majoring in Computing and Software Engineering, Oxford Brookes University, United Kingdom
- Professional Technologist (Ts.), MBOT (Malaysia Board of Technologists)
- Member of PIKOM (The National ICT Association of Malaysia) CIO Chapter
- Member of APTT (Association of Professional Technicians and Technologists Sarawak)

Working Experience

Alex Lim joined NAIM on March 2012, as Manager - Information Technology (IT), to lead the System and Software Development units. He was promoted to Head of Information Technology (IT) in January 2017, to manage the System, Software development, IT Infrastructure and Network portfolios. In March 2021, he was promoted to his current position as Chief Information Officer.

He manages and oversees the entire information technology lifecycle: IT operations management, core system development, application development and infrastructure management. He is also currently instrumental in providing strategic digital and technological solutions that deliver needs of the business and in the future, to propel the company towards its business goals.

Muhammad Shafiq Bin Hashim

Head of Contract, Commercial & Procurement

Age
37

Gender
Male

Nationality
Malaysian

Academic/Professional Qualification(s)

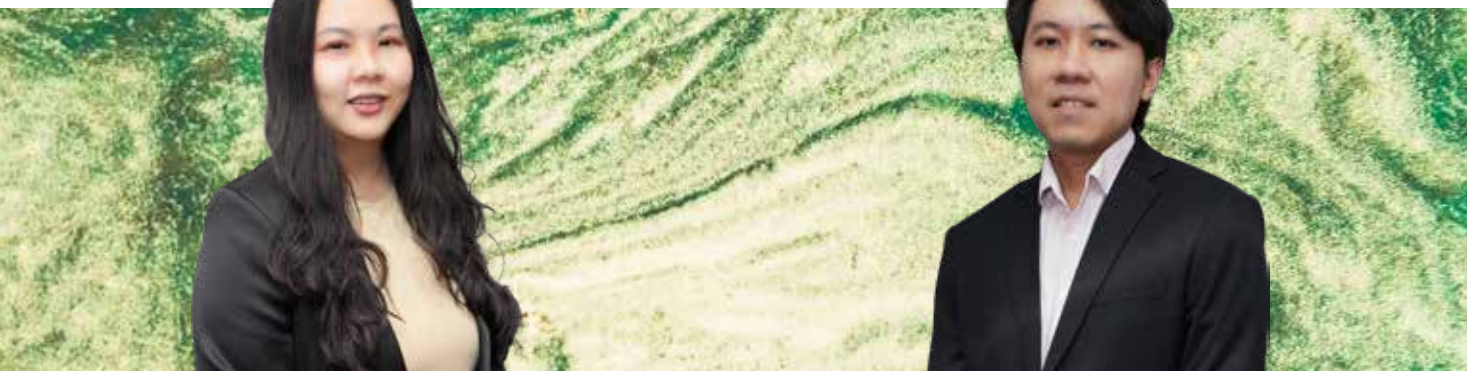
- Bachelor's Degree in Quantity Surveying (Hons) from Mara Technology University, 2008
- Certificate in Physical Science in Perak Matriculation College, 2005

Working Experience

Muhammad Shafiq was appointed as Head of Contract, Commercial and Procurement on 4 January 2023. He commands over 15 years of experiences in both construction and oil and gas industries; among his notable roles were to head the Group Supply Chain Management of Uzma Berhad and Procurement in Petra Resources Sdn Bhd.

He also has significant experience working as a quantity surveyor for Gamuda Engineering Sdn Bhd and Amer & Associates, where he oversaw the construction of government buildings, properties, and infrastructure projects.

He is responsible for ongoing management of contract, purchasing, commercial and procurement strategy and activity, and for ensuring the functions are operating in line with the objectives of the Group, regulations and governance.



Ho Chun Yi

Manager - Legal & Compliance

Age
37

Gender
Female

Nationality
Malaysian

Academic/Professional Qualification(s)

- Bachelor of Jurisprudence (External), University of Malaya

Working Experience

Elizabeth Ho has extensive legal experience in providing support for conveyancing, banking and corporate matters in legal firms that represent reputable construction and property development companies, such as UOA Holdings Sdn Bhd, HCK Capital Group, and has also worked as legal executive at Kenbest Group of Companies. With over 16 years of experience in property development, construction engineering and property management, she brings a wealth knowledge and expertise to the table.

She joined NAIM as Senior Executive – Legal in December 2019 and in April 2022, she assumed the role of heading the Legal and Compliance functions, where she has been instrumental in providing counsel on key litigation matters, drafting contract and commercial terms, providing general legal opinions, and developing compliance programs. She was promoted to the current role as Manager– Legal and Compliance in November 2022.

William Ong

Senior Manager, Risk Management

Age
39

Gender
Male

Nationality
Malaysian

Academic/Professional Qualification(s)

- Bachelor of Computer Science with Distinction, University of Wollongong, 2005
- Microsoft Certified Professional Developer (MCPD), 2011

Working Experience

William Ong has a strong passion in creating solutions with technology to meet and resolve business users' needs and issues.

He started his career as Software Developer in 2007 and was promoted to Assistant Manager, System Development in 2012 to manage the business applications development and implementation at NAIM.

With the knowledge and experience gained from working with various business units, he began to take up the challenge to lead the Risk Management department. Since taking on the role, he has continuously made improvements to the risk management methods, aimed to better support the needs of the Group and other stakeholders. He also provides support and counsel to the business divisions and shared services in driving process optimisation and innovation from the angle of quality, efficiency and compliance.

- None of the Senior Management Team holds directorship in public companies and listed issuers except for Shaharum Bin Ramli is a director of Dayang Enterprise Holdings Bhd. and an alternate director to Datuk Hasmi Bin Hasnan in Perdana Petroleum Berhad.
- There is no family relationship between the Senior Management Team and Directors and/or Major Shareholders of the Company.
- The Senior Management Team have no conflict of interests with the Company.
- None of the Senior Management Team has been convicted of any offences within the past 5 years other than traffic offences.

OUR AWARDS AND ACCOLADES

2002

- CIDB Builders Building Works Category Awards: **Institutional Building Project**

2003

- The Malaysian Construction Industry Excellence Project Awards: **Medium Building Category**
- SCCI Annual Corporate Report Awards: **Best Annual Report Award**

2004

- Malaysia Canada Business Council Excellence Awards: **Industry Excellence for Construction Award**
- The Malaysian Construction Industry Excellence Project Awards: **Medium Scale Project Engineering Category**
- The Malaysian Construction Industry Excellence Awards: **Builder of The Year Award**
- KPMG Shareholder Value Awards

2005

- 17th International Construction Awards: **New Millennium Award Spain, Madrid**
- **Malaysia Corporate & Social Environment Responsibility Award**

2007

- The Malaysian Construction Industry Excellence Awards: **Contractor Award Grade7**

2008

- FIABCI Malaysia Property Award: **Property Man of The Year**

2009

- SHEDA Excellence Awards: **Top Developer In Residential Development**

2010

- The Sarawak CMEA Award: **Large Enterprise Category (Construction)**

2011 - 2012

- The BrandLaureate Best Brands Awards 2011-2012: **The BrandLaureate Conglomerate Awards 2011-2012**

2012

- The Sarawak CMEA Award: **Large Enterprise Category (Construction)**

2013

- APEA **Outstanding Entrepreneurship Category**

2014

- AREA **Social Empowerment Category**
- Readers' Choice **Malaysian Reserve Property Press Awards Best Commercial Development - Bintulu Paragon**
- **Malaysian Reserve Property Press Awards Most Prestigious Integrated Lifestyle Residential Development - Southlake Permyjaya**
- **Malaysian Reserve Property Press Awards Most Prestigious Integrated Development - Bintulu Paragon**
- The Sarawak CMEA Award: **Large Industries (Services and Other Sectors - Construction)**
- One of Malaysia's **Top 20 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2014) & the **ONLY East Malaysia-based** developer award recipient

2015

- Malaysia Property Insight **Prestigious Developer Awards: Outstanding Developer East Malaysia**
- Award for PLWS Practitioners
- One of Malaysia's **Top 20 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2015) & the **ONLY East Malaysia-based** developer award recipient

2016

- **The Best Classic Achievement Non-Residential (Large) Category**
- SHEDA Excellence Awards: **Property Man of The Year**
- **Sarawak State Outstanding Entrepreneurship Award**
- The Sarawak CMEA Award: **Large Enterprise (Construction)**

2017

- SHEDA Property Expo **Best Booth Award**
- **Gold Award 2017** 13th Moshpa OSH Excellence Award 2017
- One of Malaysia's **Top 30 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2017) & the **ONLY East Malaysia-based** developer award recipient

2018

- SHEDA Property Expo: **Best Booth Award**
- **Malaysia's Best Employer Brand Award 2018** (World HRD Congress)



2019

- StarProperty.my Awards: **The Borneo Star Award (Honours)** Naim Sapphire Luxury Homes
- SHEDA Property Expo: **Best Booth Award**
- One of Malaysia's **Top 30 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2019) & the **ONLY East Malaysia-based** developer award recipient
- The BrandLaureate **Iconic Brand of the Decade Industry Champion Award** in Property & Infrastructure



2020 - 2021

- **Asia Pacific Property Awards Development AWARD WINNER** Residential High Rise Development Malaysia - Naim Sapphire Luxury Homes



2021

- One of Malaysia's **Top 30 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2021) & the **ONLY East Malaysia-based** developer award recipient



2022

- One of Malaysia's **Top 30 Property Developers** (The Edge Malaysia's Top Property Developers Awards 2022) & the **ONLY East Malaysia-based** developer award recipient
- SHEDA Property Expo: **Corporate Image Award**





SAPPHIRE
ON THE PARK

GEORGE Y.
RESIDENCE





PART 3

Business Review

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LETTER TO SHAREHOLDERS



Datuk Amar Abdul Hamed Bin Haji Sepawi (Chairman) on the conferment of **Outstanding Global Muslim Entrepreneur Lifetime Achievement Award** by **Global Muslim Business Forum** on 19 October 2022



“WE WILL CONTINUE TO STAY AGILE IN NAVIGATING THESE CHALLENGING TIMES. WE WILL CONTINUE TO BUILD VALUE SPIRITEDLY AND AIM TO EMERGE STRONGER FROM NOW. WE WILL CONTINUE TO FUEL PASSION, EMPOWER TALENTS AND TO ACHIEVE THE GOAL OF A SUSTAINABLE FUTURE.”

Dear Shareholders,

On behalf of the Board of Directors (“The Board”) of Naim Holdings Berhad (“NAIM” or “Our Group”), we are honoured to present our Group’s annual report and audited results for the financial year ended 31 December 2022 (“FY2022”).

2022 has continued to be a challenging year even as the global economy gradually recovered from the COVID-19 pandemic. Nevertheless, economic recovery was hampered by the Russian-Ukraine conflict and widespread inflationary pressures that affected many countries.

Amidst an uncertain operating environment, we remained committed to realising our Group’s vision to bring tears of joy to one million people and more. We continued to strive to deliver products and services that met customer expectations, adapting to a dynamic market through continuous improvement, while safeguarding the interests of our stakeholders.

2022 AT A GLANCE

Post-pandemic global growth momentum continued to gain moderately in 2022. Nevertheless, this was dampened by ongoing geopolitical tensions and

prolonged lockdowns which strained the global supply chain, resulting in escalating commodity prices and inflationary pressures on goods and services globally. At the same time, elevated inflation weighed down household incomes and consumption, leading to slower economic growth in major economies from the United States to Europe as demand and sentiments weakened.

On the domestic front, the Malaysian economy experienced growth in 2022 as the government began to roll back COVID-19 containment measures and reopened international borders, bolstering domestic demand as economic activities resumed. The stronger growth reflected a normalisation of economic activity as the country eased into the endemic phase. The real estate sector continued to improve but at a slow pace following the recovery experienced in property transactions, coupled with the current high property overhang, weaker customer sentiments and inflationary pressures.

Though the market environment was challenging on many fronts, our Group managed to navigate through this tough period given our long-standing experience in the industry. We continued to invest in innovative technology to maximise operational efficiencies and improve profitability. We made good progress in repositioning the business throughout the year and stayed optimistic on growth prospects.

LETTER TO SHAREHOLDERS (CONTINUED)



Perdana Petroleum Berhad

IMPROVING FINANCIAL EARNINGS

For the full year of 2022, our Group recorded a net profit attributable to shareholders of RM24.8 million, compared to a net loss of RM78.7 million reported in FY2021. The improvement in our Group's results was mainly attributed to the turnaround performance by our major associates, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad. The share of after-tax profit from DEHB Group stood at RM30.9 million in FY2022 from net loss of RM89.3 million in FY2021.

Our Group posted lower revenue of RM368.6 million in the year under review, from RM422.3 million in FY2021, mainly due to weaker property sales and lower construction work progress achieved at the site. Following this, our Group's core businesses recorded a segment loss of RM4.6 million against a segment profit of RM13.0 million posted in FY2021.

Overall, our Group net assets remain strong at RM1.3 billion with net assets per share of RM2.46 against the undervalued share price of 52.5 sen as at 31 December 2022. Notwithstanding the current soft market condition, we expect our performance to gradually recover in future.

COMMITTING TO CORPORATE GOVERNANCE EXCELLENCE

Throughout 2022, NAIM continues to adhere to corporate governance best practices across all our businesses, as per the recommendations set out in the Malaysian Code of Corporate Governance 2021. As a responsible corporate citizen, we continue to uphold the integrity of these practices to drive performance, strengthen our

growth trajectory, improve market position and deliver long-term shareholder value. This was also reflected in our commitment to embracing NAIM's Core Values of Humility, Integrity, Courage, Optimism, Determination, Enthusiasm and S.P.I.R.I.T.E.D. or better known as our H.I. – C.O.D.E.S to build value spiritedly.

Looking ahead, we aspire to strategically align ourselves to the UN Sustainable Development Goals. We aim to be a force of good, creating a positive impact on the communities we serve.

TRANSFORMING OUR PEOPLE AND CULTURE

We are heavily invested in cultivating a strong corporate culture that reflects our identity and objectives as a business entity, resetting our values and transforming high-performing human capital. It is going to be the biggest, yet most fulfilling, challenge for us to maintain the pivotal equilibrium and sustainability between our business, people and community. Therefore, our People Transformation Strategy, themed 'Building Values & Growing Together', continues in ensuring equilibrium in our focus, sustainability in balancing both current and future needs, and humanising the workforce so we can grow together for an inclusive future.

We understand that business success is rooted in human capital. As we shift gears and accelerate towards our business goals, we are also re-defining the architecture of our employee experience. We strive to adopt people-centred approaches to build processes that create positive employee experience and bolster trust, respect and mutual commitment between employees and the organisation, and partner with our people to build the best-in-class culture.



Our people are the ones making the magic happen, and for that, we aim to provide them with a conducive, safe, supportive, purposeful and rewarding place to work. In addition, investing in their learning and development, and well-being to cultivate agility, resilience, and engagement for the future. We take care of our people so they will continue to take care of our business and our communities

FUELLING PASSION, EMPOWERING TALENT

We recognise that to emerge better and stronger, we will need to future-proof our business to stay competitive and relevant, and this starts with talent management and succession planning.

We are committed to attracting, developing, and retaining talents whilst we prioritise the development of our people via continuous upskilling and reskilling so they can better deliver current business goals and sustain future business growth, enroute to strengthening of our talent bench. We believe this will help our Group realises our People Transformation Strategy and to achieve our

vision in the near term. Importantly, our people-focused purpose and strategy will prove essential in the years ahead.

Our Group will continue to stay confident and agile in navigating challenging times, preparing to capture any potential opportunities that may arise. Staying agile also means adapting faster and innovating sooner as we make conscious and continuous efforts to inculcate courage to test uncharted waters, challenge the status quo and strive for continuous process and structure optimisation. In our pursuit to maintain NAIM's competitive advantage as one of the leading developers in Malaysia, we continue to fuel passion and empower talents to achieve the goal of a sustainable future, to emerge stronger and to build values for life, spiritedly.

CARING FOR COMMUNITIES

At NAIM, our aspirations are focused on designing quality homes, strengthening our relationship with the communities around us and improving lives, leveraging on our growth to deliver enduring value to society, the local economy and the environment.



The Artist Impression

Illora (Double Storey Semi-Detached House) @ Desa Damai, Miri

LETTER TO SHAREHOLDERS (CONTINUED)



While we strive to solidify our position in the industry, we continue to hold on to our goal of caring and contributing to the lives of those around us. That is the beauty of building communities of tomorrow – we are focused on our developments and on the communities around us because we want them to evolve hand-in-hand with us.

A key pillar under our Corporate Social Responsibility efforts is our ongoing commitment to improve educational development among the younger generation. This year, we revived the NAIM Foundation Academic Excellence Award (“NFAEA”) to provide financial support and encourage students to achieve academic excellence. During the year under review, more than 1,700 students from a total of 34 schools were recognised and benefited from the NFAEA.

For FY2022, we contributed close to RM400,000 to the underprivileged communities through the NAIM Foundation and other subsidiaries within our Group. Our aim is to make a positive and meaningful impact on the lives of those around us.

OPTIMISING OUR ASSET PORTFOLIO

With an established track record spanning three decades as well as a geographically diversified portfolio covering three regions, i.e Kuching, Miri and Bintulu of Sarawak, our Group is constantly forging a positive growth trajectory for our business. The pandemic-related disruptions have spurred us to develop robust growth strategies while at the same time, building resilience. This has equipped us with the agility to take advantage of opportunities, shifting market and economic conditions as well as consumer preferences.

Our Group will continuously leverage on our diversified portfolio to capitalise on its various sustainable income streams as we weather cyclical headwinds. We will continue to review and optimise our portfolio of assets

through operational efficiency, to drive long-term value creation. As we embark on this, we are also cognisant of the need to exercise discipline and pursue our growth ambitions with prudence to maintain a stable financial position and contribute positively to the communities around us.

APPRECIATION

I would like to take this opportunity to extend our appreciation to the Board of Directors, Senior Management and our employees for their unwavering dedication and hard work. To all our valued shareholders, customers, business associates and other stakeholders, we thank you for your continued support in helping NAIM sustain our business in FY2022. To my esteemed Board members, I would like to offer my gratitude for your wisdom and astute business acumen to helping NAIM achieve an exemplary financial year.

While the financial year has been challenging, the lessons learned from tackling challenges and other unprecedented circumstances allowed our Group to move forward from a position of strength.

Armed with renewed focus to maintain NAIM’s competitive advantage as one of the leading developers in Malaysia, we are confident in facing economic challenges, building value spiritedly and delivering on our strategies in the next financial year.

In 2023, we remain committed to fuelling passion, and empowering talents towards achieving the goal of a sustainable future.

Datuk Amar Abdul Hamed Bin Haji Sepawi
Chairman

REVIEW OF PERFORMANCE AND OPERATIONS

As we reflected on the year 2022, it was evident that resilience, agility, and adaptability had been critical in navigating through the uncertainties and complexities brought about by the pandemic. Despite the adverse effects of Covid-19 on the global economy, our Group had remained steadfast in pursuing our vision to bring tears of joy to one million people and more. Our strategic decision with the reopening of the economy to invest in outstanding customer experience, sustainable innovation and people development were amongst the key steps emerging us to become stronger, more efficient, and more resilient in the face of the pandemic. Although our group results had shown some sign of improvement from a net loss of RM78.7 million in FY2021 to a net profit of RM24.8 million in FY2022 mainly attributed to the contribution from our associates. However, our core business operations performed below our expectation during 2022. For FY2022, we had reported a segment loss of RM4.6 million when compared to a segment profit of RM13.0 million achieved in FY2021. A review of performance of key segments are explained below:

Property Development Segment

Property development revenue slipped marginally to RM85.6 million, from RM92.6 million registered previously in FY2021, resulting in a marginal drop in profit of RM6.5 million compared to RM9.0 million recorded in FY2021. The decline was mainly attributable to the lower property sales secured as well as the incurrence of some fixed overheads and interest expenses. As for new property sales, the Group managed to secure about RM53.9 million compared to RM80.0 million sales achieved in FY2021, which was a reflection of the continued soft market sentiments during the year.



The Artist Impression
Naim Kuching Paragon Integrated Development

REVIEW OF PERFORMANCE AND OPERATIONS (CONTINUED)



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 focus on clearing their existing stocks, while new launches are either deferred or introduced to the market in small phases with competitive prices. The developers are also facing various challenges in completing their projects, with rising building materials costs, finance cost and labour shortages as the main obstacles.

Despite the current soft market, we remain bullish on upcoming prospects and rebound of the property development sector in Sarawak, in tandem with the State's economic growth, which is backed by a strong oil and gas market, and rapid development of the downstream petrochemical sector, infrastructure and green initiatives by the State's leadership.

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 valued 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. A few medium affordable housing

projects are in the pipeline for launching in the near term in Miri and Bintulu, in view of the anticipated demand for the products in the market.

Continuous sales and marketing initiatives such as digital marketing and various enhanced and value-added service packages have been introduced along the way to sell off our property stocks to improve this segment and reduce holding costs. In addition to continuously targeting the local market, we are also looking for opportunities to promote our products outside Sarawak, i.e. to foreign buyers and buyers from other Malaysian states who are keen to take advantage of the rapid economic growth in Sarawak.

At the same time, we have also closely managed and monitored the development progress and development costs to ensure that our properties are completed and handed over to our buyers on time, within budget and meeting the promised quality.

As part of our plan 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, particularly for mass affordable housing development equipped with various facilities and amenities.

Construction Segment

For the Group's construction business, our construction revenue fell to RM265.4 million in FY2022, from RM310.3 million reported in the preceding year. At the same



Naim SouthLake Permyjaya, Miri

time, the construction profit also declined substantially, from RM10.0 million in FY2021 to RM1.6 million in FY2022. Lower work progress achieved from existing ongoing construction projects and the incurrence of fixed overheads had contributed to the decline in both construction revenue and performance.

We continuously manage and monitor the execution of the projects closely as they progress, to ensure that the construction projects are completed within the targeted schedule and able to achieve the expected margin.

At the same time, we constantly build up and replenish our order book to sustain the performance of this Segment. Nonetheless, we remain 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.

Other segment

Our other business segment recorded a higher loss of RM8.7 million in FY2022, from an earlier loss of RM5.2 million registered in FY2021 as its revenue dropped marginally to RM17.6 million from RM19.4 million recorded previously in FY 2021. This was attributable to lower occupancy rates reported by our hotel operation as well as the incurrence of some fixed overheads and interest expenses.

We expect the performance of this segment to gradually improve over time, particularly in the retail leasing and hotel businesses situated in Bintulu and Miri. Various

The Artist Impression
Wisma Melayu

revamping initiatives were initiated in FY2022 aiming to improve the current occupancy rates and investment yield; we expect it may take some time to yield fruitful results.

Our property investment segment has always been an integral part of its diversified portfolio, with a focus on delivering quality properties that meet the needs of its customers while generating sustainable returns for its investors. As at to-date, we own and manage quite a diversified property portfolio namely retail malls in Miri and Bintulu, international brand managed hotel in Bintulu as well as sizable strata-titled high rise condominiums and apartments in Kuching, Miri and Bintulu.

REVIEW OF PERFORMANCE AND OPERATIONS (CONTINUED)

As part of our medium-term goals to transform our existing Bintulu Paragon Street Mall into one of the premier lifestyle and entertainment destinations in Bintulu, some enhancement plans are under study, which include the revamping and upgrading of physical mall infrastructure, the introduction of new and exciting range of retail outlets, restaurants and entertainment options. We believe that these enhancements will gradually turn the Bintulu Paragon Streetmall into the main favoured lifestyle spot for locals and tourists alike in years to come. Our Miri Permy Mall, on the other hand, is a local neighbourhood shopping destination located in the bustling town of Miri. Being a neighbourhood-focused mall, Permy Mall has always given great importance to the well-being and welfare of the neighbouring communities. The mall currently houses prominent tenants like Servay and Mr DIY and plans to expand by adding more F&B and service tenants, making the mall a comprehensive shopping destination for everyone's needs. The ongoing revamp initiatives in both Bintulu Paragon Street Mall and Permy Mall have demonstrated our dedication to developing quality properties with a customer-oriented approach while delivering long-term value through its property investment portfolio.

We continuously keep our rental rates competitive while achieving a fair yield and catering to the changing working culture (i.e. work-from-home culture) and rising e-commerce businesses. 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 during this economic recovery period.

Major associate

For the full year 2022, our major associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited net profit after tax attributable to shareholders of about RM124.2 million¹, against a net loss after tax of RM316.6 million registered in FY2021. The DEHB Group's performance had improved remarkably during FY2022, remainly attributable to increased work orders/contracts, higher vessel utilisation, receipt of insurance claims, reversal of impairment loss on property, plant and equipment as well as lower depreciation charges.

The DEHB group continuously recorded healthy positive net assets of RM1.5 billion (unaudited) with net assets per share of RM1.25. As at 31 December 2022, its outstanding estimated call-out contracts stand at approximately RM1.4 billion but may be varied from the estimation depending on actual work orders received from clients on annual basis.



¹ Source from announced quarterly report of DEHB



Naim Bintulu Paragon, Bintulu



SUSTAINABILITY STATEMENT

The year 2022 continued to be a challenging year as global economy gradually recovered from the COVID-19 pandemic as well as various crisis arising.

The Sustainable Development Goals Report 2022 by the United Nations highlighted the impact of the various crisis on the achievement of the Sustainable Development Goals (SDGs) that aims to create a global economy that works for all.

Environmental, Social and Corporate Governance (“ESG”) remains at the forefront of regulators/ shareholders as a part of continuing sustainable corporations which is working towards achieving the 2030 Agenda for Sustainable Development.

Naim Holdings Berhad (“NAIM”) is committed to the ideals espoused in the ESG and is continuously developing sustainability strategies that are intertwined with financial targets of key business units and inculcating a culture of employee awareness on action taken towards achieving sustainability across the Company.



Pan Borneo Highway
(Pantu Junction to Batang Skrang section)

SUSTAINABILITY STATEMENT (CONTINUED)

1. SUSTAINABILITY POLICY

a. Mission Statement for Sustainable Property Developer and Construction Contractor

“We aim to be the industry leader as a responsible property developer and construction contractor, contributing to a sustainable world and better financial future for our customers.’

b. Scope

This Policy applies to all operations of Naim Holdings Berhad and its subsidiaries (“NAIM”) including the holding of assets.

c. Our Commitment

NAIM continues to commit to:

- i. Support the well-being of the communities;
- ii. Reduce the greenhouse gas, energy, water and waste footprint and conserve biodiversity;
- iii. Apply a sustainable approach to our development projects;
- iv. Provide employment conditions that help attract and develop employees, support their well-being and encourage diversity, equity and an inclusive culture in the workplace;
- v. Ensure the health and safety of our offices and premises including corporate offices, site offices, shopping malls and etc;
- vi. Provide education facilities through the incorporation of schools in our township developments and township planning, and monetary donations to educational institutions and scholarships to deserving candidates.

2. KEY FOCUS AREAS

Our seven Economic, Environment and Social (“EES”) goals remain aligned with the United Nation’s Sustainability Development Goals (“SDG”).



Ensure healthy lives and promote well-being for all regardless of age



Provide quality education



Encourage gender equality and empower women and girls



Promote productive employment



Build resilient infrastructure to achieve economic growth



Make cities and human settlements safe and sustainable



Strengthen implementation and revitalise the global partnership for sustainable development

3. SUSTAINABILITY APPROACH

Our sustainability approach is built on value creation for our stakeholders and communities within which we operate. Our internal stakeholders are shareholders or investors, employees and our external stakeholders are customers, regulators, bankers, contractors, suppliers, communities and the media.

4. STAKEHOLDER ENGAGEMENT

Managing stakeholders' expectations is of critical to the success of the business. Engaging stakeholders frequently will demonstrate our culture of inclusivity and facilitate greater bonding and relationship with them. With better relationship, this in turn will promote stakeholders' buy-in, which will facilitate the success and sustainability of the businesses.

| Stakeholder | Areas of Interest | Mode of Engagement |
|--------------------------|---|---|
| Customer | <ul style="list-style-type: none"> • Complaint management and resolution • Customer relations • Safety and Security • Personal Data Protection Act compliance | <ul style="list-style-type: none"> • Property management meetings with tenants and owners • Customer Satisfaction Survey • Community and networking events with customers • Online enquiries on NAIM's website and social media such as Facebook and WhatsApp |
| Employee | <ul style="list-style-type: none"> • High Performance cultural • Learning and development • Ethics and integrity • Wellness | <ul style="list-style-type: none"> • Total Rewards strategy (including Employee recognition initiative) • OKR and Quarterly Performance conversation and review) • Structure and holistic NAIM L&D curriculum and calendar • Wellness @NAIM for Employee Engagement and Wellbeing (physical, mental, environmental, social, financial, spiritual) • Culture+ Changes Management unit to corporate values booster further diversity, inclusive & Equity agenda at NAIM |
| Regulatory Bodies | <ul style="list-style-type: none"> • Regulatory compliance • Labour law • Environmental management and compliance • Occupational Health and Safety | <ul style="list-style-type: none"> • Local authorities conduct regular inspection of NAIM's completed properties to ensure compliance with local regulatory requirements • Naim construction processes are ISO 90001:2015, ISO 140001:2015 and ISO 450001:2018 accredited • Emails issued to shareholders to download the Company's Annual Report from the Company's website. |

SUSTAINABILITY STATEMENT (CONTINUED)

4. STAKEHOLDER ENGAGEMENT (CONTINUED)

| Stakeholder | Areas of Interest | Mode of Engagement |
|---|--|---|
| Shareholders & Investors | <ul style="list-style-type: none"> Financial Performance Sustainable income | <ul style="list-style-type: none"> Issuance of media releases and Bursa announcements to keep all our shareholders and investors informed of the Company's financial performance and corporate developments All Bursa announcements and media releases are uploaded to the company's website |
| Bankers | <ul style="list-style-type: none"> Financial performance and cash flows Property launches Property sales | <ul style="list-style-type: none"> The quarterly release of financial results and yearly audited accounts in the annual report Periodic meetings and discussions with bankers to update the status of the projects and the performance of the Company |
| Contractors, Suppliers and Service Providers | <ul style="list-style-type: none"> Procurement practices Competence and performance Payment schedules Pricing or services Quality of product or services Project completion and timely delivery Health, Safety and Environment ("HSE") compliance | <ul style="list-style-type: none"> Regular meetings between the management team and contractors, suppliers or service providers Procurements are conducted in compliance with Group Authority Limits All contractors, suppliers and service providers are required to declare and comply with the Group's Anti-Bribery & Corruption Policy Internal and external audits on business practices and risk are conducted yearly |
| Communities | <ul style="list-style-type: none"> Community activities | <ul style="list-style-type: none"> Communities residing around Permyjaya benefit from our facilities such as clubhouse, hospital, schools, shopping mall and places of worship such as surau and church Donations to schools and religious bodies Community engagement activities |

5. NAIM KEY SUSTAINABILITY THEMES FOR YEAR 2022

NAIM has identified and executed the following key sustainability themes for the year 2022:

- Digitalisation at workplace;
- Integrated lean and sustainability principles into management processes;
- Nurturing talent growth; and
- Building communities.

6. ETHICS AND INTEGRITY

The Group has adopted a Code of Conduct and Business Ethics as a standard for acceptable behaviour to all stakeholders in the Group. The Group has also established the Whistleblowing Policy with the objective of providing a mechanism for employees and members of the public to report any improper conduct.

In line with Section 17A of the Malaysian Anti-Bribery & Corruption Commission Amendment Act 2018, the Group has also implemented its Anti-Bribery & Corruption Policy (“ABC Policy”) and an Anti-Bribery & Corruption Compliance Committee was formed to monitor and report to the Board in relation thereto.

All staff have undergone ABC Policy and the Code briefing conducted by the Group Legal Department.

7. KEY SUSTAINABILITY MATTERS

The following sustainability considerations will continue to be the Group’s sustainability commitment for the future:

| Green Objectives | Green Strategies/features | Green impact | Value |
|-------------------------------------|--|---|--|
| Sustainable site development | <ul style="list-style-type: none"> Reduce site disturbance and soil erosion during construction Use of natural drainage systems Preserve or restore natural site features | <ul style="list-style-type: none"> Lesser impact on the environment and/or eco-system Improved site aesthetics Greater public support for development | <ul style="list-style-type: none"> Improved marketability, reduced ongoing maintenance cost, improved natural appearance, higher sales/rents, absorption and re-tenanting benefits Preservation of biodiversity and protection of ecosystems |
| Energy-efficiency | <ul style="list-style-type: none"> Use passive solar heating/cooling and natural ventilation Enhance penetration of daylight to interior spaces to reduce the need for artificial lighting Use energy-management systems, monitoring and controls to continuously calibrate, adjust and maintain energy-related systems Virtual meetings through teleconferencing and video conferencing | <ul style="list-style-type: none"> Lower capital costs Occupant Benefit Lower energy cost Operational savings (can offset higher capital costs) | <ul style="list-style-type: none"> Reduced operating costs, longer life cycle Lower operating costs and higher return on leases Reduce carbon footprint Reduce carbon emissions produced by the transportation |

SUSTAINABILITY STATEMENT (CONTINUED)

7. KEY SUSTAINABILITY MATTERS (CONTINUED)

| Green Objectives | Green Strategies/ features | Green impact | Value |
|--|--|---|---|
| Reduced consumption of building materials | <ul style="list-style-type: none"> Eliminate unnecessary finishes and other products Design for functionality and adaptability | <ul style="list-style-type: none"> Lower maintenance costs | <ul style="list-style-type: none"> Lower construction costs |
| Efficient use of natural resources | <ul style="list-style-type: none"> Use of captured rainwater or water from the nearby river Reuse and/ or recycling of construction leftovers | <ul style="list-style-type: none"> Lower water consumption costs Lower material costs | <ul style="list-style-type: none"> Lower construction costs and minimise wastage |
| Digitalisation of work processes | <ul style="list-style-type: none"> Digital reporting methods through online submission of reports | <ul style="list-style-type: none"> Target to achieve paperless office | <ul style="list-style-type: none"> Save the trees Reduce carbon footprint |
| Social consideration | <ul style="list-style-type: none"> Construction of affordable homes to house the low income group Township developments integrating residential with commercial, public and social facilities such as education, public transport and hospital | <ul style="list-style-type: none"> Improve the standard of living of the low income group Providing employment to members of the township community | <ul style="list-style-type: none"> Improved social conditions and potentially, the income of community members, towards building sustainable communities |
| Supply Chain | <ul style="list-style-type: none"> 80% of our suppliers are Malaysian-based entities | <ul style="list-style-type: none"> Lower transportation costs and less impact on the environment | <ul style="list-style-type: none"> Create job opportunities for the local community Support the local economy |

8. ENVIRONMENT-RELATED CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

We have a voluntary fire-fighting team to help the authorities fight bush fires at Kuala Baram, Miri, Sarawak, a bush-fire prone area for more than 20 years. The team comprising staff volunteers who are trained to fight such fires has been very active over the years.

The team actively assisted the authorities to fight bushfires at Kuala Baram and helped to patrol the NAIM's land parcels and surrounding areas in an effort to detect bushfires.

Formed about two decades ago as part of the NAIM's corporate social responsibility programmes, the team comprises staff volunteers trained in basic fire-fighting and usage of basic fire-fighting equipment to help fight bushfires.

9. SUPPORTING THE COMMUNITIES

While we progressed in solidifying our position in the industry, we did not waive on touching the lives of those around us.

Our initiatives in 2022 included the following:

a. **Agihan Bubur Lambuk**
21 April 2022 | Kuching

NAIM had organised an Agihan Bubur Lambuk with active participation from our employees in preparing, packing and delivering Ramadan cheer in a package consisting of bubur lambuk, pengat pisang, dates and packed drink for some 450 underprivileged folks from orphanages, old folks homes as well as a few mosques in Kuching.



SUSTAINABILITY STATEMENT (CONTINUED)

9. SUPPORTING THE COMMUNITIES (CONTINUED)

b. Bring Aidilfitri Cheers to Underprivileged Communities in Sarawak
 April – May 2022 | Sarawak

As part of our CSR efforts to support the underprivileged communities, NAIM Foundation, the charity arm of the Group contributed more than RM100,000 worth of cash and goods to various underprivileged communities in Sarawak through the Miri Malay Charitable Trust Board (LAKMM), Muslim Welfare Organisation Malaysia (PERKIM), Lawas Muslim Charitable Trust Board (LAKHIL) – Lawas branch, JKKK Kampung Moyan Laut Hulu, Asajaya and also handover over annual Ramadan contributions to mosques and suraus namely, Masjid Darul Ilmu and Masjid Darul Falah, Kampung Binyu in Kota Samarahan; Masjid Ar-Rayyan and Surau Sinar Islam in Miri, as well as Masjid Al Taqwa in Bintulu in hope to bring Aidilfitri cheers to them.



Donation to Lembaga Amanah Khairat Islam Lawas & PERKIM Cawangan Lawas



Handover of cheque to JKKK Kpg Myan Laut Hulu



Kuching



Bintulu



Miri

Handover of Ramadan donation to mosque and surau (Kuching, Bintulu & Miri)

9. SUPPORTING THE COMMUNITIES (CONTINUED)

c. Revival of NAIM Foundation Academic Excellence Awards November 2022 to April 2023 | Sarawak

To give children a brighter future, NAIM, through our NAIM Foundation Academic Excellence Awards (NFAEA), contributed RM170,000 to over 1,500 students in 34 schools throughout Sarawak.



10. SUSTAINABILITY AND REGULATORY CONTROLS

We are ISO 9001: 2015, ISO 14001: 2015 and ISO45001:2018 certified and we recognise the importance of managing our environmental footprint and at the same time enhancing the green features in our design and infrastructure.

We put great efforts to complying with regulations to ensure that all the processes and system meets standards in our daily operation. The regulations that we complied with, in reducing our Economic, Environmental and Social ("EES") impacts are as follows:

COMPLIANCE

- √ Environmental Quality Act 1974 and its amendments
- √ Environmental Quality (Scheduled Wastes) Regulations 2005
- √ Environmental Quality (Industrial Effluent) Regulations 2009
- √ Environmental Quality (Sewage) Regulations 2009
- √ Environmental Quality (Clean Air) Regulations 2014
- √ Environmental Quality (Prescribed Activities)(Environmental Impact Assessment) Order 2015
- √ Natural Resources & Environment Ordinance 1958 – NREB (Requirements for Sarawak)
- √ NREB (Prescribed Activities) Order 1994
- √ Wildlife Protection Ordinance 1998

SUSTAINABILITY STATEMENT (CONTINUED)

10. SUSTAINABILITY AND REGULATORY CONTROLS (CONTINUED)

- √ The Sarawak Rivers Ordinance 1993
- √ Control of Supplies Regulations 1974
- √ Factories and Machinery Act 1967
- √ Factories and Machinery Act 1967 (Fencing of Machinery and Safety) Regulations 1970
- √ Factories and Machinery Act 1967 (Safety, Health and Welfare) Regulations 1970
- √ Construction Industry Development Board Malaysia Act 1994
- √ Uniform Building By-Laws 1984
- √ Fire Services Act 1988 – Act 341
- √ Occupational Safety and Health Act 1994
- √ Occupational Safety and Health Act 1994 (Safety and Health Committee) Regulations 1996
- √ Personal Data Protection Act 2010 Act 709
- √ Minimum Wages Order 2016
- √ Employment Act 1955
- √ Employees Provident Fund Act 1991
- √ Employees' Social Security Act 1969
- √ Employment Insurance System Act 2017
- √ Income Tax Act 1967
- √ Labour Ordinance (Sarawak Cap. 76)
- √ Industrial Relations Act 1967
- √ Minimum Retirement Age Act (order 2016)

11. OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (“QHSE”)

We strive to promote a safe and healthy work culture.

As part of our commitment to Quality, Health, Safety and Environment (QHSE), our policy along with our integrated management system is periodically reviewed to ensure their relevance, adequacy and effectiveness.

In compliance with the legal and other requirements, HSE Committees are established for offices and project sites. It comprises a Chairman, Secretary, representatives of the employer as well as representatives of the employees.

Our project sites are registered with the Construction Industry Development Board (CIDB) and the Department of Occupational Safety and Health (DOSH). In addition, DOSH does random audits on our sites to ensure compliance.

NAIM engages DOSH registered Safety Offices to enforce safety requirements at our project sites. Standard Operating Procedures (SOP) are in place to ensure compliance.

12. INCULCATION OF QHSE MINDSET AMONG APPOINTED CONTRACTORS AND JV PARTNERS

We engaged our appointed contractors and JV partners regularly to inculcate the QHSE mindset among them and their workers. Various best practices in relation to QHSE were also set out as requirements in our contracts with these contractors.

We are also pleased to report that we have achieved zero Loss Time Injury (LTI) for 2022.

HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE & STATISTIC

| HSE PERFORMANCE & STATISTIC | 2022 |
|---|-------------------|
| TOTAL SAFE MANHOURS WORKED TOTAL ACCUMULATIVE MANHOURS WORK WITHOUT LTI TODATE 73,530,604 | 29,019,091 |

| SAFETY | | Year (2022) |
|--|-------|----------------|
| Fatalities | FAT | Nil |
| Lost Time Incidents | LTI | Nil |
| Lost Workday Cases | LWC | Nil |
| Restricted Workday Cases | RWC | Nil |
| Medical Treatment Cases (major) | MTC | Nil |
| First Aid Cases (<4 days MC) | FA | Nil |
| Total Recordable Cases (sum FAT LWC, MTC, or RWC) | TRC | Nil |
| Near Miss Incidents | NM | Nil |
| Fire Incidents | FI | Nil |
| Lost Time Injury Frequency Rate | LTIFR | 0.0 |

| ENVIRONMENTAL | | Year (2022) |
|-------------------------|-----|----------------|
| Oil/Chemical Spillage | OP | Nil |
| Substance Incident Case | SIC | NIL |
| Erosion Case | EC | 2 |

13. LOSS TIME INJURY



HSE Walkabout

SUSTAINABILITY STATEMENT (CONTINUED)

14. ENVIRONMENT

a. Bush fire Prevention

NAIM takes serious in monitoring our lands banks that are prone to bush fires annually in Miri. In addition of setting up a volunteer fire fighting team, our Miri Team also works closely with authorities like the Natural Resources and Environment Board (NREB), the Department of Environment (DoE) and the Fire Brigade to combat bush fire.

NAIM had invested in drone monitoring to combat bush fire with better precision and faster reaction time.

15. COMMITMENT TO QUALITY

As part of our commitment to the Quality, Health, Safety and Environment ("QHSE") Policy, NAIM introduced several steps towards organizational and quality improvement. This included the creation of Standard Operation Procedures (SOP) and the usage of Consultants' services in ensuring quality of our products and services delivered to our customers.

Our QHSE Management is a coherent system of ISO 9001:2015 Quality Management System, ISO 45001: 2018 Occupational Health & Safety Management System and 14001:2015 Environmental Management System and is certified by by Intertek International (previously known as Moody International).

Besides the above, some of our initiatives to ensure quality were as follows:

- Surprise checks on site
- Schedule site assessments
- Regular engagement sessions with site teams
- Enforcement of actions for non-compliance



16. BUILDING A SUSTAINABLE WORKFORCE OF THE FUTURE

BUILDING VALUES SPIRITEDLY

Our Group's sustainability focus is aimed at creating an equitable and inclusive environment that drives performance, innovation and service excellence through the attraction, retention, and engagement of a talented and diverse workforce, in alignment with our H.I.-C.O.D.E.S. core values.

Learning & Development

At NAIM, we focus on upgrading and re-skilling our talent pool by fostering their continuing development of skills and competencies to achieve the organization's immediate and long-term aspirations.

NAIM has launched NAIM Learning & Development curriculum which consists of four (4) competency pillars of focus of our continuous strategy in ensuring NAIM employees remain agile, resilient and thrive in a changing world.

The four (4) competency pillars are:

1. General Professional Development
2. Leadership Development
3. Technical Learning and Development (TLD)
4. Digital, Data and Technology Development

NAIM has achieved the following:

- 4,756 of training hours clocked across the organization in 2022.
- Average 20 training hours per employee

16. BUILDING A SUSTAINABLE WORKFORCE OF THE FUTURE (CONTINUED)

In October 2022, the Company conducted Corporate Retreat at Naim The Peak at Bintulu Paragon with the theme of 'Shaping NAIM Towards Social Enterprising'. The participants discussed and brainstorm on the future and revamp strategies and realizing NAIM's mission to Build Value Spiritedly. The 2-day event was attended by over 60 participants ranging from middle to top level management as well as members of the Company's Board of Directors.

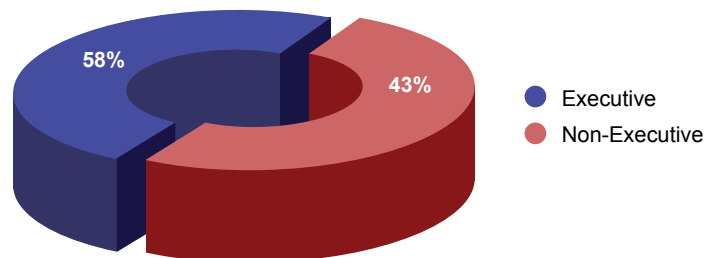


NAIM Corporate Retreat 2022

Talent Acquisition and Employer Branding

We welcomed a total of 114 new hires in 2022 - 58 executive-level and above, and 56 non-executives.

NEW EMPLOYEE HIRES 2022



- In addition to acquiring the best new talents, we also believe in retaining our existing talent pool and developing and supporting them in their succession and career development by upgrading and upskilling their performance and potential via continuous training and development opportunities, as well as various internal opportunities and internal succession.

SUSTAINABILITY STATEMENT (CONTINUED)

16. BUILDING A SUSTAINABLE WORKFORCE OF THE FUTURE (CONTINUED)

EMPLOYEE ENGAGEMENT

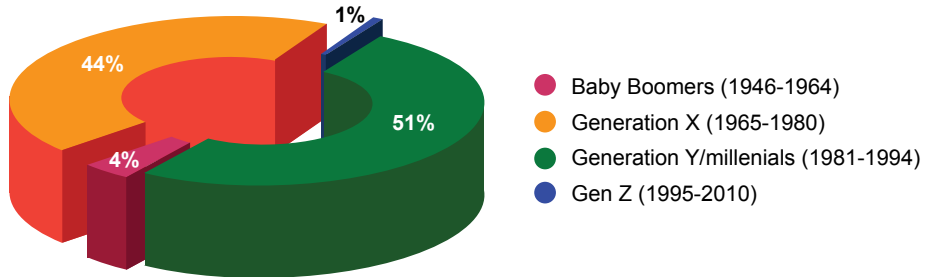
- Employee engagement remains a priority to NAIM, as we continue to invest in various activities to improve and measure the level of our employee engagement.
- Conducted 'Stay Interview' to:
 - ◆ Get a better understanding of morale, satisfaction, and engagement at NAIM.
 - ◆ To find what will help retention and make our employees satisfied and motivated.
- Established Wellness @NAIM to advocate holistic wellbeing and engagement, end route to improved motivation, productivity and set performance.

DIVERSITY, EQUITY AND INCLUSION (DEI)

- We encourage workplace diversity as it inspires a wider range of views, opinions, values, tolerance, respect, and innovation enriching every team member.
- We adopt openness to hiring employees from diverse backgrounds, regardless of age, gender, race, religion, and nationality.

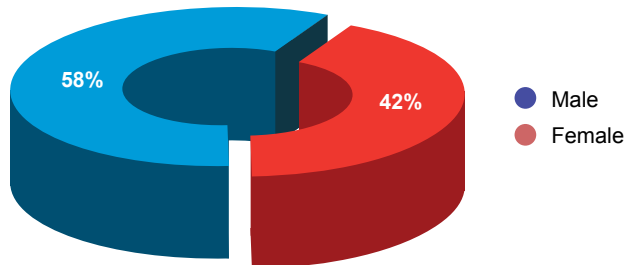
AGE GROUP DISTRIBUTION

- Majority of our workforce consists of Gen X's and Gen Y's (i.e., 44% and 51% respectively). Only 1% of our employees are below the age of 27 (Gen Z), with the remaining 4% above 58 years old (Baby Boomers).



GENDER DISTRIBUTION

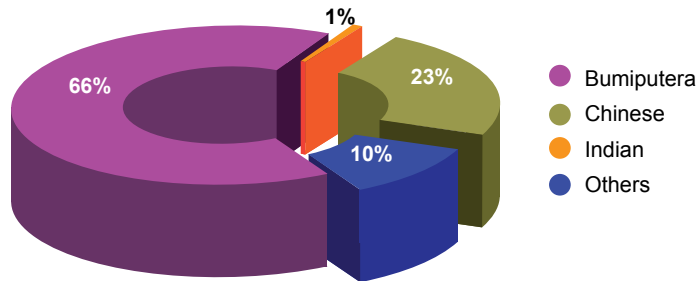
More than half of our workforce are male (58%), whereas female members make up the remaining 42% of the overall total.



16. BUILDING A SUSTAINABLE WORKFORCE OF THE FUTURE (CONTINUED)

RACE DISTRIBUTION

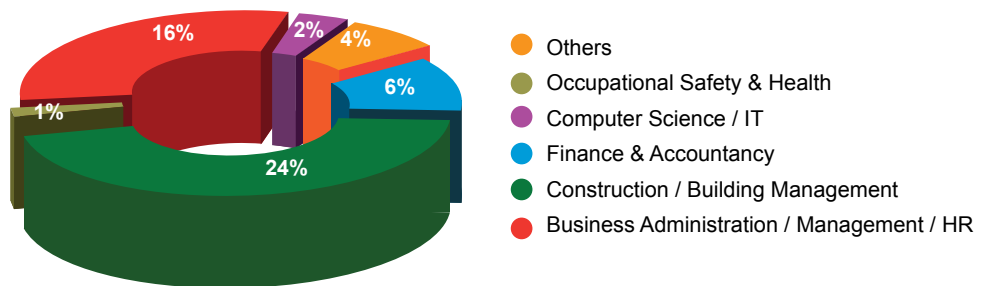
- The Bumiputera group which consists of Malay, Iban, Bidayuh, etc. forms the biggest portion of our diverse workforce (66%), followed by Chinese (23%), others (10%) and finally, a 1% minority of Indians.



NAIM INTERNSHIPS PROGRAMME

At NAIM, we believe that the Internship Programme will increase employer branding where we offer undergraduates the opportunity to gain direct practical working experience with the NAIM, with the aim of better preparing the students for the “real work environment” upon graduation.

In 2022, we have provided internship opportunities for a total of 53 interns from various field of studies and institutions of higher learnings



Internship opportunities are available all year-round and undergraduates may write in and apply at any time.





PART 4

Other Highlights

66 **C**ORPORATE EVENTS

68 **N**AIM IN THE NEWS

CORPORATE EVENTS



GLOBAL MUSLIM BUSINESS EXCELLENCE AND LIFETIME ACHIEVEMENT AWARDS 2022 19 October 2022

Our Chairman's **Datuk Amar Abdul Hamed Bin Haji Sepawi** Conferment of the Outstanding Global Muslim Entrepreneur Lifetime Achievement Award by Global Muslim Business Forum on 19 October 2022.



NAIM STEPS UP SUSTAINABILITY EFFORTS
24 February 2022 Kuching

NAIM Group of Companies has taken another step towards achieving its sustainability goals, by putting an electric vehicle (EV) charger in one of its high-end developments here at the NAIM Sapphire Luxury Homes.

NAIM, Sarawak Energy Berhad (SEB) and technical partners Malaysian Green Technology and Climate Change Corporation (MGTC) collaborated in the initiative.

NAIM Sapphire Luxury Homes, which features three upmarket condominium towers, is also the first condominium development involved in such a collaboration.



SHEDA PROPERTY EXPO
30 September - 2 October 2022
Kuching

NAIM Group of Companies made its presence felt at the recent Sarawak Housing and Real Estate Developers Association (SHEDA) Property Expo 2022 by winning the Corporate Image Award' this year.

The award was presented by The Right Honourable, Premier of Sarawak, Datuk Patinggi Tan Sri (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg to Bahrin Wahid, NAIM Head of Sales, Marketing & Leasing (Kuching & Bintulu) during the EXPO this afternoon, held at the Borneo Convention Centre Kuching (BCK) in Kuching.





NAIM IN THE NEWS

Naim rebounds to profitability

Kumpulan Syarikat Naim telah mencatatkan keuntungan bersih sebanyak RM1.2 juta untuk suku pertama 2023, berbanding kerugian bersih sebanyak RM1.1 juta untuk suku yang sama tahun 2022. Naim mencatatkan keuntungan bersih sebanyak RM1.2 juta untuk suku pertama 2023, berbanding kerugian bersih sebanyak RM1.1 juta untuk suku yang sama tahun 2022. Naim mencatatkan keuntungan bersih sebanyak RM1.2 juta untuk suku pertama 2023, berbanding kerugian bersih sebanyak RM1.1 juta untuk suku yang sama tahun 2022.



Keuntungan bersih ini dicapai selepas Naim mencatatkan pendapatan operasi sebanyak RM1.5 juta untuk suku pertama 2023, berbanding RM1.4 juta untuk suku yang sama tahun 2022. Naim mencatatkan keuntungan bersih sebanyak RM1.2 juta untuk suku pertama 2023, berbanding kerugian bersih sebanyak RM1.1 juta untuk suku yang sama tahun 2022.

Kumpulan Syarikat Naim menang Anugerah Imej korporat

PROJEN BINAAN Kumpulan Syarikat Naim telah memenangi Anugerah Imej Korporat 2023 dalam kategori 'Best Corporate Image' oleh Majlis Anugerah Imej Korporat (MAMK). Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

Anugerah ini diberikan kepada Naim sebagai pengiktirafan terhadap komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.



Keputusan ini menunjukkan bahawa Naim telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

四 學生增至460人 中不再是小型獨中

Keputusan ini menunjukkan bahawa Naim telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

NAIM, Sarawak Metro sign transport MoU

Kumpulan Syarikat Naim dan Sarawak Metro telah menandatangani Memorandum Persefahaman (MoU) mengenai projek pembangunan infrastruktur pengangkutan di Sarawak. MoU ini bertujuan untuk meningkatkan kerjasama antara kedua-dua pihak dalam membangunkan infrastruktur pengangkutan yang mampan dan inovatif.

Miri hab industri minyak, gas serantau

Miri telah ditetapkan sebagai pusat industri minyak dan gas serantau. Keputusan ini menunjukkan bahawa Miri telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

La berikut langkah Shell Malaysia pindahkan pusat operasi serantaunya di Kuala Lumpur, Kota Kinabalu ke Miri.

Keputusan ini menunjukkan bahawa Naim telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

Naim-Gamuda officials pay courtesy call on Abg Johari

Keputusan ini menunjukkan bahawa Naim telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.

民25日起文化艺术節

Keputusan ini menunjukkan bahawa Naim telah berjaya membangunkan imej korporat yang mampan dan inovatif. Naim memenangi anugerah ini kerana komitmen mereka terhadap pembangunan projek pembangunan yang mampan dan inovatif.





Naim launches dream home campaign

Konsep 'Dream Home' Naim adalah satu konsep pembangunan perumahan yang berorientasikan kepada gaya hidup moden dan berkualiti. Konsep ini menekankan kepada kualiti pembinaan, keselamatan, kemudahan dan kemudahan yang lengkap. Naim juga menawarkan pelbagai pilihan unit dan spesifikasi yang disesuaikan dengan keperluan pembeli. Dengan konsep 'Dream Home', Naim ingin mewujudkan komuniti yang harmonis dan berkualiti. Naim juga menawarkan pelbagai pilihan unit dan spesifikasi yang disesuaikan dengan keperluan pembeli. Dengan konsep 'Dream Home', Naim ingin mewujudkan komuniti yang harmonis dan berkualiti.

新英推銷展銷活動

新英地產有限公司 (Naim Property) 宣佈，將於本月內在全國多個城市舉行多場地產推銷展銷活動。此項活動旨在向廣大客戶展示新英地產的優質物業項目，並提供專業的諮詢服務。活動將包括項目介紹、現場參觀、簽約優惠等內容。新英地產表示，將繼續秉承「誠信、專業、服務」的宗旨，為廣大客戶提供最優質的房地產服務。

NAIM'S PROPERTY ROADSHOWS

NAIM'S PROPERTY ROADSHOWS is a series of events designed to showcase Naim's real estate projects. The roadshows provide an opportunity for potential buyers to view the properties in person, ask questions, and receive information about the projects. Naim's Property Roadshows are held in various cities across the country, including Kuala Lumpur, Johor Bahru, and Ipoh. The roadshows are organized by Naim's sales and marketing team, and are supported by Naim's extensive network of agents and partners. Naim's Property Roadshows are a key part of Naim's marketing strategy, and are designed to attract and engage potential buyers. Naim's Property Roadshows are held in various cities across the country, including Kuala Lumpur, Johor Bahru, and Ipoh. The roadshows are organized by Naim's sales and marketing team, and are supported by Naim's extensive network of agents and partners. Naim's Property Roadshows are a key part of Naim's marketing strategy, and are designed to attract and engage potential buyers.

Dunia iktiraf Sarawak

SAKSI Sarawak 2022 memperingati pencapaian kejayaan Naim sebagai salah satu pengeluar perumahan yang berprestasi di Sarawak. Naim Property telah menerima anugerah 'Sarawak Property Developer of the Year' oleh Majlis Perumahan Sarawak. Naim Property telah menerima anugerah 'Sarawak Property Developer of the Year' oleh Majlis Perumahan Sarawak. Naim Property telah menerima anugerah 'Sarawak Property Developer of the Year' oleh Majlis Perumahan Sarawak.

NAIM recognises, rewards academic excellence

NAIM Property has recognized and rewarded academic excellence by presenting trophies to top-performing students from various schools. The trophies were presented to the students by Naim's staff members. Naim Property is committed to supporting the education and development of the community. Naim Property is committed to supporting the education and development of the community. Naim Property is committed to supporting the education and development of the community.

Kukuh hubungan dengan pemain industri

NAIM Property has strengthened its relationship with industry players by participating in various industry events and forums. Naim Property is committed to supporting the industry and the community. Naim Property is committed to supporting the industry and the community. Naim Property is committed to supporting the industry and the community.

Kompleks Wisma Melayu Sarawak mercu tanda baharu

Kompleks Wisma Melayu Sarawak (KWSM) di Jalan Optima, Petra Jaya, adalah dengan perniagaan sekitar 19873 jaja. Kompleks Wisma Melayu Sarawak (KWSM) di Jalan Optima, Petra Jaya, adalah dengan perniagaan sekitar 19873 jaja. Kompleks Wisma Melayu Sarawak (KWSM) di Jalan Optima, Petra Jaya, adalah dengan perniagaan sekitar 19873 jaja.





PART 5

Corporate Governance

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OVERVIEW STATEMENT
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- 88 **S**TATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A Note on Terminology: Naim Holdings Berhad is the ultimate holding company for Naim Land Sdn Bhd, Naim Engineering Sdn. Bhd. and other subsidiary companies, both direct and indirect. As the principles and practices of good corporate governance apply not only to the ultimate holding company but also to all of its subsidiaries, we have chosen to forgo the use of the term "Company" in this statement unless the context requires, and instead emphasise the use of the term "Group", which encompasses all companies operating under the control of Naim Holdings Berhad.

The Board is pleased to present this Corporate Governance ("CG") Overview Statement ("Statement") to the shareholders and investors with an overview on the application of CG practices of the Group during the financial year 2022. The Corporate Governance Overview Statement sets out the principal features of the Group corporate governance.

This statement is prepared in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") and it shall be read together with the Corporate Governance Report ("CG Report") of the Company for the financial year ended 31 December 2022. The CG Report provides the details on how the Company has applied each of the practices as set out in the Malaysian Code of Corporate Governance 2021 ("MCCG"). The CG Report is available on the Company's website: <http://www.naim.com.my> as well as via an announcement on the website of Bursa Malaysia.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board's Roles and Responsibilities

The Board of Directors is committed to ensuring the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group. The Board believes that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

The Board, being responsible for the corporate governance practices of the Group, has established a governance framework where specific powers of the Board are delegated to the Board Committees and the Management.

The Board, together with the Management, is committed to promoting good governance culture within the Group which reinforces ethical, prudent and professional behavior.

There is a clear division of roles and responsibilities between the Board and Management. The Board is responsible for the strategic objectives and policies of the Group in addition to the oversight and overall management of the Company.

The roles of the Chairman and the Managing Director are held by different individuals with clear and distinct roles. The division of duties and responsibilities ensures an appropriate balance of roles and responsibilities at the Board level. The Chairman conducts meetings of the Board and shareholders and ensures they are properly briefed at the respective meetings.

The Managing Director and Executive Director, supported by a team of management staff, are responsible for the day-to-day running of the business operations of the Group. Management performance is monitored on a quarterly basis by the Board. The Board conducts quarterly reviews of the performance targets set by the Board against the actual performance achieved to-date and at the same time receives and deliberates on the appropriate action plans to manage the performance of the Group.

The following are the main roles and responsibilities of the Board towards meeting the objectives of the Group:

- Reviews, adopts and monitors the implementation of the Group's strategic plans.
- Reviews and deliberates on the Management's proposals, as well as challenges the Management's views.
- Provides guidance and comment on the market, business and operational initiatives.
- Ensures that the necessary resources are available to achieve the strategic aims and objectives of the Group.
- Together with the Senior Management, promotes good corporate governance culture within the Group reinforcing ethical prudent and professional behaviour.
- Reviews the principal risks and ensures the implementation of appropriate internal control measures to achieve an appropriate balance between risks incurred and returns to stakeholders.

All the Directors act with reasonable care, skill and diligence. They maintain a sound understanding of the business and keep abreast of relevant developments to ensure that they are able to discharge their duties and responsibilities effectively.

The Board Committees are established to assist the Board in the execution of its duties, to allow detailed consideration of complex issues and to ensure diversity of opinions, suggestions and recommendations. Each Board Committee comprises members of the Board of Directors, and is mandated to carry out specified functions, programmes or projects assigned by the Board. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements, and the manner in which the Committee is to operate.

The Committees are to ensure effective Board processes, structures and roles. Annual assessments of the performance of the Board, Board Committee and Board of Directors are carried out by the Nominating Committee. All matters determined by the Committees are promptly reported to the Board through their respective Chairpersons as opinions and/or recommendations for the Board's endorsement and/or decision.

Membership of each Committee shall be determined by the Board, acting on the recommendation of the Nominating Committee. It is the view of the Board that the size of each Committee and the blend of skills and experience of its members are sufficient to enable the Committee to discharge its responsibilities in accordance with the charter. Members of each Committee are drawn from the Board, based on their respective skills, responsibilities and areas of expertise.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The Nominating Committee conducts a yearly review of the Board Committees. The Chairman of each Committee will develop the agenda for each meeting and will determine the frequency of the meetings.

The summary of committee memberships is as follows:

| Name of Directors | Audit Committee | Nominating Committee | Remuneration Committee | Risk Management Committee | Anti-Bribery & Corruption Compliance Committee |
|--|-----------------|----------------------|--|---------------------------|--|
| Datuk Amar Abdul Hamed Bin Haji Sepawi | | √ (Chairman) | | √ | |
| Datuk Hasmi Bin Hasnan | | | √ | | |
| Datuk Ahmad Bin Abu Bakar | √ | | √ (Chairman) (Appointed on 24 February 2022) | | √ (Chairman) |
| Datin Mary Sa'diah Bin Zainuddin | | √ | √ | √ (Chairman) | |
| Chin Chee Kong | √ | | | | |
| Tan Chuan Dyi | √ (Chairman) | | | | √ (Appointed on 24 February 2022) |
| Sulaihah Binti Maimunni | | √ | | √ | √ |
| Total No. of members | 3 | 3 | 3 | 3 | 3 |

The Board Charter of the Company documents the governance and structure of the Board, its authority, major responsibilities and Terms of Reference of the Board and Board Committees. The Board Charter can be viewed at the Company's website www.naim.com.my. The website is updated periodically to ensure that it reflects the Group's current corporate governance information.

Board Meetings

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary.

During the financial year 2022, the Board met six (6) times. All Directors have complied with the minimum fifty per centum (50%) attendance as required under Paragraph 15.05 (3)(c) of the MMLR as follows:

| Current Directors | Scheduled meetings | |
|--|--------------------|-----|
| | Attendance | % |
| Datuk Amar Abdul Hamed Bin Haji Sepawi Chairman | 5/6 | 83 |
| Datuk Hasmi Bin Hasnan Managing Director | 6/6 | 100 |
| Mr. Beh Boon Ewe Executive Director | 6/6 | 100 |
| Datin Mary Sa'diah Binti Zainuddin Independent Non-Executive Director | 6/6 | 100 |

| Current Directors | Scheduled meetings | |
|--|--------------------|-----|
| | Attendance | % |
| Mr. Chin Chee Kong Non-Independent and Non-Executive Director | 5/6 | 83 |
| Mr. Tan Chuan Dyi Independent Non-Executive Director | 6/6 | 100 |
| Cik Sulaihah Binti Maimunni Independent Non-Executive Director | 6/6 | 100 |
| Datuk Ahmad Bin Abu Bakar Independent Non-Executive Director | 6/6 | 100 |

The Board meets at least once every quarter to review and approve the quarterly financial performance of the Group, to review and deliberate major business strategies and plans including operational issues and action plans as well as to approve yearly budget and business plans for adoption. On top of the quarterly meetings, the Board holds an additional meeting to approve the annual audited financial statements. These statutory board meetings are scheduled before the end of the preceding financial year, to allow Directors to plan ahead and block meeting dates in advance in their calendar.

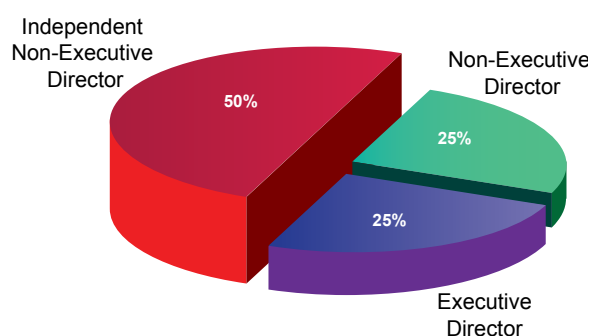
All Directors have full, free and unrestricted access to the Senior Management, Accountants, Internal and External Auditors and Company Secretaries.

Board Composition

The number of Directors shall be determined by the Board within the limits as prescribed in the Constitution of the Company of not more than fifteen (15), taking into consideration the size and breadth of the business and the need for Board diversity.

The current Board's composition is as follows:

| Category | As at 31 December 2022 | |
|------------------------------------|------------------------|------------|
| | No. of Directors | % |
| Executive Director | 2 | 25 |
| Non-Executive Director | 2 | 25 |
| Independent Non-Executive Director | 4 | 50 |
| Total | 8 | 100 |



As at 31 December 2022, the Board had eight (8) Board Members of which 25% were Executive Directors, 25% Non-Executive Directors and the balance of 50% were Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

During the year under review, the composition of the Board complied with the requirements of Practice 5.2 of the MCGG whereby at least half of the Board comprises Independent Directors. In addition thereto, the Company also complied with Paragraph 15.02 which requires at least two (2) directors or 1/3 of the Board to be Independent Directors and one (1) woman director.

The members of the Board comprise persons of integrity and calibre from a diverse group of individuals with broad experiences and accomplishments in audit, banking, finance, property, construction, project management, engineering, oil and gas, timber, plantation and energy. The Directors' profiles are set out on pages 22 to 29 of the Annual Report 2022.

All members of the Board have demonstrated their ability to exercise sound business judgment. The Non-Executive Directors do not participate in routine operations and they bring unbiased guidance to the Group. They constructively challenge and at the same time contribute to the development of strategies. Being independent of management and free of any business or other relationship, they are therefore able to promote arm's length oversight and at the same time bring independent thinking, views and judgments to bear on decision making. The Board monitors the independence of each Director on a half-yearly basis, in respect of their interests disclosed by them. The segregation of duties between Executive and Non-Executive Directors is to ensure an appropriate balance of role and accountability at the Board level.

Tenure of Independent Director

The Board may seek shareholders' approval for retaining a person who has served in the capacity as an Independent Non-Executive Director for more than nine (9) years. The Nominating Committee/Board must conduct a rigorous review to determine whether the Director's independence has been impaired, taking into account the need for progressive refreshing of the Board.

Datin Mary Sa'diah binti Zainuddin was appointed as Independent Non-Executive Director on 27 February 2013. The Nominating Committee has assessed the independence of Datin Mary Sa'diah and she has met the criteria as Independent Director pursuant to MMLR. Although having served for a cumulative term of more than nine (9) years, she remained professionally independent and actively participated in deliberation and exercised independent judgement at Board and Board Committee Meetings without being affected by influences that compromise her objectivity. She also provides valuable advice on oil and gas industry matters and her wide knowledge will continue to add credence to the Company and will not have any adverse effect on her independence as Independent Non-Executive Director.

Further, her genuine commitment to serve in the best interest of the Company coupled with her high intellect and integrity puts her in the right position as Independent Non-Executive Director. She has no conflict of interest or undue influence from interested parties. Datin Mary Sa'diah is able to challenge ideas and can provide strong independent leadership to the Company. She attended all scheduled Board meetings, Nominating Committee meetings, Risk Management Committee meetings and Annual General Meeting without fail during the year under review.

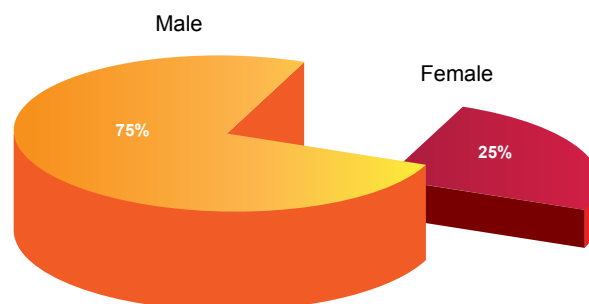
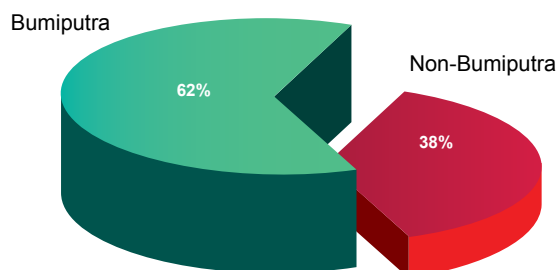
Board Diversity

The Board acknowledges the importance of diversity in the Board, including gender, age, ethnicity, experience and skills. Diversity in the Board composition facilitates optimal decision-making by harnessing different insights and perspectives. The current board composition in terms of experience, skills, ethnicity, gender and age is as follows:

| | Experience & Skills | | | | | | | | | | | Ethnic | | Gender | | Age | | |
|--|---------------------|--------------|--------|------------|--------------------|--------------------------|-------------------|-------------------|-------------------|------------------------|---------------|-----------|-----------|---------------|------|--------|----------|----------|
| | Property | Construction | Timber | Plantation | Energy / Oil & Gas | Audit/Accounting/Finance | Telecommunication | Civil Engineering | Banking / Finance | Land & building Survey | Manufacturing | Education | Bumiputra | Non-Bumiputra | Male | Female | Below 60 | Above 60 |
| Datuk Amar Abdul Hamed Bin Haji Sepawi | √ | √ | √ | √ | √ | | √ | | | | √ | √ | | √ | | | | √ |
| Datuk Hasmi Bin Hasnan | √ | √ | | | | | | | √ | | | √ | | | √ | | | √ |
| Datin Mary Sa'diah Binti Zainuddin | | | | | √ | | | | | | | √ | | | √ | | | √ |
| Mr. Chin Chee Kong | | | | | | √ | | √ | | | | | √ | √ | | | | √ |
| Mr. Tan Chuan Dyi | | | | | | | | √ | | √ | | | √ | √ | | √ | | |
| Cik Sulaihah Binti Maimunni | | √ | | | | | √ | | | | | √ | | | √ | | | √ |
| Datuk Ahmad Bin Abu Bakar | √ | √ | √ | √ | √ | √ | | | | | | √ | | √ | | | | √ |
| Beh Boon Ewe | √ | √ | | | | | | | | | | | √ | √ | | | | √ |

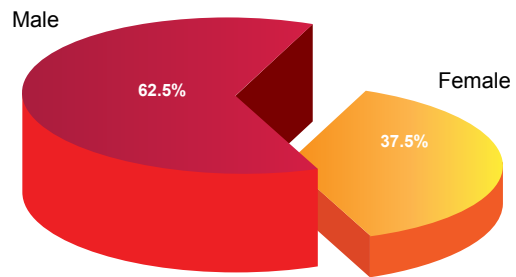
During the year under review, the Board comprised 62% Bumiputra and 38% Non-Bumiputra. The Board believes that diversity leads to the consideration of all facets of an issue and consequently, better decisions and performance.

As at end of the year, the Board comprised six (6) male directors, representing 75% of the Board, and two (2) female directors, representing 25% of the Board.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

As at end of the year, the Senior Management team comprised five (5) male senior management staff, representing 62.5% and three (3) female senior management staff, representing 37.5% of the team.



Retirement of Directors

All Directors, including the Managing Director, shall retire by rotation once every three years in accordance with Clause 85 of the Constitution of the Company. The Directors to retire shall be those longest in service since their last appointment. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting.

In addition, any newly appointed Director will submit himself/herself for retirement and re election at the Annual General Meeting immediately following his/her appointment pursuant to Clause 92 of the Constitution of the Company. Thereafter he/she shall be subject to the one-third rotation retirement rule.

The Nominating Committee is entrusted to review the retirement of Directors.

Directors' Training

During the year under review, Board members have attended various training programmes conferences, forums and workshops on issues relevant to the Group. The training programmes, conferences and forums attended by the Directors for the financial year ended 31 December 2022 were as follows:

- TCFD Climate Disclosure Training Programme
- NAIM Corporate Retreat 2022 - Shaping Naim Towards Social Enterprising
- Trends in ESG Reporting
- Industrial and Commercial Bank of China (Malaysia) Berhad (In-house): Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")
- Industrial and Commercial Bank of China (Malaysia) Berhad (In-house): IT Security Briefing
- JC3: Measuring Portfolio Alignment to Climate Scenarios and Climate Transition Stress Testing
- JC3: Implementation and Application of CCPT
- MIA: The Principles and Methodology of Task Force on Climate Related Financial Disclosures (TCFD) in ESG Reporting
- Bursa Malaysia: Building Experience in Climate-related Financial Reporting
- UN Global Compact Network: SBTi Symposium: Demystifying Urgent Actions for 1.5c Pathway
- JC3: The Power of ESG Data
- KPMG: 2022 Board and Audit Committee Priorities
- JC3: Implementation of TCFD
- MICPA-KPMG: Supercharge ESG Ambitions with Technology
- MICPA: Environmental, Social and Governance (ESG) in Financial Reporting
- SC: Audit Oversight Board Conversation with Audit Committees
- KPMG: 2022 MFRS Update Seminar
- MIA: Investment Incentives in Malaysia under the Income Tax Act 1967 and the Relevant Public Rulings

The Directors will continue to attend relevant seminars and trainings from time to time as they consider necessary to equip themselves so that they are able to discharge their duties effectively.

Nominating Committee

The Nominating Committee comprises exclusively Non-Executive Directors, of whom a majority is independent. The Nominating Committee is chaired by a Non-Independent and Non-Executive Director.

The Nominating Committee met once during the financial year under review.

The activities undertaken by the Nominating Committee for the financial year ended 31 December 2022 were as follows:

- a. Assessed and evaluated the performance and effectiveness of the Board, Board Committees and individual directors, through self or peer assessment.
- b. Assessed the effectiveness of the Board and Board Committees as a whole, on areas such as Board composition, structure, the required mix of skills, experience and other qualities
- c. Reviewed the Directors retiring by rotation pursuant to the Fit and Proper Policy adopted by the Company to be put forward for re-election at the Company's Annual General Meeting.
- d. Reviewed the performance and effectiveness of the Audit Committee and its members. The Nominating Committee was of the opinion that the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.
- e. Reviewed the succession planning of the key positions in the Company.

Succession Planning

Succession planning is a process of identifying and developing individuals with the potential to fill up the key business leadership positions in the Group. Business continuity relies on succession planning.

The succession for various key positions has been planned and lined up in the Group to ensure that suitably qualified talents are groomed so that they are able to assume the roles when the current generation of key staff retire or resign. The Group has put in place a structured succession planning process for key senior management positions.

In the event that there is no suitable candidate with the "right fit" available from the existing pool, an executive search may be launched to identify an appropriate candidate from an external source.

Board Effectiveness

The Board effectiveness evaluation questionnaires comprised the Board, Board Committee, Self/Peer Assessment were issued to Board/Committee members in February 2023. The results indicated that the performance of the Board, the Board Committee and individual Directors during the assessment period was satisfactory and they had been effective in the overall discharge of their functions and responsibilities.

Commitment to Integrity

Code of Conduct and Business Ethics

In order to promote and maintain a high ethical standard, the Board has adopted a Code of Conduct and Business Ethics, a standard for acceptable behaviour to all stakeholders in the Group. The Code of Conduct and Ethics cover, amongst others, areas of integrity, core value and culture, accountability, conflicts of interest, confidentiality, anti-corruption and bribery, and insider trading.

Whistleblowing Policy

The Group has also established its Whistleblowing Policy with the objective of providing a mechanism for employees and members of the public to report any improper conduct such as suspected wrongdoing, misconduct relating to fraud, corrupt practices and abuse of power for management action. Investigation into whistleblowing cases will be conducted by the Head of Internal Audit and/or the Compliance Officer and the outcome of the investigation is reported to the Audit Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Anti-Bribery and Corruption Policy

In compliance with Section 17A of the Malaysian Anti-Corruption Commission Amendment Act 2018 enforced on 1 June 2020, and Paragraph 15.29 of the Bursa Securities MMLR, the Board has adopted an Anti-Bribery & Corruption Policy (“ABC Policy”) on 31 May 2020 and an Anti-Bribery and Corruption Compliance Committee (“ABC Compliance Committee”) was established on 25 June 2020. The ABC Policy provides guidance to all employees and associates of Naim Group relating to acts of bribery and corruption.

The Code of Conduct and Business Ethics, Whistleblowing Policy and Anti-Bribery and Corruption Policy are available at the Company’s website at www.naim.com.my.



Anti-Bribery and Corruption Policy training

Disclosure of Interests in Contracts/Conflict of Interest

Section 221 of the Companies Act 2016 requires every Director of the Company, who is in any way, whether directly or indirectly, interested in a contract or proposed contract with any entity of the Group, shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the Directors of the Company.

The Directors update the list of companies in which they have interests, on a half-yearly basis and accordingly the list of their respective interests is tabled to the Board for notation. In the same document, the Directors also confirm the number of directorships he/she holds in listed entities. None of the Directors holds more than five (5) directorships in listed entities.

In addition to the half-yearly confirmation/disclosure, members of the Board are also required to declare or disclose their interest in any transaction involving the NAIM Group as and when a potential conflict of interest arises. Where the Directors are deemed as interested and/or having a conflict of interest in a transaction, they would excuse themselves from the discussion and decision and leave the meeting room.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board is responsible for the Group's internal control, the overall purpose of which is to protect shareholders' investments and the Group's assets. The Board is assisted by the Audit Committee in monitoring the Group's internal control system, internal audit process, related party transactions, conflict of interest situations, accounting policies, financial reporting, and overseeing the performance, independence and objectivity of the external auditors and the quality of the audit. The Chairman of the Audit Committee is to inform the Directors during Board meetings of any salient matter reviewed by the Audit Committee arising from audit findings that may require the Board's attention or decision.

The Audit Committee had on 13 April 2023, assessed the suitability, objectivity, independence and re-appointment of the external auditor, Messrs KPMG. In November 2022, Messrs KPMG submitted its Transparency Report for the year ended 31 December 2021 to members of the Audit Committee. The Transparency Report contained comprehensive information on KPMG's Global Code of Conduct, Audit Quality Framework and Enterprise Risk Management process.

The Audit Committee reviewed the adequacy of their experience and resources, their audit engagements and also the provision of non-audit services to the Group. The Audit Committee was satisfied that Messrs KPMG had met the relevant criteria prescribed under Paragraph 15.21 MMLR and it had recommended the re-appointment of Messrs KPMG for the ensuing financial year.

Having considered the outcome of the assessment of the external auditors by the Audit Committee, the Board approved the recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of Messrs KPMG.

Related party transactions of the Group for the financial year ended 31 December 2022 are disclosed in Note 35 of page 188 to 189 of the Annual Report. Except for those disclosed in the Financial Statements, there were no material contracts of the Group involving Directors' and major shareholders' interests during the financial year under review.

The Audit Committee also reviewed the related party transactions to ensure that the transactions were fair, reasonable, not detrimental to the minority shareholders and were in the best interests of the Group.

The performance of the Audit Committee and each of its members was reviewed annually by the Nominating Committee pursuant to Paragraph 15.20 MMLR and recommendations were submitted to the Board for its endorsement.

The Chairman of the Audit Committee is Mr. Tan Chuan Dyi, an Independent Non-Executive Director and he is not the Chairman of the Board. All members of the Audit Committee are financially literate.

The roles of the Audit Committee are explained on pages 85 to 87 of this Annual Report.

Risk Management and Internal Control Framework

The Board is responsible for the Group's system of risk management and internal control. The Group has a system of risk management and internal control to identify the risks the Group faces in its businesses and put controls in place to mitigate the risks. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against the occurrence of any material misstatement or loss.

The Group has established policies and a framework for the oversight and management of material business risks. The Group Risk Management Department consolidates the Corporate Risk Profile from the respective business units/divisions/ departments risk registers outlining the risks, controls and risk mitigation plans that the Management has taken in mitigating the risks for submission to the Risk Management Committee on a quarterly basis. The identified high risks areas including risk mitigation plans are reported and deliberated at Board Meetings.

Further information on the Group's risk management and internal framework is made available on the Statement of Risk Management and Internal Control on pages 88 to 89 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The dissemination of timely and accurate information is important for shareholders and investors to enable them to make informed investment decisions. The Company ensures that its communication with shareholders and other stakeholders is timely and transparent. The Company aims to engage with shareholders transparently and regularly in order to build a mutual understanding of respective objectives. The other communication modes include Annual Reports, General Meetings, Circulars, quarterly results announcements and corporate disclosures via Bursa LINK, press releases, information on the Company's website and other investor relation activities.

The Company also maintains a website at www.naim.com.my that allows shareholders and investors to gain access to information about the Group as well as to direct their queries and feedback to the Board of Directors/or Management through the email, investorrelations@naim.com.my posted at the aforesaid website.

The Group abides by the following main principles in its investor relations:

- Thoughtful analysis of our market value relative to estimates of our intrinsic value, that is, the present value of our Group based on a series of future expected net cash flows.
- Ensuring that all information disclosed to our investors is consistent with our strategies, plans and actual performance.
- Providing transparency on our operations and performance.
- Understanding our investor base and their requirements.

Conduct of General Meetings

The Annual/Extraordinary General Meetings have been the main forum for dialogue with shareholders. Ample opportunities are given to shareholders to raise questions and/or seek clarification on the Group's business and performance.

The Company's fully virtual 20th Annual General Meeting ("AGM") was convened on 26 May 2022 through live streaming and online remote voting via Remote Participation and Voting facilities ("RPV").

All the resolutions put forward at the AGM were voted by poll in accordance with paragraph 8.29A of the MMLR via RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. through its TIH Online website at <https://tjih.online>.

Tricor Investor & Issuing House Services Sdn. Bhd. was appointed as the Poll Administrator and Scrutineer Solutions Sdn. Bhd. as Independent Scrutineer to oversee the polling processes at the AGM. All ordinary resolutions were passed by a majority of votes by members present either in person or by proxy.

The external auditors, Messrs KPMG PLT were invited to attend the AGM pursuant to Section 285 of the Companies Act 2016, to respond to any question which might be raised in respect of the audit of the financial statements.

Answers to the queries raised by shareholders prior to the AGM were shared with shareholders during the meeting and at the same time, the Managing Director addressed live questions posed by shareholders through the query box.

Compliance Statement

The Board has deliberated, reviewed and approved this Statement and is satisfied that the Company has substantially complied with and applied the 3 key principles of the MCCG for the financial year ended 31 December 2022.

Details of how the Company has applied the MCCG Principles and complied with the Practices are set out in the Corporate Governance Report 2022 ("CG Report").

Statement of Directors' Responsibility in preparing the Financial Statements

The Directors of the Company are required by the Companies Act 2016 and the MMLR of Bursa Malaysia Securities Berhad to prepare financial statements in accordance with approved accounting standards so as to give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and of the results and cash flow of the Company and the Group for the financial year.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Company and of the Group in compliance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia. In preparing the financial statements for the financial year ended 31 December 2022, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

In addition, the Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Management Discussion and Analysis of the Group's Business Operations and Performance

The management discussion and analysis of the Group's business operations and performance are disclosed from pages 39 to 46.

Additional Compliance Information

1. Utilisation of Proceeds from the Disposal of Land

The Company had on 25 August 2022 announced to Bursa Malaysia Securities Berhad that the Board has decided to extend the timeframe for the utilisation of the remaining unutilised proceeds from the disposal of land by a wholly-owned subsidiary, Petrochemical Hub Sdn. Bhd. ("Disposal") allocated for the capital investment for an additional 24 months (i.e. up to 20 October 2024).

The additional timeframe of 24 months for the proposed utilisation of the proceeds for capital investment of RM15 million is to enable the Company to carry out detailed technical and economic feasibility studies on the proposed new capital investment.

As at 31 March 2023, the status of the utilisation of proceeds raised from the Disposal of RM340 million was as follows:

| Details of utilisation | Approved Utilisation (RM million) | Actual Utilisation (RM million) | Remaining unutilised (RM million) | Approved timeframe for utilisation | Extended timeframe for utilisation |
|---|-----------------------------------|---------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Capital investment | 15 | - | 15 | Within 24 months from completion | Within 48 months from completion |
| Repayment of bank borrowings | 117 | 117 | - | Within 12 months from completion | - |
| Dividends to shareholders | 90 | 90 | - | Within 12 months from completion | - |
| Working capital for property development activities | 75 | 75 | - | Within 18 months from completion | - |
| Estimated expenses in relation to the Disposal | 43 | 43 | - | Within 9 months from completion | - |
| Total | 340 | 325 | 15 | | |

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group in the financial year ended 31 December 2022 were as follows:

| Item | Nature of services rendered | Company RM'000 | Group RM'000 |
|--------------|-----------------------------|-------------------|-----------------|
| A. | Audit Fees | 82 | 413 |
| B. | Non-Audit Fees | 36 | 229 |
| Total | | 118 | 642 |

The non-audit fees comprised the following:

| Item | Nature of services rendered | RM'000 |
|--------------|-----------------------------|------------|
| a. | Tax fee | 203 |
| b. | Other advisory fees | 26 |
| Total | | 229 |

3. Material Contracts involving interests of Directors/Chief Executive/Major Shareholders

There were no material contracts entered into by the Company or its subsidiaries involving Directors and Chief Executive who is not a Director or Major Shareholders still subsisting at the end of the financial year ended 31 December 2022.

4. Employee Share Scheme - Long Term Incentive Plan ("LTIP")

During the financial year ended 31 December 2022, no grants were issued.

No grants were issued since the LTIP was approved for implementation in May 2015.

AUDIT COMMITTEE REPORT

Members

The Audit Committee comprises the following:

Mr. Tan Chuan Dyi – Chairman
Independent Non-Executive Director

Datuk Ahmad Bin Abu Bakar – Member
Independent Non-Executive Director

Mr. Chin Chee Kong – Member
Non-Independent Non-Executive Director

The Audit Committee is the Board's primary tool for exercising guardianship of shareholder value and imposing the highest standards of ethical behaviour. It is responsible for assessing risks, overseeing financial reporting, evaluating internal and external audit processes and reviewing conflict of interest situations and related party transactions.

The composition of the Audit Committee is as follows:

| Category | No. of Directors | Percentage Independent |
|--|------------------|------------------------|
| Non-Executive Director | 2 | 66.67% |
| Non-Independent Non-Executive Director | 1 | 33.33% |
| Total | 3 | 100% |

Two (2) of its members, Mr. Chin Chee Kong and Datuk Ahmad Bin Abu Bakar are members of the Malaysian Institute of Accountants.

The Chairman of the Audit Committee is not the Chairman of the Board.

ATTENDANCE OF MEETINGS

The Audit Committee met seven (7) times during the year 2022 and the details of attendance are as follows:

| Audit Committee Members | No. of Meetings | attended Attendance (%) |
|---------------------------|-----------------|-------------------------|
| Mr. Tan Chuan Dyi | 7/7 | 100 |
| Datuk Ahmad Bin Abu Bakar | 7/7 | 100 |
| Mr. Chin Chee Kong | 7/7 | 100 |

External auditors, internal auditors and relevant management staff were invited, when necessary to attend the Audit Committee meetings to, *inter alia*, discuss the results of the Group, the internal and external audit findings and financial reporting issues.

The members of the Audit Committee also met twice during the year in independent sessions with the external auditors without the presence of management.

The Terms of Reference of the Audit Committee can also be found on the corporate website at www.naim.com.my.

1. SUMMARY OF ACTIVITIES

During the year, the Audit Committee carried out the following activities in the discharge of its functions and duties:

1.1 Financial Reporting

- Reviewed quarterly interim reports and unaudited annual financial statements before recommending the same for approval by the Board of Directors, focusing on:
 - i. changes in or implementation of new or revised major accounting standards,
 - ii. significant matters including financial reporting issues and how they were addressed,
 - iii. compliance with accounting standards and other legal requirements.
- Reviewed and recommended for Board's approval the annual audited financial statements.
- Reviewed the internal control aspects of the Statement on Risk Management and Internal Control and made recommendations thereon to the Risk Management Committee for its consideration.

AUDIT COMMITTEE REPORT (CONTINUED)

1.2 Related Party Transactions

- Reviewed the related party transactions that arose within the Group, on a quarterly basis, to ensure that the transactions were fair and reasonable, not detrimental to the minority shareholders and were in the best interest of the Group.

1.3 Internal Audit

- Reviewed and approved the annual audit plan proposed by the Internal Audit Department ("IAD") to ensure the adequacy of scope and coverage over the activities of the Group.
- Reviewed the internal audit reports issued by the IAD on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on audit issues raised.
- Reviewed the effectiveness and adequacy of audit process, resource requirements and assessed the performance of the internal audit team.
- Reviewed and endorsed the changes to the Internal Audit Policies.

1.4 External Audit

- Reviewed and deliberated on the external auditors' presentation of their terms, areas of responsibilities, audit plan and approach, areas of audit emphasis, financial reporting changes and requirements, proposed fee, key accounting and audit judgements and unadjusted differences identified during the audit.
- Reviewed and deliberated on the External auditors' reports in relation to the statutory audit, major audit findings and the Management's responses arising from the audit.
- Reviewed and assessed the independence and suitability of external auditor pursuant to Paragraph 15.21 Bursa Listing Requirements in the following areas:
 - Quality of services provided;
 - Sufficiency of resources;
 - Communication and interaction; and
 - Independence, objectivity and scepticism.
- Ensured that the audit engagement and concurring review partners are rotated every seven years, with a three-year cooling-off period before the same partners can again be involved in the audit of the financial statements of the Group and group entities.

- Considered and recommended to the Board for approval, the re-appointment of External Auditors, as well as their remuneration.
- Met with external auditors twice, in the absence of management.
- Discussed and considered the significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors.

2. INTERNAL AUDIT FUNCTION

The Group is served by an in-house IAD, whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. The IAD reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The approved plan is designed to cover high risks areas and entities across all levels of operations within the Group, other than associates and joint ventures. The Internal Audit role and responsibilities are defined in the Internal Audit Charter with the mission to provide independent, objective assurance and consulting services to add value and improve the organisation's operations.

Their role is to provide the Audit Committee with independent and objective reports on the adequacy and effectiveness of the system of internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with applicable laws, regulations, directives and other enforced compliance requirements.

The department is headed by Dominic Choo, a Certified Internal Auditor (CIA) who has over 17 years of experience as a Governance, Risk and Compliance professional. The internal audit staff comprise those who possess tertiary qualifications in the field of Accounting, Construction Management and Finance. The Department is made up of a total of 4 internal auditors.

2.1 Authority

To accomplish its primary objectives in examining and evaluating whether the Group's governance, risk and internal control processes are adequate and functioning properly, the internal auditors are authorised to have full, free and unrestricted access to Group's operations, activities, information, functions, records, properties and personnel relevant to the performance of internal audit at any time.

2.2 Independence

The IAD is independent of the activities audited and performs with impartiality and due professional care. The IAD reports directly to the Audit Committee. In addition, the Audit Committee assesses the performance of the Head of Internal Audit.

2.3 Duties and Responsibilities

Each year the IAD develops an audit plan detailing engagements to be conducted during the year and submits the same to the Audit Committee for approval before carrying out the planned assignments. Reports on the internal audit activities are submitted to the Audit Committee every quarter.

Reports submitted include the status and results of the annual audit plan on the activities being reviewed.

Cases of fraud which demand urgent attention, shall be reported to the Audit Committee and the Managing Director immediately upon discovery by the audit staff.

2.4 Internal Audit Functions and Activities

The IAD has carried out its activities based on planned audits and special reviews during the year. During the financial year ended 31 December 2022, the internal audit activities carried out included, inter alia, the following:

- a. Evaluated the system of internal controls and key operating processes based on the approved annual plan.
- b. Evaluated the efficiency of processes, functions and current practices and provided suitable recommendations to relevant risk/process owners.
- c. Provided assurance on compliance with statutory requirements, laws, Group policies and guidelines.
- d. Recommended appropriate controls to overcome deficiencies and enhance operations.
- e. Carried out investigations and special reviews at the request of the Audit Committee, the Board of Directors and management.

Follow-up audits were also conducted and the status of implementation on the agreed corrective actions were highlighted to the Audit Committee. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

A total cost of RM 358,590 was incurred by the IAD in respect of the financial year under review.

3. TRAINING

The internal auditor attended the following internally facilitated session as follows:

| Date | Description of Training |
|------------------|-------------------------|
| 1 September 2022 | Understanding Naim |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

This Statement on Risk Management and Internal Control by the Board of Directors is made pursuant to Bursa Malaysia Listing Requirements with regard to the Group's compliance with the principles and best practices for internal control as provided in the Malaysian Code of Corporate Governance (MCCG 2021).

The Board of Naim believes in good corporate governance and managing the affairs of the Group in accordance with the MCCG 2021. In addition, the Board believes that it is very much the voluntary good behaviour and credibility of the Board which will create a good governance culture for the entire organization and its business partners.

Responsibility

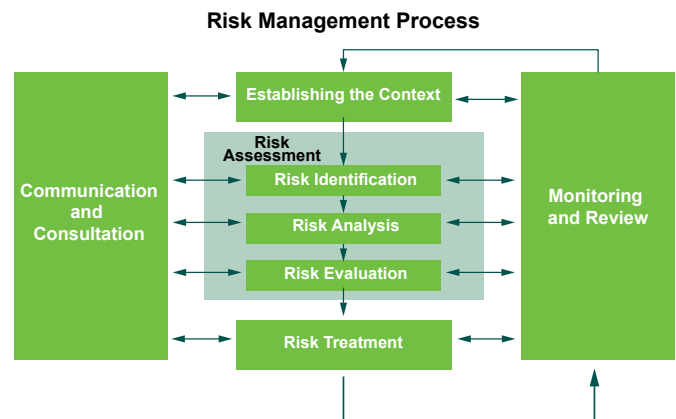
The Board acknowledges its responsibilities for maintaining a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and integrity of the system. In the discharge of these responsibilities, the Board has put in place a process at all levels of the organisation to provide reasonable assurance that the Group's business objectives will be achieved. The system covers *inter alia* financial, operational and compliance system controls, as well as risk management. Due to the limitations that are inherent in any system of risk management and internal control, it is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board acknowledges that the Group's activities involve a certain degree of risks and is committed to ensuring that it has an effective risk management framework that allows the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives.

The Risk Management Committee is chaired by an Independent Non-Executive Director and comprises mostly Independent Non-Executive Directors. The Committee is supported by a Risk Management Unit (RMU) to assist in the coordination of the Group's risk management activities as well as the establishment and communication of the framework, policies, processes and reporting requirements to the business units; and to coordinate Group-wide review of risks and risks profile and to promote risk awareness within the Group.

The Group's Risk Management Framework is continuously improved to ensure its relevance and adaptability to the current environment and business operations. The Group has adopted a risk management framework that is aligned with the principles and guidelines of ISO 31000.



Risk Management Process

The management of each business unit in the Group is responsible for the implementation of the approved framework to manage all the possible risks that can affect the achievement of the Group's objectives by ensuring that effective controls are in place and appropriate risk mitigation plans are carried out. The RMU facilitates the risk assessment process through dialogues with the key managers from business units, operations and support services units. The result from the risk assessment is reported and deliberated during the Risk Management Committee meeting held on a quarterly basis. The Risk Management Committee, after reviewing the same, escalates them to the Board.

Key Processes of Internal Control

The key processes of Internal Control include the following and will be revised regularly and updated when necessary:

- An organisational structure that lays down clear lines of responsibility and reporting.
- Clear documented and formalised standard operating policies and procedures to ensure compliance with internal controls, relevant laws and regulations, which are subject to regular reviews and improvements, have been communicated to all levels and are easily accessible on the Company's intranet platform. In particular, the NAIM Group Procedures (NGP) and NAIM Group Authority Limit (NGAL) set out the operating control procedures pertaining to finance, accounting, credit control, human resources, procurements and inventory. The control procedures, *inter alia*, include setting limits for approving expenditure and procurements. These procedures and NGAL are updated when necessary.
- Real-time budgetary control, where actual performance is regularly monitored against budgets.
- The Group uses various line-of-business systems and applications to improve operational efficiency and transparency.
- The NAIM Employee Handbook, which sets out general employment terms and the NAIM Group's corporate code of ethics.

- A management system comprises Quality, Environmental and Occupational, Health & Safety Management System requiring the management and staff of NAIM Group to adhere to a set of well-established standard operating procedures covering all major critical processes to enable the optimal achievement of their business objectives. Surveillance audits are conducted yearly to ensure compliance with the system.
- Establishment of Standard Operating Procedures, guidelines and other health-related management and provision of PPEs to combat contagious diseases such as COVID-19. This is to ensure Business Continuity, meeting the needs of ISO45001 requirements relating to employee health protection and those of local, statutory and legal requirements like Sarawak Disaster Management Committee (SMDC) and Department of Occupational Safety & Health (DOSH).
- A Whistleblowing Policy provides a mechanism for all levels of employees and stakeholders of the Group, acting in good faith, to disclose any misconduct and to provide protection for employees and members of the public who report such allegations. Such misconducts include but are not limited to fraud, conflict of interest, abuse of power, etc.
- In conjunction with the introduction of corporate liability provision under Section 17A of the MACC Act 2009, the Group has in place an Anti-Bribery & Corruption Policy and has adopted a zero-tolerance policy against all forms of bribery and corruption. The policy serves as formal guidance and reference to those working for and/or associated with the Group to deal with, manage and handle any bribery and corrupt gratification issues.
- Additionally, the NAIM Group's Code of Conduct and Business Ethics sets the standard for how we work together with customers, suppliers, contractors and others in the development and delivery of products and services and how we protect the value of the Group.
- A performance management system whereby business objectives are clearly defined and targets are set for each employee. Employees' performances are monitored, appraised and rewarded according to the achievement of targets set.
- Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance, job expectation, generate new ideas and acquire the latest updates on regulatory requirements.

The process of risk management and internal control of the Group covers the holding company and its subsidiaries only and does not extend to associates and joint ventures.

Internal Audit

The Group has established a formal structure for its internal audit function that clearly defines the roles and

responsibilities of the persons involved in the internal audit. As an integral part of the audit process, key areas of importance pertaining to internal control, risk assessment, risk mitigation and proper governance processes are identified. Focusing its review and audit on these key areas, the internal audit provides independent assurance on the efficiency and effectiveness of the internal control system implemented by management. The internal audit reports to the Audit Committee on at least a quarterly basis, and more frequently where appropriate. The Chairman of the Audit Committee in turn presents summaries of the internal audit reports (including management's responses to audit findings and recommendations) at Board meetings.

Assurance to the Board

The Board has received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal controls are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guides ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b. is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with a resolution of the Board of Directors dated 13 April 2023.





PART 6

Financial Statements

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in investment holding and the provision of management services to its subsidiaries. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The principal activities and other details of the subsidiaries are disclosed in Note 4 to the financial statements.

Results

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Profit/(Loss) for the year attributable to: | | |
| Owners of the Company | 24,809 | (20,596) |
| Non-controlling interests | 263 | - |
| | <u>25,072</u> | <u>(20,596)</u> |

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Directors of the Company

Directors who served during the year and up to the date of this report are:

Datuk Amar Abdul Hamed Bin Haji Sepawi*
 Datuk Hasmi Bin Hasnan*
 Datin Mary Sa'diah Binti Zainuddin
 Datuk Ahmad Bin Abu Bakar
 Chin Chee Kong
 Tan Chuan Dyi
 Sulaihah Binti Maimunni
 Beh Boon Ewe*

* These Directors are also directors of certain subsidiaries of the Company.

Directors of the subsidiaries

The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned in the preceding page) in office during the year and up to the date of this report:

Datu Haji Halmi Bin Ikhwan
Dato' Ir. Ha Tiing Tai
Dato' Ubull A/L Din Om
Datu Abang Mohamad Shibli Bin Abg Mohamad Nailie
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai
Datu Monaliza Binti Zaidel
Tuan Haji Abang Mat Ali Bin Abang Masagus
Lingoh Anak Gara
Nona Zaharia Binti Fadzil
Allan Anak Micheal Rimong
Alexander Manyin
Lau Kiu Huat (alternate to Datu Haji Halmi Bin Ikhwan)
Yap Hon Kong
Wong Ping Eng
Emily Hii San San
Lim Khong Guan
Muhd Syahiskandar bin Sahmat
Kon Ted Jee
Abdul Halim Bin Abd Jalal (appointed on 31.5.2022)
Alexander Lim Kuok Hui (appointed on 31.5.2022)
Ho Chun Yi (appointed on 1.6.2022)
Hasmiah Binti Anthony Hasbi (resigned on 1.6.2022)
Chen King Yu (resigned on 7.7.2022)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Directors' interests in shares

The interests and deemed interests of the Directors (including where applicable, the interests of their spouses or children who themselves are not directors of the Company), in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) during and at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---------------------------|--------|------|------------------|
| | At 1.1.2022 | Bought | Sold | At 31.12.2022 |
| Direct interests in the Company | | | | |
| Datuk Amar Abdul Hamed Bin Haji Sepawi | 32,553,427 | - | - | 32,553,427 |
| Datuk Hasmi Bin Hasnan | 55,730,768 | - | - | 55,730,768 |
| Shareholdings in which Datuk Amar Abdul Hamed Bin Haji Sepawi has deemed interests | | | | |
| The Company | 73,507,433 | - | - | 73,507,433 |
| Desa Ilmu Sdn. Bhd. | 8,000,000 | - | - | 8,000,000 |
| NAIM GAMUDA (NAGA) JV SDN. BHD. | 7,000,000 | - | - | 7,000,000 |
| Peranan Makmur Sdn. Bhd. | 7,000,000 | - | - | 7,000,000 |
| Simbol Warisan Sdn. Bhd. | 7,500 | - | - | 7,500 |
| BDA Naim Sdn. Bhd. (formerly known as Unique Composite Sdn. Bhd.) | 400,000 | - | - | 400,000 |
| Naim Engineering Construction (Fiji) Limited | 999,999 | - | - | 999,999 |
| Naim Quarry (Fiji) Limited | 999,999 | - | - | 999,999 |
| Naim Premix (Fiji) Limited | 999,999 | - | - | 999,999 |
| Lotus Paradigm Sdn. Bhd. | 70 | - | - | 70 |
| Shareholdings in which Datuk Hasmi Bin Hasnan has deemed interests | | | | |
| The Company | 135,259,244 | - | - | 135,259,244 |
| Desa Ilmu Sdn. Bhd. | 8,000,000 | - | - | 8,000,000 |
| NAIM GAMUDA (NAGA) JV SDN. BHD. | 7,000,000 | - | - | 7,000,000 |
| Peranan Makmur Sdn. Bhd. | 7,000,000 | - | - | 7,000,000 |
| Simbol Warisan Sdn. Bhd. | 7,500 | - | - | 7,500 |
| BDA Naim Sdn. Bhd. | 400,000 | - | - | 400,000 |
| Naim Engineering Construction (Fiji) Limited | 999,999 | - | - | 999,999 |
| Naim Quarry (Fiji) Limited | 999,999 | - | - | 999,999 |
| Naim Premix (Fiji) Limited | 999,999 | - | - | 999,999 |
| Lotus Paradigm Sdn. Bhd. | 70 | - | - | 70 |

Datuk Amar Abdul Hamed Bin Haji Sepawi and Datuk Hasmi Bin Hasnan, by virtue of their interests in the ordinary shares of the Company, are deemed interested in the shares of the subsidiaries to the extent the Company has an interest.

The other Directors holding office at 31 December 2022 did not have any interest in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those disclosed below and Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits payable to or receivable by Directors of the Company and its subsidiaries in respect of the financial year ended 31 December 2022 are as follows:

| | Company RM'000 | Group RM'000 |
|---|-------------------|-----------------|
| Directors of the Company: | | |
| Fees | 450 | 450 |
| Short term employee benefits | 3,340 | 3,826 |
| Estimated monetary value of benefit-in-kind | 38 | 41 |
| Total Directors' remuneration | 3,828 | 4,317 |

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the issued and paid-up capital of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

No shares have been granted during the current year pursuant to the Long Term Incentive Plan, a share scheme which was approved by the shareholders of the Company in May 2015 but has not been implemented and rolled out since then.

Indemnity and insurance costs for Officers and Auditors

a. Directors and officers

The Directors and officers of the Group and of the Company are covered by Directors' and Officers' Liability Insurance ("DOL Insurance") for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM50 million in aggregate.

The insurance premium for the DOL Insurance paid during the financial year amounted to RM57,000.

b. Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i. all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii. any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii. that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and the Company during the year in respect of audit services rendered are RM396,000 and RM82,000 respectively (also see Note 24 to the financial statements).

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Datuk Amar Abdul Hamed Bin Haji Sepawi

.....
Datuk Hasmi Bin Hasnan

Kuching,

Date: 13 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| | Note | Group | | Company | |
|---|------|------------------|------------------|----------------|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 117,721 | 124,879 | 5,100 | 5,300 |
| Investment in subsidiaries | 4 | - | - | 337,423 | 315,373 |
| Investment in associates | 5 | 440,582 | 396,062 | 172,358 | 172,358 |
| Investment in joint ventures | 6 | 2,027 | 1,904 | - | - |
| Inventories | 7 | 172,242 | 172,242 | - | - |
| Investment properties | 8 | 80,503 | 76,086 | - | - |
| Intangible asset | 9 | 113 | 794 | - | - |
| Deferred tax assets | 10 | 2,229 | 2,396 | - | - |
| Other investments | 11 | 3,017 | 3,028 | - | - |
| Trade and other receivables | 12 | 30,700 | 46,268 | - | - |
| Total non-current assets | | 849,134 | 823,659 | 514,881 | 493,031 |
| Inventories | 7 | 558,215 | 549,053 | - | - |
| Contract costs | 13 | 4,730 | 4,883 | - | - |
| Contract assets | 13 | 39,316 | 43,389 | - | - |
| Trade and other receivables | 12 | 77,365 | 115,227 | 76,736 | 105,888 |
| Deposits and prepayments | 14 | 10,449 | 8,179 | 20 | 20 |
| Current tax recoverable | | 1,334 | 1,103 | 71 | 103 |
| Other financial assets | 15 | 15,416 | 15,421 | 2,824 | 2,788 |
| Cash and cash equivalents | 16 | 247,758 | 274,751 | 29,797 | 32,729 |
| | | 954,583 | 1,012,006 | 109,448 | 141,528 |
| Assets classified as held for sale | 17 | 83 | 82 | - | - |
| Total current assets | | 954,666 | 1,012,088 | 109,448 | 141,528 |
| Total assets | | 1,803,800 | 1,835,747 | 624,329 | 634,559 |
| Equity | | | | | |
| Share capital | 18 | 454,802 | 454,802 | 454,802 | 454,802 |
| Reserves | 19 | 809,879 | 776,023 | 15,866 | 36,462 |
| Total equity attributable to owners of the Company | | 1,264,681 | 1,230,825 | 470,668 | 491,264 |
| Non-controlling interests | 4 | 21,950 | 21,737 | - | - |
| Total equity | | 1,286,631 | 1,252,562 | 470,668 | 491,264 |

| | Note | Group | | Company | |
|--------------------------------------|------|------------------|------------------|----------------|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Liabilities | | | | | |
| Loans and borrowings | 20 | 87,620 | 68,459 | 38,797 | 388 |
| Deferred tax liabilities | 10 | 21,167 | 22,097 | - | - |
| Total non-current liabilities | | <u>108,787</u> | <u>90,556</u> | <u>38,797</u> | <u>388</u> |
| Loans and borrowings | 20 | 145,330 | 200,358 | 41,091 | 86,466 |
| Trade and other payables | 21 | 256,017 | 280,557 | 73,773 | 56,441 |
| Contract liabilities | 13 | 1,871 | 5,566 | - | - |
| Provisions | 22 | 3,472 | 3,472 | - | - |
| Current tax payable | | 1,692 | 2,676 | - | - |
| Total current liabilities | | <u>408,382</u> | <u>492,629</u> | <u>114,864</u> | <u>142,907</u> |
| Total liabilities | | <u>517,169</u> | <u>583,185</u> | <u>153,661</u> | <u>143,295</u> |
| Total equity and liabilities | | <u>1,803,800</u> | <u>1,835,747</u> | <u>624,329</u> | <u>634,559</u> |

The notes on pages 109 to 191 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Revenue | 23 | 368,566 | 422,251 | 6,634 | 46,653 |
| Cost of sales | | (339,862) | (380,892) | - | - |
| Gross profit | | 28,704 | 41,359 | 6,634 | 46,653 |
| Other operating income | | 2,911 | 6,482 | 268 | 161 |
| Selling and promotional expenses | | (3,946) | (3,909) | - | - |
| Administrative expenses | | (23,687) | (18,993) | (7,395) | (7,024) |
| Other expenses | | (12,199) | (9,057) | (18,000) | (59,618) |
| Net changes in impairment loss on financial assets and contract assets | | 2,319 | (4,011) | - | - |
| Results from operating activities | 24 | (5,898) | 11,871 | (18,493) | (19,828) |
| Other non-operating expense | 25 | (55) | (2,004) | - | - |
| Finance income | 26 | 8,419 | 9,758 | 3,576 | 3,850 |
| Finance costs | 26 | (11,969) | (12,151) | (5,679) | (4,880) |
| Net finance costs | | (3,550) | (2,393) | (2,103) | (1,030) |
| Share of results (net of tax) of equity-accounted: | | | | | |
| - associates | 5 | 39,765 | (79,619) | - | - |
| - joint ventures | 6 | 1,256 | 777 | - | - |
| Profit/(Loss) before tax | | 31,518 | (71,368) | (20,596) | (20,858) |
| Tax (expense)/income | 28 | (6,446) | (5,598) | - | 312 |
| Profit/(Loss) for the year | | 25,072 | (76,966) | (20,596) | (20,546) |

| | Note | Group | | Company | |
|--|------|----------------|------------------|------------------|------------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Other comprehensive (expenses)/income, net of tax | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | | |
| Change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI") | | (11) | (43) | - | - |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | | | | |
| Foreign currency translation differences for foreign operations | | 42 | (5) | - | - |
| Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate | | - | (1,344) | - | - |
| Share of other comprehensive income of equity-accounted associates | | 9,016 | 7,839 | - | - |
| Total other comprehensive income for the year | | <u>9,047</u> | <u>6,447</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income/(expenses) for the year | | <u>34,119</u> | <u>(70,519)</u> | <u>(20,596)</u> | <u>(20,546)</u> |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | | 24,809 | (78,665) | (20,596) | (20,546) |
| Non-controlling interests | 4 | 263 | 1,699 | - | - |
| Profit/(Loss) for the year | | <u>25,072</u> | <u>(76,966)</u> | <u>(20,596)</u> | <u>(20,546)</u> |
| Total comprehensive income/(expenses) attributable to: | | | | | |
| Owners of the Company | | 33,856 | (72,218) | (20,596) | (20,546) |
| Non-controlling interests | 4 | 263 | 1,699 | - | - |
| Total comprehensive income/(expenses) for the year | | <u>34,119</u> | <u>(70,519)</u> | <u>(20,596)</u> | <u>(20,546)</u> |
| Basic and diluted earnings/(loss) per ordinary share (sen) | 29 | <u>4.95</u> | <u>(15.71)</u> | | |

The notes on pages 109 to 191 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

| <u>Group</u> | Share capital RM'000 | Foreign currency translation reserve RM'000 |
|--|----------------------------|---|
| At 1 January 2021 | 454,802 | 6,172 |
| <i>Foreign currency translation differences for foreign operations</i> | - | (5) |
| <i>Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate</i> | - | (1,344) |
| <i>Change in fair value of equity investments designated at FVOCI</i> | - | - |
| <i>Share of other comprehensive income of associates</i> | - | 7,839 |
| Total other comprehensive income/(expenses) for the year (Loss)/Profit for the year | - | 6,490 |
| Total comprehensive income/(expenses) for the year | - | 6,490 |
| Changes in ownership interests in a subsidiary [Note 36(iii)] | - | - |
| Dividend paid to: | | |
| - owners of the Company (Note 30) | - | - |
| - non-controlling interests | - | - |
| At 31 December 2021/1 January 2022 | 454,802 | 12,662 |
| <i>Foreign currency translation differences for foreign operations</i> | - | 42 |
| <i>Change in fair value of equity investments designated at FVOCI</i> | - | - |
| <i>Share of other comprehensive income of associates</i> | - | 9,016 |
| Total other comprehensive income/expenses for the year Profit for the year | - | 9,058 |
| Total comprehensive income/(expenses) for the year | - | 9,058 |
| Redemption and cancellation of preference shares previously issued by a subsidiary to minority shareholder | - | - |
| At 31 December 2022 | 454,802 | 21,720 |
| | (Note 18) | (Note 19) |

The notes on pages 109 to 191 are an integral part of these financial statements.

Attributable to owners of the Company /
Non-distributable / Distributable

| Treasury shares RM'000 | Other reserves RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|------------------------------|-----------------------------|--------------------------------|-----------------|--|---------------------------|
| (34,748) | 166 | 922,342 | 1,348,734 | 15,906 | 1,364,640 |
| - | - | - | (5) | - | (5) |
| - | - | - | (1,344) | - | (1,344) |
| - | (43) | - | (43) | - | (43) |
| - | - | - | 7,839 | - | 7,839 |
| - | (43) | - | 6,447 | - | 6,447 |
| - | - | (78,665) | (78,665) | 1,699 | (76,966) |
| - | (43) | (78,665) | (72,218) | 1,699 | (70,519) |
| - | - | (6,132) | (6,132) | 6,132 | - |
| - | - | (39,559) | (39,559) | - | (39,559) |
| - | - | - | - | (2,000) | (2,000) |
| (34,748) | 123 | 797,986 | 1,230,825 | 21,737 | 1,252,562 |
| - | - | - | 42 | - | 42 |
| - | (11) | - | (11) | - | (11) |
| - | - | - | 9,016 | - | 9,016 |
| - | (11) | - | 9,047 | - | 9,047 |
| - | - | 24,809 | 24,809 | 263 | 25,072 |
| - | (11) | 24,809 | 33,856 | 263 | 34,119 |
| - | - | - | - | (50) | (50) |
| (34,748) | 112 | 822,795 | 1,264,681 | 21,950 | 1,286,631 |
| (Note 19) | (Note 19) | (Note 19) | | (Note 4) | |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

| <u>Company</u> | Note | / <u>Attributable to owners of the Company</u> / | | | |
|--|------|--|----------------------------------|------------------------------------|-------------------------------|
| | | <u>Share capital</u> RM'000 | <u>Treasury shares</u> RM'000 | <u>Retained earnings</u> RM'000 | <u>Total equity</u> RM'000 |
| At 1 January 2021 | | 454,802 | (34,748) | 131,315 | 551,369 |
| Loss and total comprehensive expenses for the year | | - | - | (20,546) | (20,546) |
| Distribution to owners of the Company | | | | | |
| - Dividend paid to owners of the Company | 30 | - | - | (39,559) | (39,559) |
| At 31 December 2021/1 January 2022 | | <u>454,802</u> | <u>(34,748)</u> | <u>71,210</u> | <u>491,264</u> |
| Loss and total comprehensive expenses for the year | | - | - | (20,596) | (20,596) |
| At 31 December 2022 | | <u>454,802</u> | <u>(34,748)</u> | <u>50,614</u> | <u>470,668</u> |
| | | (Note 18) | (Note 19) | (Note 19) | |

The notes on pages 109 to 191 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Group | | Company | |
|---|---------------|---------------|--------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit/(Loss) before tax | 31,518 | (71,368) | (20,596) | (20,858) |
| <i>Adjustments for:</i> | | | | |
| Amortisation of: | | | | |
| - investment properties (Note 8) | 2,111 | 2,125 | - | - |
| - intangible assets (Note 9) | 681 | 681 | - | - |
| Change in fair value of equity investments designated at FVOCI | 11 | 43 | - | - |
| Depreciation of property, plant and equipment (Note 3.3) | 9,899 | 9,399 | 244 | 146 |
| Dividend income from: | | | | |
| - a subsidiary | - | - | - | (40,000) |
| - an associate | - | - | (4,206) | (4,206) |
| - other investments | (125) | (42) | - | - |
| (Gain)/Loss on disposal of: | | | | |
| - property, plant and equipment (Note 24) | (39) | (511) | - | (1) |
| - deemed disposal of associates (Notes 25 and 37) | 55 | 2,004 | - | - |
| Finance costs (Note 26) | 11,969 | 12,151 | 5,679 | 4,880 |
| Finance income (Note 26) | (8,419) | (9,758) | (3,576) | (3,850) |
| Property, plant and equipment written off (Note 24) | - | 4 | - | - |
| Net change in impairment loss on financial assets and contract assets | (2,319) | 4,011 | - | - |
| Impairment loss on other assets: | | | | |
| - investment in a subsidiary (Note 4) | - | - | 18,000 | 50,000 |
| - investment in an associate | - | - | - | 9,618 |
| Inventories written down | - | 26 | - | - |
| Share of results of equity-accounted associates and joint ventures | (41,021) | 78,842 | - | - |
| Unrealised foreign exchange gain | (247) | (159) | (238) | (159) |
| Operating profit/(loss) before changes in working capital | 4,074 | 27,448 | (4,693) | (4,430) |
| Inventories | (9,041) | 40,978 | - | - |
| Contract costs | 153 | 105 | - | - |
| Contract assets/liabilities | 2,661 | (16,816) | - | - |
| Trade and other receivables, deposits and prepayments | 51,226 | 29,355 | (4,059) | (5,123) |
| Trade and other payables | (24,348) | (43,413) | 14,678 | 41,830 |
| Provisions | - | (67) | - | - |
| Cash generated from operations | 24,725 | 37,590 | 5,926 | 32,277 |
| Tax (paid)/refunded | (8,821) | (16,181) | 32 | (30) |
| Net cash from operating activities | 15,904 | 21,409 | 5,958 | 32,247 |

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

| | Group | | Company | |
|---|------------------|------------------|-----------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from investing activities | | | | |
| Acquisition of: | | | | |
| - property, plant and equipment [Note (iii)] | (1,748) | (972) | (44) | (89) |
| - investment properties (Note 8) | (7,757) | (59) | - | - |
| - a subsidiary [Note 36(iv)] | - | - | - | (200) |
| Proceeds from disposal of property, plant and equipment | 39 | 512 | - | 1 |
| Increase in investment of a subsidiary [Note 36(i)] | - | - | (3,650) | - |
| Redemption and cancellation of preference shares by a subsidiary previously issued to a minority shareholder [Note 36(i)] | (50) | - | - | - |
| Change in pledged deposits | 5 | (58) | (36) | (36) |
| Dividends received | 4,331 | 4,248 | 4,206 | 44,206 |
| Distribution of profits from a joint venture (Note 6) | 1,530 | 1,530 | - | - |
| Interest received | 8,389 | 9,922 | 387 | 1,074 |
| Net cash from investing activities | <u>4,739</u> | <u>15,123</u> | <u>863</u> | <u>44,956</u> |
| Cash flows from financing activities | | | | |
| Dividend paid to: | | | | |
| - owners of the Company (Note 30) | - | (39,559) | - | (39,559) |
| - non-controlling interests | - | (2,000) | - | - |
| Proceeds from loans and borrowings | 84,500 | 55,000 | 40,000 | 50,000 |
| Repayment of loans and borrowings | (120,216) | (100,779) | (46,878) | (64,000) |
| Repayment of finance lease liabilities | - | (17) | - | - |
| Repayment of hire purchases | (151) | (11) | (88) | - |
| Interest paid | (12,016) | (12,524) | (3,025) | (3,687) |
| Net cash used in financing activities | <u>(47,883)</u> | <u>(99,890)</u> | <u>(9,991)</u> | <u>(57,246)</u> |
| Net (decrease)/increase in cash and cash equivalents | (27,240) | (63,358) | (3,170) | 19,957 |
| Effect of exchange rate fluctuations on cash held | 247 | 159 | 238 | 159 |
| Cash and cash equivalents at beginning of year | 274,751 | 337,950 | 32,729 | 12,613 |
| Cash and cash equivalents at end of year [Note (i)] | <u>247,758</u> | <u>274,751</u> | <u>29,797</u> | <u>32,729</u> |

Notes

i. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits placed with licensed banks with maturities less than three months | 203,852 | 227,067 | 24,940 | 28,047 |
| Cash in hand and at banks | 39,769 | 39,161 | 4,857 | 4,682 |
| Housing Development Accounts | 4,137 | 8,523 | - | - |
| Total cash and cash equivalents as shown in the statements of cash flows (also see Note 16) | <u>247,758</u> | <u>274,751</u> | <u>29,797</u> | <u>32,729</u> |

ii. Cash outflows for leases as a lessee

Included in the net cash from operating activities comprise the following payments made for leases as a lessee:

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Payments relating to: | | | | |
| - short-term leases | 21 | 88 | 234 | 234 |
| - leases of low-value assets | 357 | 337 | 3 | 4 |
| Total cash outflows for leases | <u>378</u> | <u>425</u> | <u>237</u> | <u>238</u> |

iii. Property, plant and equipment

During the year, the Group acquired property, plant and equipment in the following manner:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Paid using internal funds | 1,748 | 972 | 44 | 89 |
| In the form of hire purchases [Note (iv)] | - | 755 | - | 476 |
| Total (Note 3) | <u>1,748</u> | <u>1,727</u> | <u>44</u> | <u>565</u> |

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Notes (continued)

iv. Reconciliation of movement of liabilities to cash flows arising from financing activities (see Note 20)

| <u>Group</u> | Term loans RM'000 | Revolving credits RM'000 | Finance lease RM'000 | Hire purchases RM'000 | Total RM'000 |
|---|-------------------------|--------------------------------|----------------------------|-----------------------------|-----------------|
| At 1 January 2021 | 146,798 | 167,000 | 17 | 54 | 313,869 |
| Acquisition via hire purchases [Note (iii)] | - | - | - | 755 | 755 |
| Changes in financing cash flows | (50,779) | 5,000 | (17) | (11) | (45,807) |
| At 31 December 2021/1 January 2022 | 96,019 | 172,000 | - | 798 | 268,817 |
| Changes in financing cash flows | 16,284 | (52,000) | - | (151) | (35,867) |
| At 31 December 2022 | 112,303 | 120,000 | - | 647 | 232,950 |
| | | | | | |
| <u>Company</u> | | | | | |
| At 1 January 2021 | 25,378 | 75,000 | - | - | 100,378 |
| Acquisition via hire purchases [Note (iii)] | - | - | - | 476 | 476 |
| Changes in financing cash flows | (24,000) | 10,000 | - | - | (14,000) |
| At 31 December 2021/1 January 2022 | 1,378 | 85,000 | - | 476 | 86,854 |
| Changes in financing cash flows | 43,122 | (50,000) | - | (88) | (6,966) |
| At 31 December 2022 | 44,500 | 35,000 | - | 388 | 79,888 |

NOTES TO THE 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. The address of its registered office is 9th Floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.

The consolidated financial statements as at and for the year ended 31 December 2022 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. The financial statements of the Company as at and for the year ended 31 December 2022 do not include other entities.

The Company is principally engaged in investment holding and the provision of management services to its subsidiaries while the principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 13 April 2023.

1. Basis of preparation

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and by the Company:

| MFRSs / Amendments | Effective date |
|---|---------------------|
| MFRS 17, <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 17, <i>Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information</i> | 1 January 2023 |
| Amendments to MFRS 101, <i>Presentation of Financial Statements – Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112, <i>Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| Amendment to MFRS 16, <i>Leases – Lease Liability in a Sale and Leaseback</i> | 1 January 2024 |
| Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</i> | 1 January 2024 |
| Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Yet to be confirmed |

The Group and the Company plan to apply the abovementioned accounting standards and amendments:

- from the annual period beginning on 1 January 2023, the accounting standard and amendments that are effective for annual periods beginning on 1 January 2023, except for MFRS 17 and Amendments to MFRS 17 which are assessed as presently not applicable to the Group and to the Company.
- from the annual period beginning on 1 January 2024, the accounting to standard and amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial applications of the abovementioned accounting standards and amendments are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Basis of preparation (continued)

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

c. Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

d. Use of estimates and judgements

The preparation of the 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements are disclosed in Note 2 and as follows:

- **Revenue recognition from contracts with customers** [also see Notes 2(s)(i) and 23]

Revenue is recognised as and when the control of the assets is transferred to the customers and it is probable that the Group will be entitled to recover the consideration in exchange for transferring the promised assets to the customers. If the amount of consideration varies due to discounts, rebates, penalties, incentives and other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value of the most likely outcome. If the contract with customers contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling price of the assets.

Timing of control of the assets transferred to customer may be over time or at a point in time, depending on the terms of contract.

The Group recognises revenue from contracts over time if it creates an asset with no alternative use to the Group and the Group has enforceable right to payment for the performance completed to-date. Revenue is recognised over the period of contract by reference to the progress towards complete satisfaction of performance obligation, which is measured based on the proportion that costs incurred to-date as a percentage of the estimated total costs of contract.

For the portion of performance obligations that is not satisfied over time, the revenue is recognised at a point in time at which the customer obtains controls of the promised assets.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligations, identification of performance obligations to be fulfilled under contract and estimated total costs to complete as well as the recoverability of the contracts. In making such estimations and judgements, the Group relies on, *inter alia*, past experiences and the assessment of its experienced team and experts.

- **Recognition of deferred tax assets** (see Note 10)

The Group recognises deferred tax assets to the extent that the temporary deductible differences can be utilised against future taxable profits. The estimation of future taxable profits requires estimation and significant judgement.

1. Basis of preparation (continued)

d. Use of estimates and judgements (continued)

- **Impairment assessment of trade receivables and contract assets** [see Notes 13.2(c) and 32.3(a)]

The Group has measured impairment losses of its trade receivables and contract assets based on the risk of loss of each customer individually based on their financial information, historical payment trends and other external available information. This evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to changes.

- **Impairment assessment of property, plant and equipment** (see Note 3)

The Group assesses whether there is any indication that its property, plant and equipment used in the hotel operation may be impaired. The recoverable amount of the property, plant and equipment is determined using discounted cash flow projections. Nevertheless, the estimation is judgemental in determining appropriate key assumptions that may affect the value of estimated recoverable amount, which include the level of occupancy rates and room rates to be achieved over a period of time as well as the rate of profit returns.

- **Impairment assessment of investment in subsidiaries and associates** (see Notes 4 and 5)

At each reporting date, the Company performs assessment whether there is any indication that investment in a subsidiary and/or an associate may be impaired. In determining the estimated recoverable amount of the investments, the Company evaluates the anticipated future performance of the said investee companies and considers other external and internal sources of information that may affect the value of estimated recoverable amount such as anticipated sales and appropriate profit margin which requires a substantial level of estimation and judgements.

- **Impairment assessment of completed developed properties held for sale** (see Note 7)

Completed developed properties are stated at the lower of cost and net realisable value. In determining the estimated net realisable value of these inventories, the Group analyses and assesses on a regular basis the historical trends of product sales performance and pricing, expected future market demand of the product as well as the estimated sales costs that may be incurred in securing the sales. The estimation is highly judgemental as product demand and pricing levels could change from time to time following the changes in customers' preferences, product affordability and property market demand and supply conditions.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

a. Basis of consolidation (continued)

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

iii. Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv. Acquisitions of entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquirees' financial statements without restatement. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

2. Significant accounting policies (continued)

a. Basis of consolidation (continued)

v. *Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

vi. *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation, or has made, payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

a. Basis of consolidation (continued)

vii. Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

viii. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

ix. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

2. Significant accounting policies (continued)

b. Foreign currency (continued)

i. Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii. Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Financial instruments

i. Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

c. Financial instruments (continued)

ii. Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

a. Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(n)(i)] where the effective interest rate is applied to the amortised cost.

b. Fair value through other comprehensive income

Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2. Significant accounting policies (continued)

c. Financial instruments (continued)

ii. *Financial instrument categories and subsequent measurement* (continued)

Financial assets (continued)

c. *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment [see Note 2(n)(i)].

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a. *Fair value through profit or loss*

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- a. if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- b. a group of financial liabilities or financial assets, and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- c. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised, in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

c. Financial instruments (continued)

ii. *Financial instrument categories and subsequent measurement* (continued)

Financial liabilities (continued)

b. Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

iii. *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- The amount of the loss allowance; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

iv. *Regular way purchase or sale of financial assets*

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to be paid on the trade date; and
- b. the derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- a. the recognition of an asset on the day it is received by the Group or by the Company; and
- b. the derecognition of an asset and the recognition of any gain or loss on disposal on the day it is delivered by the Group or by the Company.

Any change in fair value of the asset to be received during the period between the trade date and settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

2. Significant accounting policies (continued)

c. Financial instruments (continued)

v. Derecognition

A financial asset or a part thereof is derecognised when, and only when, the contractual rights to the cash flows from the financial assets expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part thereof is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

d. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs [see Note 2(u)].

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within "other operating income" or "administrative expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

d. Property, plant and equipment (continued)

ii. Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value, if any. Significant component of individual assets is assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of assets for the current and comparative periods are as follows:

| | |
|-------------------------------------|--|
| Leasehold land (right-of-use asset) | over remaining lease terms of 49 years to 99 years |
| Buildings | 5, 10 and 50 years |
| Hotel property | 50 years |
| Furniture and fittings | 6 to 10 years |
| Motor vehicles | 5 years |
| Office equipment | 2 to 10 years |
| Plant and machinery | 5 years and over quarry licence period |
| Jetty and wharf | over quarry licence period |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

e. Leases

i. Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer has designed the asset in a way that predetermines how and for what purpose it will be used.

2. Significant accounting policies (continued)

e. Leases (continued)

i. Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. Recognition and initial measurement

a. As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leasehold land, being a right-of-use asset held under a lease contract, is classified under different category of assets namely property, plant and equipment, investment property or as inventories depending on its nature of use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

e. Leases (continued)

ii. Recognition and initial measurement (continued)

b. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

iii. Subsequent measurement

a. As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b. As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue" or "other operating income" in profit or loss.

f. Intangible assets

i. Goodwill

Goodwill with an indefinite useful life arising from business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

2. Significant accounting policies (continued)

f. Intangible assets (continued)

ii. Other intangible asset

This comprises a stone quarry licence which has finite useful life. It is stated at cost less accumulated amortisation and accumulated impairment losses.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

iv. Amortisation

Goodwill with indefinite useful life is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets, with finite useful lives, are based on the cost of an asset less any residual value. Amortisation is recognised in profit or loss on a straight-line basis over the licence period from the date that they are available for use.

Stone quarry licence is amortised over the licence period of 15 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

g. Investment properties

Investment properties are properties which are owned or right-of-use assets held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

i. Recognition and measurement

Investment properties are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs as in accordance with the accounting policy on borrowing costs [see Note 2(u)]. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

g. Investment properties (continued)

ii. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of depreciable investment property. Buildings under construction are not amortised until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

| | |
|-------------------------------------|---|
| Leasehold land (right-of-use asset) | over remaining lease terms of 60, 85 and 98 years |
| Buildings | 10 and 50 years |

iii. Reclassification to/from investment property

When an item of property, plant and equipment or inventories is transferred to investment property or vice versa following a change in its use, the transfer do not change the carrying amount of the property transferred. No remeasurement of cost of property is required, as permitted under paragraph 59 of MFRS 140, *Investment Property*.

h. Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of the Group comprise the following:

i. Land held for property development

This comprise land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle of 2 to 3 years. Such land is classified as non-current portion of inventory.

When development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle, such land is reclassified and included as part of property development costs (i.e. current portion of inventory).

Cost of land includes expenditure that are directly attributable to the acquisition of the land and any other costs directly attributable to bringing the land to working condition for its intended use.

ii. Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are initially measured at cost and subsequently recognised as an expense to profit or loss when the controls of the inventory are transferred to the customer, either over time or at a point in time.

When the development activities are completed, the associated property development costs for the unsold property is reclassified as completed development properties held for sale.

2. Significant accounting policies (continued)

h. Inventories (continued)

iii. Completed development properties held for sale

Cost of completed development properties consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to develop the properties to completion.

iv. Other inventories

Raw materials, consumables and manufactured/trading inventories (comprising building and construction materials) are measured based on the weighted average cost method.

i. Receivables

Trade and other receivables are categorised and measured as amortised costs in accordance with Note 2(c).

j. Contract costs

Contract costs comprise the following:

i. Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

ii. Costs to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or of the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

k. Contract asset/Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance with the accounting policy on impairment of financial assets [see Note 2(n)(i)].

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

l. Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification of non-current assets or disposal groups as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, property, plant and equipment or investment properties once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint ventures ceases once classified as held for sale.

m. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks (except for those pledged as security deposits) and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and by the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as amortised costs in accordance with Note 2(c).

2. Significant accounting policies (continued)

n. Impairment

i. Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised costs and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of the amounts due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

n. Impairment (continued)

ii. Other assets

The carrying amounts of other assets [except for inventories, contract assets, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sale] are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purpose. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

o. Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i. Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

2. Significant accounting policies (continued)

o. Equity instruments (continued)

ii. Ordinary shares

Ordinary shares are classified as equity.

iii. Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the differences between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares are recognised in equity.

p. Employee benefits

i. Short-term employee benefits

Short-term employee benefits obligations in respect of salaries and annual bonuses are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. State plans

Contributions to statutory pension funds are charged to profit or loss in the year to which they relate.

q. Payables

Trade and other payables are categorised and measured as amortised costs in accordance with Note 2(c).

r. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

s. Revenue and other income

i. Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to the customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it satisfies a performance obligation and transfers a promised good or service to customer, i.e. when the customer obtains controls of the goods or services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

s. Revenue and other income (continued)

i. Revenue from contracts with customers (continued)

A performance obligation under the contract may be satisfied at a point in time or over time, depending on the timing when the performance is performed and the controls of goods or services are passed to customers.

The Group or the Company transfers controls of a good or service at a point in time unless one of the following over time criteria is met:

- a. the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- b. the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c. the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Sales of land and properties

Revenue from sales of land and properties (comprising landed properties, condominiums and apartments as well as vacant land lots) is recognised as and when the controls of the properties are transferred to customer, either over time or at a point in time.

Controls of the assets are transferred over time when the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to-date. Revenue is recognised over the contract period based on the progress towards completion of that performance obligation by using cost incurred method. Otherwise, the revenue is recognised at a point in time when the customer obtains controls of the properties.

Revenue from sales of land and properties are measured at the fixed transaction prices under sale contract. The contracts may sometime include multiple promises to customers and therefore accounted for as separate performance obligations. The total consideration in a sale contract is allocated to all identified distinct performance obligations based on their relative stand-alone selling prices. When there is not directly observable price, the Group applies expected cost plus margin to derive stand-alone selling price.

Construction contracts

Construction revenue is recognised over time when a contract customer controls all of the works in progress as construction works take place. When the different elements of the construction contracts are not highly inter-related with, or dependent on, other contracting activities, the Group segregates each performance obligation for individual contract revenue recognition.

When one of the performance obligations in the construction contract is to arrange for the provision of goods or services by another party, the Group recognises such revenue on a net basis, in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Sales of goods

Revenue is recognised at a point in time when the goods are delivered and accepted by customers.

2. Significant accounting policies (continued)

s. Revenue and other income (continued)

i. Revenue from contracts with customers (continued)

Hotel room rental and other related revenue from hotel operation

Hotel room revenue is recognised in profit or loss over time during the period of stay by hotel guests. Revenue from food and beverage and other ancillary services are recognised at a point in time at which customers receive and consume the goods and services.

Services rendered

Revenue (comprising management fee income and property maintenance services) is recognised at a point in time when the services are rendered, at a rate as agreed with customer.

ii. Other income

The following is description of principal activities from which the Group and the Company generate other sources of income:

i. Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

ii. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised in profit or loss as other operating income.

iii. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs [see Note 2(u)].

t. Government grant

Upon the fulfilment of conditions associated with a government grant (being the reimbursement of development cost incurred) for a mixed development project, the Group recognised the grant initially as a reduction in cost of developed properties and systematically realised to profit or loss when the developed properties under the said project are sold.

u. Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

u. Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

v. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

w. Earnings per ordinary share

The Group presents basic and diluted earnings per share for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares that are issued by the Company and/or its subsidiaries, associates and joint ventures.

2. Significant accounting policies (continued)

x. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

y. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

z. Fair value measurements

Fair value of an asset or a liability, except for share-based payments and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or to transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling the asset to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or the liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Property, plant and equipment

| <u>Group</u> | (Right-of-use assets) | | Buildings RM'000 |
|--|----------------------------|-----------------------------|---------------------|
| | Freehold land RM'000 | Leasehold land RM'000 | |
| Cost | | | |
| At 1 January 2021 | 747 | 6,939 | 54,100 |
| Additions | - | - | - |
| Disposals/Write-offs | - | - | - |
| Reclassifications | - | - | - |
| At 31 December 2021/1 January 2022 | 747 | 6,939 | 54,100 |
| Additions | - | - | 201 |
| Transfer from investment properties (Note 8.2) | - | - | 1,589 |
| Disposals/Write-offs | - | - | - |
| Adjustment* | - | - | - |
| Reclassifications | - | - | - |
| At 31 December 2022 | 747 | 6,939 | 55,890 |

Depreciation and impairment loss

| | | | |
|--|---|-------|--------|
| At 1 January 2021 | | | |
| - Accumulated depreciation | - | 1,353 | 13,206 |
| - Accumulated impairment loss | - | - | - |
| Depreciation for the year (Note 3.3) | - | 1,353 | 13,206 |
| Disposals/Write-offs | - | 77 | 1,366 |
| At 31 December 2021/1 January 2022 | - | - | - |
| - Accumulated depreciation | - | 1,430 | 14,572 |
| - Accumulated impairment loss | - | - | - |
| Depreciation for the year (Note 3.3) | - | 1,430 | 14,572 |
| Transfer from investment properties (Note 8.2) | - | 77 | 1,387 |
| Disposals/Write-offs | - | - | 360 |
| At 31 December 2022 | - | - | - |
| - Accumulated depreciation | - | 1,507 | 16,319 |
| - Accumulated impairment loss | - | - | - |
| | - | 1,507 | 16,319 |

Carrying amounts

| | | | |
|---------------------|-----|-------|--------|
| At 31 December 2021 | 747 | 5,509 | 39,528 |
| At 31 December 2022 | 747 | 5,432 | 39,571 |

(Note 3.4)

* Representing adjustments related to over-accruals of some estimated costs to completion for certain hotel assets previously provided for following the finalisation of accounts with contractors/suppliers during the current financial year.

| Hotel property RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Plant and machinery RM'000 | Jetty and wharf RM'000 | Assets under construction RM'000 | Total RM'000 |
|--------------------------|----------------------------------|--------------------------|----------------------------|-------------------------------|---------------------------|-------------------------------------|-----------------|
| 45,411 | 43,338 | 12,632 | 27,428 | 44,037 | 1,952 | - | 236,584 |
| 71 | 86 | 878 | 473 | 29 | - | 190 | 1,727 |
| - | (64) | (2,342) | (682) | (6,309) | - | - | (9,397) |
| (475) | 284 | - | (3) | 194 | - | - | - |
| 45,007 | 43,644 | 11,168 | 27,216 | 37,951 | 1,952 | 190 | 228,914 |
| 123 | 551 | 48 | 301 | 87 | - | 437 | 1,748 |
| - | - | - | - | - | - | - | 1,589 |
| - | (70) | (616) | (144) | (11) | - | - | (841) |
| - | (115) | - | - | - | - | - | (115) |
| (84) | - | - | - | 84 | - | - | - |
| 45,046 | 44,010 | 10,600 | 27,373 | 38,111 | 1,952 | 627 | 231,295 |
| 921 | 17,250 | 12,450 | 22,377 | 30,860 | 1,952 | - | 100,369 |
| 3,323 | - | - | - | - | - | - | 3,323 |
| 4,244 | 17,250 | 12,450 | 22,377 | 30,860 | 1,952 | - | 103,692 |
| 898 | 4,069 | 134 | 1,164 | 2,027 | - | - | 9,735 |
| - | (64) | (2,342) | (677) | (6,309) | - | - | (9,392) |
| 1,819 | 21,255 | 10,242 | 22,864 | 26,578 | 1,952 | - | 100,712 |
| 3,323 | - | - | - | - | - | - | 3,323 |
| 5,142 | 21,255 | 10,242 | 22,864 | 26,578 | 1,952 | - | 104,035 |
| 898 | 3,968 | 201 | 1,932 | 1,557 | - | - | 10,020 |
| - | - | - | - | - | - | - | 360 |
| - | (70) | (616) | (144) | (11) | - | - | (841) |
| 2,717 | 25,153 | 9,827 | 24,652 | 28,124 | 1,952 | - | 110,251 |
| 3,323 | - | - | - | - | - | - | 3,323 |
| 6,040 | 25,153 | 9,827 | 24,652 | 28,124 | 1,952 | - | 113,574 |
| 39,865 | 22,389 | 926 | 4,352 | 11,373 | - | 190 | 124,879 |
| 39,006 | 18,857 | 773 | 2,721 | 9,987 | - | 627 | 117,721 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Property, plant and equipment (continued)

| <u>Company</u> | Buildings RM'000 | Furniture and fittings RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|--------------------------------------|---------------------|--|-------------------------------|-----------------------------|-----------------|
| Cost | | | | | |
| At 1 January 2021 | 5,952 | 1,123 | 368 | - | 7,443 |
| Additions | - | - | 5 | 560 | 565 |
| Disposals/Write-offs | - | - | (51) | - | (51) |
| At 31 December 2021/1 January 2022 | 5,952 | 1,123 | 322 | 560 | 7,957 |
| Additions | - | - | 44 | - | 44 |
| At 31 December 2022 | 5,952 | 1,123 | 366 | 560 | 8,001 |
| Depreciation | | | | | |
| At 1 January 2021 | 1,091 | 1,109 | 362 | - | 2,562 |
| Depreciation for the year (Note 3.3) | 119 | 13 | 5 | 9 | 146 |
| Disposals/Write-offs | - | - | (51) | - | (51) |
| At 31 December 2021/1 January 2022 | 1,210 | 1,122 | 316 | 9 | 2,657 |
| Depreciation for the year (Note 3.3) | 119 | - | 13 | 112 | 244 |
| At 31 December 2022 | 1,329 | 1,122 | 329 | 121 | 2,901 |
| Carrying amounts | | | | | |
| At 31 December 2021 | 4,742 | 1 | 6 | 551 | 5,300 |
| At 31 December 2022 | 4,623 | 1 | 37 | 439 | 5,100 |

3. Property, plant and equipment (continued)**3.1 Titles to properties**

Strata titles of certain building have yet to be issued by the relevant authority, analysed as follows:

| | <u>Group</u> | |
|------------------------|---------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| <u>Carrying amount</u> | | |
| Hotel property | 39,006 | 39,865 |
| | <u>39,006</u> | <u>39,865</u> |

3.2 Motor vehicles under hire purchases

| | <u>Group</u> | | <u>Company</u> | |
|----------------------------------|--------------|------------|----------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Carrying amount of leased assets | 724 | 917 | 439 | 551 |
| | <u>724</u> | <u>917</u> | <u>439</u> | <u>551</u> |

3.3 Allocation of depreciation

Depreciation for the year is allocated as follows:

| | <u>Group</u> | | <u>Company</u> | |
|--|---------------|--------------|----------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Recognised in profit or loss (Note 24) | 9,899 | 9,399 | 244 | 146 |
| Capitalised in: | | | | |
| - contract costs | - | 50 | - | - |
| - inventory (under property development costs) | 121 | 286 | - | - |
| | <u>10,020</u> | <u>9,735</u> | <u>244</u> | <u>146</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Property, plant and equipment (continued)

3.4 Leasehold land (Right-of-use assets)

| | (Right-of-use assets) Leasehold land | | Total RM'000 |
|--|--|--|-----------------|
| | (unexpired lease term more than 50 years) RM'000 | (unexpired lease term less than 50 years) RM'000 | |
| Cost | | | |
| At 1 January 2021, 31 December 2021/1 January 2022 and 31 December 2022 | 5,991 | 948 | 6,939 |
| Depreciation | | | |
| At 1 January 2021 | 986 | 367 | 1,353 |
| Depreciation for the year | 59 | 18 | 77 |
| At 31 December 2021/1 January 2022 | 1,045 | 385 | 1,430 |
| Depreciation for the year | 59 | 18 | 77 |
| At 31 December 2022 | 1,104 | 403 | 1,507 |
| Carrying amount | | | |
| At 31 December 2021 | 4,946 | 563 | 5,509 |
| At 31 December 2022 | 4,887 | 545 | 5,432 |

3.5 Assets charged to banks as security for borrowings (see also Note 20.2)

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Right-of-use assets – Leasehold land | 732 | 740 | - | - |
| Hotel property | 39,006 | 39,865 | - | - |
| Motor vehicles | 724 | 917 | 439 | 551 |
| | 40,462 | 41,522 | 439 | 551 |

3. Property, plant and equipment (continued)

3.6 Impairment loss

At each financial year, the Group performs assessment to determine whether there is any indication that the hotel property may be impaired.

The recoverable amount of the hotel property was estimated based on its value in use by reference to the discounted cash flow projections over the remaining useful life of the said asset. The estimation of value in use was determined using a pre-tax discount rate of 8%. Other key assumptions used in the estimation include average room rate, occupancy rate, food and beverages revenue and appropriate rate of profit return.

A total impairment loss of RM3,323,000 was made against the carrying amount of the hotel property in prior years. During the current year under review, the Group re-evaluated the recoverable amount of the hotel property based on the same basis applied thereto and concluded that neither further impairment loss is necessary nor any reversal of impairment loss previously made is required.

4. Investment in subsidiaries

| | <u>Company</u> | |
|---------------------------|----------------|----------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Cost of investment | | |
| Unquoted shares, at cost | 437,212 | 397,162 |
| Less: Impairment loss | (99,789) | (81,789) |
| | <u>337,423</u> | <u>315,373</u> |

During the year, the Company subscribed for additional 40,050,000 new ordinary shares issued by a direct subsidiary, settled by way of cash of RM3,650,000 and capitalisation of debts owing thereto of RM36,400,000 [also see Note 36(i)].

Impairment loss

At each financial year, the Company conducts an impairment evaluation to ascertain whether there is any indication that the investment in any of its subsidiaries may be impaired.

During the current financial year, an impairment loss of RM18,000,000 (2021: RM50,000,000) is recognised as other expenses in profit or loss (see Note 24) against the carrying amount of the investment in a subsidiary based on the estimated recoverable amount of the said investment. The recoverable amount is based on the estimated value in use with reference to the anticipated future performance of the said subsidiary. Key assumptions used in the estimation include projected revenue from secured projects and expected projects, other income and administrative expenses adjusted for some appropriate annual rate of increment over the projection periods of 5 years. The estimation of value in use was determined using a pre-tax discount of 6%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Investment in subsidiaries (continued)

Information of subsidiaries

Details of the subsidiaries, all of which the principal place of business and country of incorporation is in Malaysia except for Naim Engineering Construction (Fiji) Limited, Naim Quarry (Fiji) Limited and Naim Premix (Fiji) Limited, which the principal place of business and country of incorporation is in Fiji and the Company's interests therein are shown as follows:

| Name of subsidiary | Principal activities | Effective ownership interest and voting interest (%) | |
|-------------------------------------|--|--|-------|
| | | 2022 | 2021 |
| <u>Direct subsidiaries</u> | | | |
| Naim Land Sdn. Bhd. ("NLSB") | Property developer and civil and building contractor | 100.0 | 100.0 |
| Naim Engineering Sdn. Bhd. ("NESB") | Civil, building and earthwork contractor | 100.0 | 100.0 |
| Naim Assets Sdn. Bhd. ("NASB") | Investment holding | 100.0 | 100.0 |
| Naim Academy Sdn. Bhd. ("NACSB") | Investment holding | 100.0 | 100.0 |
| <u>Subsidiaries of NLSB</u> | | | |
| Desa Ilmu Sdn. Bhd. | Property developer | 60.0 | 60.0 |
| Peranan Makmur Sdn. Bhd. ("PMSB") | Property developer | 70.0 | 70.0 |
| Khidmat Mantap Sdn. Bhd. | Property developer | 100.0 | 100.0 |
| Naim Realty Sdn. Bhd. | Property investment | 100.0 | 100.0 |
| Naim Supply & Logistic Sdn. Bhd. | Trading of construction materials | 100.0 | 100.0 |
| Naim Commercial Sdn. Bhd. | Property developer | 100.0 | 100.0 |
| Naim Human Capital Sdn. Bhd. | Provision of management services | 100.0 | 100.0 |
| Naim Cendera Lapan Sdn. Bhd. | Quarry licensee and operator | 100.0 | 100.0 |
| Jelas Kemuncak Resources Sdn. Bhd. | Quarry operator | 100.0 | 100.0 |
| Simbol Warisan Sdn. Bhd. | Quarry licensee | 75.0 | 75.0 |
| Yakin Pelita Sdn. Bhd. | Property investment | 100.0 | 100.0 |
| Petrochemical Hub Sdn. Bhd. | Property investment | 100.0 | 100.0 |
| Dataran Wangsa Sdn. Bhd. | Property developer | 100.0 | 100.0 |
| Yakin Jelas Sdn. Bhd. | Property investment | 100.0 | 100.0 |
| Pavilion Quest Sdn. Bhd.** | Property investment | 100.0 | 100.0 |
| Solid Greenland Sdn. Bhd.** | Property investment | 100.0 | 100.0 |
| Naim Ready Mix Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| TR Green Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim (MM2H) Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim Incorporated Berhad | Inactive | 100.0 | 100.0 |

4. Investment in subsidiaries (continued)

| Name of subsidiary | Principal activities | Effective ownership interest and voting interest (%) | |
|--|---|--|-------|
| | | 2022 | 2021 |
| <u>Subsidiaries of NLSB (continued)</u> | | | |
| Naim Oil & Gas Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Kuching Paragon Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Miri Paragon Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim Data Sdn. Bhd.** | Inactive | 100.0 | 100.0 |
| Naim Mortgage Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Lotus Paradigm Sdn. Bhd. | Inactive | 70.0 | 70.0 |
| <u>Subsidiaries of NESB</u> | | | |
| Naim Capital Sdn. Bhd. ("NCSB") | Investment holding | 100.0 | 100.0 |
| Naim Overseas Sdn. Bhd. ("NOSB") | Investment holding | 100.0 | 100.0 |
| NAIM GAMUDA (NAGA) JV SDN. BHD. | Civil contractor | 70.0 | 70.0 |
| Naim Binaan Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim Premix Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim Equipment Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| Naim Recruitment & Agency Sdn. Bhd. ** | Inactive | 100.0 | 100.0 |
| BDA Naim Sdn. Bhd. (formerly known as Unique Composite Sdn. Bhd.) | Inactive | 80.0 | 80.0 |
| <u>Subsidiaries of NASB</u> | | | |
| Naim Hotel Sdn. Bhd. | Hotel operation | 100.0 | 100.0 |
| Naim Property Services Sdn. Bhd. ** | Provision of property management services | 100.0 | 100.0 |
| Bintulu Paragon Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| <u>Subsidiary of NACSB</u> | | | |
| Permyjaya Sino Education Sdn. Bhd. | Inactive | 100.0 | 100.0 |
| <u>Subsidiaries of NCSB</u> | | | |
| Naim Capital Port Sdn. Bhd. | Civil contractor | 100.0 | 100.0 |
| Naim Capital Housing Sdn. Bhd. | Civil contractor | 100.0 | 100.0 |
| <u>Subsidiary of PMSB</u> | | | |
| Harmony Faber Sdn. Bhd. | Property investment | 70.0 | 70.0 |
| <u>Subsidiaries of NOSB</u> | | | |
| Naim Engineering Construction (Fiji) Limited # | Inactive | 99.9 | 99.9 |
| Naim Quarry (Fiji) Limited # | Inactive | 99.9 | 99.9 |
| Naim Premix (Fiji) Limited # | Inactive | 99.9 | 99.9 |

** Not audited by KPMG PLT.

Audited by other member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Investment in subsidiaries (continued)

Non-controlling interests ("NCI") in subsidiaries

The Group's subsidiaries that have material NCI are as follows:

| | Desa Ilmu Sdn. Bhd. ("DISB") RM'000 | NAIM GAMUDA (NAGA) JV SDN. BHD. ("NAGA") RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---|--|--|--|-----------------|
| 31.12.2022 | | | | |
| NCI percentage of ownership/voting interest | 40% | 30% | | |
| Carrying amount of NCI | 14,391 | 9,856 | (2,297) | 21,950 |
| Profit/(Loss) allocated to NCI | 190 | 1,043 | (970) | 263 |

The following table summarises the financial information of the Group's material NCI in DISB and NAGA:

| | DISB RM'000 | NAGA RM'000 |
|--|----------------|----------------|
| Summarised financial information before intra-group elimination | | |
| As at 31 December 2022 | | |
| Non-current assets | 565 | - |
| Current assets | 39,860 | 96,244 |
| Current liabilities | (4,529) | (63,390) |
| Net assets | <u>35,896</u> | <u>32,854</u> |
| Year ended 31 December 2022 | | |
| Revenue | 800 | 263,430 |
| Profit and total comprehensive income for the year | <u>394</u> | <u>3,477</u> |
| Cash flows from: | | |
| - operating activities | 7,832 | 5,921 |
| - investing activities | 645 | 677 |
| Net increase in cash and cash equivalents | <u>8,477</u> | <u>6,598</u> |

| | Desa Ilmu Sdn. Bhd. ("DISB") RM'000 | NAIM GAMUDA (NAGA) JV SDN. BHD. ("NAGA") RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---|--|--|--|-----------------|
| 31.12.2021 | | | | |
| NCI percentage of ownership/voting interest | 40% | 30% | | |
| Carrying amount of NCI | 14,201 | 8,813 | (1,277) | 21,737 |
| Profit/(Loss) allocated to NCI | 96 | 1,883 | (280) | 1,699 |

4. Investment in subsidiaries (continued)

Non-controlling interests (“NCI”) in subsidiaries (continued)

The following table summarises the financial information of the Group’s material NCI in DISB and NAGA:

| | DISB RM’000 | NAGA RM’000 |
|--|-----------------|----------------|
| Summarised financial information before intra-group elimination | | |
| As at 31 December 2021 | | |
| Non-current assets | 567 | - |
| Current assets | 40,475 | 127,309 |
| Current liabilities | (5,540) | (97,932) |
| Net assets | <u>35,502</u> | <u>29,377</u> |
| Year ended 31 December 2021 | | |
| Revenue | 1,687 | 299,719 |
| Profit and total comprehensive income for the year | <u>240</u> | <u>6,276</u> |
| Cash flows from/(used in): | | |
| - operating activities | 32 | 6,129 |
| - investing activities | 668 | 341 |
| - financing activities | (5,000) | - |
| Net (decrease)/increase in cash and cash equivalents | <u>(4,300)</u> | <u>6,470</u> |

5. Investment in associates

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| At cost | | | | |
| Shares in Malaysia | | | | |
| - unquoted | 32,416 | 32,416 | - | - |
| - quoted | 181,976 | 181,976 | 181,976 | 181,976 |
| Share of post-acquisition reserves | 226,190 | 181,670 | - | - |
| | <u>440,582</u> | <u>396,062</u> | <u>181,976</u> | <u>181,976</u> |
| Less: Impairment loss | - | - | (9,618) | (9,618) |
| | <u>440,582</u> | <u>396,062</u> | <u>172,358</u> | <u>172,358</u> |
| Market value | | | | |
| Quoted shares in Malaysia | <u>377,334</u> | <u>236,364</u> | <u>377,334</u> | <u>236,364</u> |

Impairment loss

At each financial year, the Company performs assessment to determine whether there is any indication that the carrying amount of investment in any of its associate may be impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Investment in associates (continued)

Impairment loss (continued)

An impairment loss of RM9,618,000 was recognised in profit or loss in the previous financial year against the carrying amount of the investment in an associate based on the estimated recoverable amount of the said investment. The estimated recoverable amount is determined with reference to the underlying assets and liabilities of the associate as well as the anticipated future performance of the associate. The estimated recoverable amount is then adjusted from the higher of the estimated value in use or the estimated fair value less costs of disposal used in the impairment assessment in the associate.

During the current year under review, the Company re-evaluated the recoverable amount of the said investment based on the same basis applied thereto and concluded that neither further impairment loss is necessary nor any reversal of impairment loss previously made is required. The carrying amount of the investment in the said associate approximates its estimated recoverable amount as at reporting period.

Details of the material associates, all of which the principal place of business and country of incorporation is in Malaysia, are as follows:

| Name of entity | Nature of relationship | Effective ownership interest and voting interest (%) | |
|---|---|--|---------------------|
| | | 2022 | 2021 |
| Dayang Enterprise Holdings Bhd. ("DEHB") | Provision of offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning works, chartering of marine vessels and equipment. This is one of the vehicles through which the Group has ventured into the oil and gas industry | 24.22 | 24.22 |
| Samalaju Properties Sdn. Bhd. ("SPSB") # | Property and township development, including providing temporary accommodation facilities, in line with Group's existing property segment operation | 39.00 | 39.00 |
| GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD. ("GNEC") ** @ | One of civil contractors to the Group | 35.00 | 35.00 |
| Perdana Petroleum Berhad ("PPB") | Provision of marine support services for the oil and gas industry, which is a subsidiary of DEHB | 3.47 [^] | 3.47 [^] |
| Kempas Sentosa Sdn. Bhd. ** | One of civil contractors to the Group and hiring of plant and equipment to the Group | 40.00 | 40.00 |
| Miri Specialist Hospital Sdn. Bhd. ("MSHSB") # | Specialist hospital operator in one of the Group's existing development township | 15.53 ^{^^} | 15.53 ^{^^} |

Held through NLSB

** Held through NESB

@ Financial year end of 31 July

5. Investment in associates (continued)

[^] Although the Group's direct shareholdings is less than 20% in PPB, i.e. 3.47% as of 31 December 2022, the Directors have determined that the Group has significant influence, partly because it has two (2) board representatives in PPB. In addition, the Group's effective equity interest in PPB, if taking into account of the Group's share of the equity interest in PPB held through DEHB, is about 18.90% (2021: 18.90%) as at financial year end.

^{^^} While the Group's equity interest in MSHSB is less than 20%, the Group has determined that it still has significant influence in the investee company because of the two (2) representatives the Group currently has on the board of MSHSB.

All associates' financial year ends on 31 December, other than that marked with "@". For the purpose of applying the equity method for associates with a different financial year from the Group's, the last available audited financial statements and/or management accounts up to 31 December 2022 have been used.

The following table summarises the information of the Group's material associates, adjusted for any material differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

Summary of financial information

| | Group | | | |
|---|-------------------------|----------------------|----------------------|-----------------------|
| | DEHB | SPSB | GNEC | PPB |
| <u>31.12.2022</u> | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 31 December | | | | |
| Non-current assets | 1,504,627 | 156,799 | 15,925 | 713,767 |
| Current assets | 855,495 | 85,859 | 245,609 | 106,556 |
| Non-current liabilities | (336,554) | (2,586) | (41) | (151,713) |
| Current liabilities | (370,132) | (178,147) | (199,444) | (83,281) |
| Non-controlling interests | (204,429) | - | - | - |
| Net assets | <u>1,449,007</u> | <u>61,925</u> | <u>62,049</u> | <u>585,329</u> |
| Redeemable convertible preference shares ("RCPS") | - | (44,100) | - | (7,993) |
| | <u><u>1,449,007</u></u> | <u><u>17,825</u></u> | <u><u>62,049</u></u> | <u><u>577,336</u></u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Investment in associates (continued)

Summary of financial information (continued)

| | Group | | | | Other immaterial associates RM'000 | Total RM'000 |
|--|----------------|----------------|----------------|---------------|---|-----------------|
| | DEHB RM'000 | SPSB RM'000 | GNEC RM'000 | PPB RM'000 | | |
| 31.12.2022 (continued) | | | | | | |
| Year ended 31 December | | | | | | |
| Profit for the year | 124,244 | 6,231 | 13,780 | 11,385 | | |
| Other comprehensive income | 30,386 | - | - | 47,711 | | |
| Total comprehensive income for the year | 154,630 | 6,231 | 13,780 | 59,096 | | |
| <i>Included in the total comprehensive income is:</i> | | | | | | |
| Revenue | 984,183 | 30,963 | 288,886 | 196,628 | | |
| Reconciliation of net assets to carrying amount as at 31 December | | | | | | |
| Group's share of net assets | 350,936 | 6,952 | 21,717 | 20,045 | 4,500 | 404,150 |
| Group's share of RCPS | - | 19,110 | - | - | - | 19,110 |
| Goodwill | 19,674 | - | - | - | - | 19,674 |
| Elimination of unrealised profit | - | - | - | - | (2,352) | (2,352) |
| Carrying amount in the statement of financial position | 370,610 | 26,062 | 21,717 | 20,045 | 2,148 | 440,582 |
| Group's share of results for the year ended 31 December | | | | | | |
| Group's share of: | | | | | | |
| - profit/(loss), net of tax | 30,645 | 4,096 | 4,823 | 294 | (93) | 39,765 |
| - other comprehensive income | 7,359 | - | - | 1,657 | - | 9,016 |
| Group's share of total comprehensive income/(expenses) | 38,004 | 4,096 | 4,823 | 1,951 | (93) | 48,781 |
| Other information | | | | | | |
| Dividends received | 4,206 | - | - | - | - | 4,206 |

| | Group | | | |
|---|----------------|----------------|----------------|---------------|
| | DEHB RM'000 | SPSB RM'000 | GNEC RM'000 | PPB RM'000 |
| 31.12.2021 | | | | |
| As at 31 December | | | | |
| Non-current assets | 1,549,627 | 153,867 | 19,963 | 736,050 |
| Current assets | 783,820 | 88,056 | 232,606 | 103,555 |
| Non-current liabilities | (479,546) | (5,328) | (2,088) | (168,704) |
| Current liabilities | (360,420) | (185,172) | (202,212) | (141,597) |
| Non-controlling interests | (183,870) | - | - | - |
| Net assets | 1,309,611 | 51,423 | 48,269 | 529,304 |
| Redeemable convertible preference shares ("RCPS") | - | (44,100) | - | (8,249) |
| | 1,309,611 | 7,323 | 48,269 | 521,055 |

5. Investment in associates (continued)

Summary of financial information (continued)

| | Group | | | | | Total RM'000 |
|--|----------------|----------------|----------------|---------------|---|-----------------|
| | DEHB RM'000 | SPSB RM'000 | GNEC RM'000 | PPB RM'000 | Other immaterial associates RM'000 | |
| 31.12.2021 (continued) | | | | | | |
| Year ended 31 December | | | | | | |
| (Loss)/Profit for the year | (318,932) | 5,508 | 22,143 | (325,196) | | |
| Other comprehensive income | 25,001 | - | - | 39,235 | | |
| Total comprehensive (expenses) /income for the year | (293,931) | 5,508 | 22,143 | (285,961) | | |
| <i>Included in the total comprehensive (expenses) /income is:</i> | | | | | | |
| Revenue | 667,736 | 28,489 | 281,586 | 160,557 | | |
| Reconciliation of net assets to carrying amount as at 31 December | | | | | | |
| Group's share of net assets | 317,190 | 2,856 | 16,894 | 18,097 | 4,786 | 359,823 |
| Group's share of RCPS | - | 19,110 | - | - | - | 19,110 |
| Goodwill | 19,674 | - | - | - | - | 19,674 |
| Elimination of unrealised profit | - | - | - | - | (2,545) | (2,545) |
| Carrying amount in the statement of financial position | 336,864 | 21,966 | 16,894 | 18,097 | 2,241 | 396,062 |
| Group's share of results for the year ended 31 December | | | | | | |
| Group's share of: | | | | | | |
| - (loss)/profit, net of tax | (78,055) | 2,370 | 7,750 | (11,281) | (403) | (79,619) |
| - other comprehensive income | 6,486 | - | - | 1,353 | - | 7,839 |
| Group's share of total comprehensive (expenses)/income | (71,569) | 2,370 | 7,750 | (9,928) | (403) | (71,780) |
| Other information | | | | | | |
| Dividends received | 4,206 | - | - | - | - | 4,206 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Investment in joint ventures - Group

| | 2022 RM'000 | 2021 RM'000 |
|------------------------------------|----------------|----------------|
| At cost | | |
| Capital contribution | 4,500 | 4,500 |
| Share of post-acquisition reserves | (2,473) | (2,596) |
| | 2,027 | 1,904 |
| | 2,027 | 1,904 |

The joint arrangements in which the Group participates are all involved in civil and building construction works, including oil and gas related construction projects. As the Group is only entitled to the net assets of the joint arrangements, the Group has therefore classified its interest in the following entities as joint ventures. Details of the joint ventures, all of which are based in Malaysia, are as follows:

| Name of entity | Effective voting interest (%) | |
|-----------------------|--|-------------|
| | 2022 | 2021 |
| NESB-Hock Peng JV | 51.0 | 51.0 |
| PPES Works-NLSB JV | 45.0 | 45.0 |
| Sinohydro-Naim JV * | 50.0 | 50.0 |
| Samsung-Naim JV * | 10.0 | 10.0 |

* *Inactive since the completion of the projects undertaken by joint ventures.*

The following table summarises the information of the Group's material joint ventures, adjusted for any material differences in accounting policies (if any) and reconciles the information to the carrying amount of the Group's interest in the joint venture.

Summary of financial information

| | NESB- Hock Peng JV RM'000 | PPES Works - NLSB JV RM'000 |
|--------------------------|--|--|
| <u>31.12.2022</u> | | |
| As at 31 December | | |
| Current assets | 23,427 | 1,413 |
| Current liabilities | (20,801) | (35) |
| Net assets | 2,626 | 1,378 |
| | 2,626 | 1,378 |

6. Investment in joint ventures - Group (continued)

Summary of financial information (continued)

| | NESB- Hock Peng JV RM'000 | PPES Works - NLSB JV RM'000 | Other immaterial joint ventures RM'000 | Total RM'000 |
|--|------------------------------------|---|--|-----------------|
| 31.12.2022 (continued) | | | | |
| Year ended 31 December | | | | |
| Profit/(Loss) and total comprehensive income/(expenses) for the year (before tax) | 3,246 | (5) | | |
| <i>Included in the total comprehensive income/(expenses)</i> | | | | |
| Revenue | 71,755 | - | | |
| Interest income | 24 | - | | |
| Reconciliation of net assets to carrying amount as at 31 December | | | | |
| Group's share of net assets and carrying amount in the statement of financial position | 1,339 | 620 | 68 | 2,027 |
| Group's share of results for the year ended 31 December | | | | |
| Group's share of profit/(loss) and total comprehensive income/(expenses), net of tax | 1,258 | (2) | - | 1,256 |
| Other information | | | | |
| Distribution of profit received | 1,530 | - | - | 1,530 |
| 31.12.2021 | | | | |
| As at 31 December | | | | |
| Current assets | 14,050 | 1,418 | | |
| Current liabilities | (11,670) | (35) | | |
| Net assets | 2,380 | 1,383 | | |
| Year ended 31 December | | | | |
| Profit/(Loss) and total comprehensive income/(expenses) for the year (before tax) | 2,008 | (4) | | |
| <i>Included in the total comprehensive income/(expenses)</i> | | | | |
| Revenue | 49,441 | - | | |
| Interest income | 33 | - | | |
| Reconciliation of net assets to carrying amount as at 31 December | | | | |
| Group's share of net assets and carrying amount in the statement of financial position | 1,214 | 622 | 68 | 1,904 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Investment in joint ventures - Group (continued)

Summary of financial information (continued)

| <u>31.12.2021</u> (continued) | NESB- Hock Peng JV RM'000 | PPES Works - NLSB JV RM'000 | Other immaterial joint ventures RM'000 | Total RM'000 |
|--|------------------------------------|---|--|-----------------|
| Group's share of results for the year ended 31 December | | | | |
| Group's share of profit/(loss) and total comprehensive income/(expenses), net of tax | 778 | (1) | - | 777 |
| Other information | | | | |
| Distribution of profit received | 1,530 | - | - | 1,530 |

7. Inventories

| | <u>Group</u> | |
|--|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| Non-current | | |
| <u>At cost</u> | | |
| Land held for property development (right-of-use assets) (Note 7.1) | 172,242 | 172,242 |
| Current | | |
| <u>At cost</u> | | |
| Completed goods for sale | | |
| - Developed properties (Note 7.2) | 323,494 | 225,725 |
| - Manufactured/Trading inventories (construction and building materials) | 836 | 1,062 |
| Raw materials and consumables | 409 | 391 |
| Properties under construction | | |
| - Property development costs | 231,348 | 318,978 |
| | <u>556,087</u> | <u>546,156</u> |
| <u>At net realisable value</u> | | |
| Completed goods for sale | | |
| - Manufactured/Trading inventories | 139 | 148 |
| - Developed properties | 1,989 | 2,749 |
| | <u>2,128</u> | <u>2,897</u> |
| | <u>558,215</u> | <u>549,053</u> |
| Total inventories | <u>730,457</u> | <u>721,295</u> |
| Recognised in profit or loss: | | |
| - inventories recognised as cost of sales | 62,585 | 75,195 |
| - written down to net realisable value | - | 26 |

7. Inventories (continued)**7.1 Land held for property development** (continued)**Security**

Certain parcels of leasehold land with carrying amounts of RM40,160,000 (2021: RM40,160,000) are charged to banks as security for certain term loan facilities (see Note 20.2).

7.2 Government grant

A government grant amounting to RM27,872,000 was received in prior years to facilitate and reimburse certain development costs incurred for a mixed development project upon the fulfilment of conditions imposed.

The grant received was initially recognised as a reduction in inventory costs and will be subsequently realised to profit or loss when the developed properties are sold. As at the year end, accumulated grant of RM12,646,000 (2021: RM12,509,000) has been realised to profit or loss as a reduction in cost of sale for the total developed properties sold.

8. Investment properties - Group

| | (Right-of-use assets) Long-term leasehold land (unexpired lease term more than 50 years) RM'000 | Buildings RM'000 | Buildings under construction RM'000 | Total RM'000 |
|--|---|----------------------|--|-----------------------|
| Cost | | | | |
| At 1 January 2021 | 32,353 | 61,752 | - | 94,105 |
| Additions | - | - | 59 | 59 |
| At 31 December 2021/1 January 2022 | <u>32,353</u> | <u>61,752</u> | <u>59</u> | <u>94,164</u> |
| Additions | - | - | 7,757 | 7,757 |
| Transfer to property, plant and equipment (Notes 3 and 8.2) | - | (1,589) | - | (1,589) |
| At 31 December 2022 | <u><u>32,353</u></u> | <u><u>60,163</u></u> | <u><u>7,816</u></u> | <u><u>100,332</u></u> |
| Amortisation | | | | |
| At 1 January 2021 | 3,352 | 12,601 | - | 15,953 |
| Amortisation for the year (Note 24) | 454 | 1,671 | - | 2,125 |
| At 31 December 2021/1 January 2022 | <u>3,806</u> | <u>14,272</u> | <u>-</u> | <u>18,078</u> |
| Amortisation for the year (Note 24) | 454 | 1,657 | - | 2,111 |
| Transfer to property, plant and equipment (Notes 3 and 8.2) | - | (360) | - | (360) |
| At 31 December 2022 | <u><u>4,260</u></u> | <u><u>15,569</u></u> | <u><u>-</u></u> | <u><u>19,829</u></u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Investment properties - Group (continued)

| | (Right-of-use assets) Long-term leasehold land (unexpired lease term more than 50 years) RM'000 | Buildings RM'000 | Buildings under construction RM'000 | Total RM'000 |
|----------------------------------|---|---------------------|--|-----------------|
| Carrying amounts | | | | |
| At 31 December 2021 | 28,547 | 47,480 | 59 | 76,086 |
| At 31 December 2022 | 28,093 | 44,594 | 7,816 | 80,503 |
| Fair value (see Note 8.5) | | | | |
| At 31 December 2021 | 88,834 | 54,868 | - [^] | 143,702 |
| At 31 December 2022 | 88,834 | 53,279 | - [^] | 142,113 |

[^] The Group is unable to determine reliably the fair value of investment property under construction at this stage until the construction is complete and the future annual cash flows can be measured reliably, whichever is earlier.

8.1 Investment property with a carrying amount of RM41,793,000 (2021: RM42,819,000) is charged to a bank as security for a term loan facility granted to a subsidiary (see Note 20.2).

8.2 Transfer to property, plant and equipment

Following the change in its use, some investment properties are reclassified to property, plant and equipment (see Note 3) and are measured at their carrying amount before the reclassification.

8.3 The following are recognised in profit or loss in respect of investment properties.

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Lease income | 5,157 | 5,000 |
| Direct operating expenses: | | |
| - income generating investment properties | 4,299 | 3,963 |
| - non-income generating investment properties | 60 | 44 |

8.4 Maturity analysis of operating lease payments

The operating lease payments (undiscounted) under MFRS 16 to be received are as follows:

| As a lessor | 2022 RM'000 | 2021 RM'000 |
|----------------------|----------------|----------------|
| Within one year | 4,496 | 3,966 |
| One to two years | 1,844 | 3,233 |
| Two to three years | 969 | 1,227 |
| Three to four years | 769 | 714 |
| More than four years | 4,106 | 4,876 |
| | 12,184 | 14,016 |

8. Investment properties - Group (continued)**8.5 Fair value information**

Fair value of investment properties as at end of the reporting period are categorised as Level 3, summarised as follows:

| Group | 2022 RM'000 | 2021 RM'000 |
|----------------|------------------------------|------------------------------|
| Leasehold land | 88,834 | 88,834 |
| Buildings | 53,279 | 54,868 |
| | <u> </u> | <u> </u> |

Level 3 fair value

The Level 3 fair value of investment properties, determined for disclosures purposes, is generally ascertained by the management with reference to valuation reports, issued by an external independent property valuer, who has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. For certain investment properties, the Group occasionally reviews and reassesses their fair value based on informal comparison method by reference to similar/comparable properties in markets that are not active, adjusted for differences in key attributes such as property size and areas.

For the determination of the fair value of a building, the investment method is mostly used whereby net rental is capitalised at the appropriate market yield and anticipated occupancy rates achieved. For land, the fair value is determined using the comparison method, whereby adjustments for differences in various factors affecting the value are made.

Highest and best use

The land classified as investment property is currently held under titles for residential, commercial and/or mixed development purpose. As the use of certain land is currently undetermined, it is therefore impractical to estimate its highest and best use.

A major part of the buildings comprise hypermarket malls situated at a prime area, which is the highest and best use of the land on which they were built. Other buildings comprising office lots and commercial retail units are similarly regarded as having been put at their highest and best use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible asset – Group

Stone quarry
licence
RM'000

Cost

At 1 January 2021, 31 December 2021/1 January 2022 and 31 December 2022 10,206

Amortisation and impairment loss

At 1 January 2021

- Accumulated amortisation 7,370

- Accumulated impairment loss 1,361

8,731

Amortisation for the year (Note 24)

681

At 31 December 2021/1 January 2022

- Accumulated amortisation 8,051

- Accumulated impairment loss 1,361

9,412

Amortisation for the year (Note 24)

681

At 31 December 2022

- Accumulated amortisation 8,732

- Accumulated impairment loss 1,361

10,093

Carrying amounts

At 31 December 2021 794

At 31 December 2022 113

Intangible asset comprises expenditure incurred to acquire a stone quarry licence.

9.1 Impairment loss

An impairment loss of RM1,361,000 was recognised as other expenses in profit or loss in earlier financial years based on estimated recoverable amount of the intangible asset, which was determined based on estimated value in use of the intangible asset over a period of 2 years.

During the current year under review, the Group has re-evaluated the recoverable amount based on the same basis applied thereto and concluded that no further impairment loss is necessary nor any reversal of impairment loss previously made is required.

9.2 Amortisation

The amortisation of the stone quarry license is recognised in cost of sales.

10. Deferred tax assets and liabilities - Group

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Fair value adjustment on acquisition of subsidiaries* | - | - | (19,536) | (20,453) | (19,536) | (20,453) |
| Property, plant and equipment | - | - | (2,013) | (1,750) | (2,013) | (1,750) |
| Capital allowances carried forward | 117 | 99 | - | - | 117 | 99 |
| Tax losses carried forward | 554 | 505 | - | - | 554 | 505 |
| Other items | 1,940 | 1,898 | - | - | 1,940 | 1,898 |
| Tax assets/(liabilities) | 2,611 | 2,502 | (21,549) | (22,203) | (18,938) | (19,701) |
| Set off of tax | (382) | (106) | 382 | 106 | - | - |
| Net tax assets/(liabilities) | 2,229 | 2,396 | (21,167) | (22,097) | (18,938) | (19,701) |

* This relates to fair value adjustments of certain land held for property development, property development costs, property, plant and equipment and investment property of the subsidiaries acquired in prior years. This deferred tax liability is progressively reversed to profit or loss when the subject land is developed and/or sold or when the land is amortised, as the case may be.

Certain subsidiaries of the Group have recognised deferred tax assets of RM2,229,000 (2021: RM2,396,000) based on the estimation of probable utilisation of those deductible temporary differences in the foreseeable future.

Movements in deferred tax during the year are as follows:

| <u>Group</u> | At 1.1.2021 | | Recognised in profit or loss | | At 31.12.2021/ 1.1.2022 | | Recognised in profit or loss | | At 31.12.2022 | |
|--|-------------|----------|------------------------------|--------|-------------------------|--------|------------------------------|--------|---------------|--------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Fair value adjustment on acquisition of subsidiaries | (21,345) | 892 | (20,453) | 917 | (19,536) | | | | | |
| Property, plant and equipment | (1,839) | 89 | (1,750) | (263) | (2,013) | | | | | |
| Capital allowances carried forward | 48 | 51 | 99 | 18 | 117 | | | | | |
| Tax losses carried forward | 530 | (25) | 505 | 49 | 554 | | | | | |
| Other items | 4,002 | (2,104) | 1,898 | 42 | 1,940 | | | | | |
| | (18,604) | (1,097) | (19,701) | 763 | (18,938) | | | | | |
| | | | (Note 28) | | | | (Note 28) | | | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Deferred tax assets and liabilities - Group (continued)

Unrecognised deferred tax assets

Deferred tax assets of RM53,343,000 (2021: RM50,663,000) have not been recognised in respect of the following temporary differences (stated at gross) because it is uncertain if sustainable future taxable profits will be available against which the group entities concerned can utilise the benefits therefrom:

| | Group | |
|------------------------------------|---------|---------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Capital allowances carried forward | 10,816 | 10,646 |
| Unutilised tax losses | 196,477 | 185,725 |
| Other items | 14,968 | 14,724 |
| | 222,261 | 211,095 |
| | 222,261 | 211,095 |

Capital allowance does not have any expiration date under the current tax regime. Under prevailing tax laws, unutilised tax losses can be carried forward for a maximum of 10 consecutive years of assessment with effect from the year of assessment 2019. The unutilised tax losses of RM142,022,000, RM7,474,000, RM14,970,000, RM21,264,000 and RM10,747,000 can be carried forward up to YA2028, YA2029, YA2030, YA2031 and YA2032 respectively under the current tax legislation of Malaysia.

11. Other investments - Group

| | 2022 | 2021 |
|---|--------|--------|
| | RM'000 | RM'000 |
| <i>Fair value through other comprehensive income</i> | | |
| - unquoted shares in Malaysia | 2,963 | 2,963 |
| - quoted shares in Malaysia | 54 | 65 |
| | 3,017 | 3,028 |
| | 3,017 | 3,028 |
| <i>Fair value</i> (also Note 32.4) | | |
| - unquoted shares in Malaysia | 2,963 | 2,963 |
| - quoted shares in Malaysia | 54 | 65 |
| | 3,017 | 3,028 |
| | 3,017 | 3,028 |

The Group designated the other investments as fair value through other comprehensive income because these investments in equity securities represent investments that the Group intends to hold over a long-term period.

Total dividend income receivables from the other investments held on hand during the and as at the financial year are RM125,000 (2021: RM42,000) (see Note 24).

12. Trade and other receivables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Non-current | | | | |
| Trade receivables | | | | |
| Trade receivables from contracts with customers (Notes 12.2 and 12.3) | 28,159 | 40,689 | - | - |
| Other receivables | | | | |
| Other receivables (Note 12.2) | 2,541 | 5,579 | - | - |
| | <u>30,700</u> | <u>46,268</u> | <u>-</u> | <u>-</u> |
| Current | | | | |
| Trade receivables | | | | |
| Trade receivables from contracts with customers (Notes 12.1, 12.2 and 12.3) | 39,953 | 81,348 | - | - |
| Amount due from an associate (Note 12.5) | 2,256 | 2,523 | - | - |
| | <u>42,209</u> | <u>83,871</u> | <u>-</u> | <u>-</u> |
| Other receivables | | | | |
| Other receivables (Note 12.2) | 32,001 | 28,102 | 27 | 16 |
| Amount due from: | | | | |
| - subsidiaries (Note 12.4) | - | - | 76,709 | 105,872 |
| - associates (Note 12.5) | 3,155 | 3,254 | - | - |
| | <u>35,156</u> | <u>31,356</u> | <u>76,736</u> | <u>105,888</u> |
| Total current | <u>77,365</u> | <u>115,227</u> | <u>76,736</u> | <u>105,888</u> |
| Grand total | <u>108,065</u> | <u>161,495</u> | <u>76,736</u> | <u>105,888</u> |

12.1 Trade receivables of the Group as at 31 December 2021 included retention sums of RM2,190,000 relating to construction contracts, being the unconditional rights to contract considerations with customers. The retention sums were unsecured and interest-free.

12.2 Included in the trade and other receivables of the Group is a remaining sum of RM10,092,000 (2021: RM14,227,000) due from a debtor for sale of two (2) parcels of leasehold land in prior years. The amount is expected to be recovered over a period of four years commencing from October 2020 or upon the issuance of titles, whichever is later.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Trade and other receivables (continued)

12.3 The Group's trade receivables also include a sum of RM38,108,000 (2021: RM47,393,000) arising from a construction project undertaken for a government-related entity under a deferred payment scheme where the contract proceeds (including associated financing income) are to be recovered over a period of 10 years. The outstanding receivable is unsecured, bears interest at 7.80% (2021: 7.80%) per annum and is expected to be collected as follows:

| | Group | |
|-------------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| Within 1 year | 11,818 | 10,845 |
| 1 - 2 year | 12,641 | 11,818 |
| 2 - 3 year | 13,649 | 12,641 |
| More than 3 years | - | 12,089 |
| | 38,108 | 47,393 |

12.4 Included in the amount due from subsidiaries is a sum of RM69,920,000 (2021: RM98,956,000), which is unsecured and bears interest at rates ranging from 3.73% to 4.86% (2021: 3.75% to 3.81%) per annum. The remaining balances are unsecured, interest-free and repayable on demand.

12.5 The amount due from associates are unsecured and interest-free.

12.6 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

| Group | Gross amount RM'000 | Offset balance RM'000 | Net carrying amount RM'000 |
|--------------------|---------------------------|-----------------------------|-------------------------------------|
| <u>2022</u> | | | |
| Trade receivables | 11,339 | (11,339) | - |
| Trade accruals | 11,339 | (11,339) | - |
| | 11,339 | (11,339) | - |
| <u>2021</u> | | | |
| Trade receivables | 11,769 | (11,769) | - |
| Trade accruals | 11,769 | (11,769) | - |
| | 11,769 | (11,769) | - |

Certain trade and other receivables and trade payables were set off for presentation purpose as these receivables include some payments in-kind portion made in relation to the contractors' claims. They intend to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

13. Contract with customers

13.1 Contract costs

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Cost to fulfil contract | | |
| - costs incurred directly on contracts with customers | 4,730 | 4,883 |

13.2 Contract assets/(liabilities)

| | 2022 RM'000 | 2021 RM'000 |
|----------------------|----------------|----------------|
| Contract assets | 39,316 | 43,389 |
| Contract liabilities | (1,871) | (5,566) |

Contract assets primarily relate to the Group's rights to contract consideration for works completed on properties and/or construction contracts but not yet billed to customers at the reporting date. Typically, the amount will be billed in the manner as established in the contracts with customers. The contract assets are reclassified as trade receivables when the rights to contract consideration become unconditional.

Contract liabilities primarily relate to contract consideration received and/or the Group's unconditional rights to contract consideration in advance of the performance under the contracts. The contract liabilities are expected to be recognised as revenue based on the expected timing of completion of works.

a. Movements in the contract assets/liabilities balances during the year includes:

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Revenue recognised arising from contract liabilities at the beginning of period | 2,771 | 14,678 |
| Contract assets at the beginning of period reclassified to trade receivables | 38,325 | 14,091 |
| Increase/(Decrease) in revenue recognised in previous periods arising from change in contract considerations | 3,093 | (1,134) |

b. Included in the contract assets of the Group is a sum of RM52,000 (2021: RM107,000) held by customers and is regarded as conditional rights to contract considerations until the completion of performance under the contracts with customers. Such amounts will be transferred to trade receivables when the rights become unconditional.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Contract with customers (continued)

13.2 Contract assets/(liabilities) (continued)

c. Impairment assessment on contract assets

Credit risk on contract assets arises from construction projects and sale of development properties. The Group adopts a 'simplified approach' when performing impairment assessments for contract assets. Since the contract assets have substantially the same risk characteristics as the trade receivables, estimation techniques or significant assumptions made in assessing the loss allowance are generally the same. The Group applies similar credit risk management on its financial instrument for contract assets [see Note 32.3(a)].

Management estimates the loss allowance on contract assets at an amount equal to lifetime expected credit loss ("ECL"), taking into account the historical default experience. None of the contract assets at the end of the reporting period is past due. No aging analysis of contract assets are presented as the outstanding balances as at 31 December 2022 are current. The exposure of credit risk for contract assets as at the end of the reporting period by geographic region is Malaysia.

The following tables provides information about ECLs for contract assets:

| Group | 2022 RM'000 | 2021 RM'000 |
|----------------|-----------------------|-----------------------|
| Gross amount | 46,612 | 52,968 |
| Loss allowance | (7,296) | (9,579) |
| Net amount | <u>39,316</u> | <u>43,389</u> |

The movement in the allowance for impairment loss of contract assets during the financial year are as follows:

| Group | RM'000 |
|--|---------------|
| Balance at 1 January 2021 | 6,946 |
| Addition | 2,633 |
| Balance at 31 December 2021/1 January 2022 | <u>9,579</u> |
| Reversal | (2,283) |
| Balance at 31 December 2022 | <u>7,296</u> |

14. Deposits and prepayments

| | Group | | Company | |
|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits | 5,463 | 5,243 | 19 | 19 |
| Prepayments | 4,986 | 2,936 | 1 | 1 |
| | <u>10,449</u> | <u>8,179</u> | <u>20</u> | <u>20</u> |

15. Other financial assets

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Cash pledged with licensed banks (Note 15.1) | 15,416 | 15,421 | 2,824 | 2,788 |

15.1 Cash pledged as security

- a. Deposits of RM1,164,000 (2021: RM1,143,000) are pledged as security to licensed banks for the issuance of bank guarantees for housing projects.
- b. A sum of RM14,252,000 (2021: RM14,278,000) is placed in designated sinking fund bank accounts as part of the requirements for term loan facilities granted to the Group for the purpose of interest and principal payments at intervals of 1 to 3 months periods, as the case may be.

16. Cash and cash equivalents

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits placed with licensed banks with maturities less than three months | 203,852 | 227,067 | 24,940 | 28,047 |
| Cash in hand and at banks | 39,769 | 39,161 | 4,857 | 4,682 |
| Housing Development Accounts (Note 16.1) | 4,137 | 8,523 | - | - |
| Total cash and cash equivalents | 247,758 | 274,751 | 29,797 | 32,729 |

16.1A balance of RM4,137,000 (2021: RM8,523,000) is maintained in designated Housing Development Accounts ("HDA") pursuant to the Sarawak's Housing Development (Control and Licensing) Ordinance, 2013 and Housing Development (Control and Licensing) Regulations, 2014 in connection with certain property development projects of the Group. The utilisation of these balances is restricted before the completion of housing development projects and fulfilment of all relevant obligations to the purchasers, such that the cash can only be withdrawn from such HDA accounts for the purpose of completing the particular projects in the manner as defined under the ordinance.

17. Assets held for sale - Group

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Assets classified as held for sale | | |
| Property, plant and equipment | 83 | 82 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Share capital

| | — Group and Company — | |
|---|-----------------------|---------|
| | 2022 | 2021 |
| <u>Ordinary shares with no par value</u> | | |
| Issued and fully paid shares with no par value classified as equity instruments: | | |
| Number of shares ('000) | | |
| Opening and closing balances | 513,799 | 513,799 |
| Amount (RM'000) | | |
| Opening and closing balances | 454,802 | 454,802 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share during a poll at general meetings of the Company.

19. Reserves

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Retained earnings | 822,795 | 797,986 | 50,614 | 71,210 |
| Treasury shares | (34,748) | (34,748) | (34,748) | (34,748) |
| Foreign currency translation reserve | 21,720 | 12,662 | - | - |
| Other reserves | 112 | 123 | - | - |
| | <u>809,879</u> | <u>776,023</u> | <u>15,866</u> | <u>36,462</u> |

19.1 Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the Annual General Meeting held on 26 May 2022, approved the Company's plan to repurchase its own shares in aggregate not exceeding 10% of the total number of issued shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchases of issued share capital by the Company during the current and previous financial year. As at 31 December 2022, the Company holds 13,056,000 (2021: 13,056,000) of the Company's shares. All rights attached to the treasury shares that are held by the Company are suspended until those shares are reissued.

19.2 Foreign currency translation reserve

The foreign currency translation reserve arises from the translation of the financial statements of subsidiaries and/or associates whose presentation currency differs from the presentation currency of the Group's financial statements which is RM.

19.3 Other reserves

Other reserves comprise cash flow hedge in associates as well as changes in fair value of equity investments designated at fair value through other comprehensive income.

20. Loans and borrowings

| | Group | | Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Non-current | | | | |
| Secured term loans | 87,130 | 67,812 | 38,500 | - |
| Hire purchases (Note 20.1) | 490 | 647 | 297 | 388 |
| | <u>87,620</u> | <u>68,459</u> | <u>38,797</u> | <u>388</u> |
| Current | | | | |
| Unsecured revolving credits | 120,000 | 172,000 | 35,000 | 85,000 |
| Secured term loans | 25,173 | 28,207 | 6,000 | 1,378 |
| Hire purchases (Note 20.1) | 157 | 151 | 91 | 88 |
| | <u>145,330</u> | <u>200,358</u> | <u>41,091</u> | <u>86,466</u> |
| Total | <u>232,950</u> | <u>268,817</u> | <u>79,888</u> | <u>86,854</u> |

20.1 Hire purchases are payable as follows:

| | 2022 | | | 2021 | | |
|---------------------------|-------------------|------------------|---------------------|-------------------|------------------|---------------------|
| | Payment RM'000 | Profit RM'000 | Principal RM'000 | Payment RM'000 | Profit RM'000 | Principal RM'000 |
| Group | | | | | | |
| Less than one year | 180 | 23 | 157 | 180 | 29 | 151 |
| Between one to two years | 180 | 16 | 164 | 180 | 23 | 157 |
| Between two to five years | 338 | 12 | 326 | 518 | 28 | 490 |
| | <u>698</u> | <u>51</u> | <u>647</u> | <u>878</u> | <u>80</u> | <u>798</u> |
| Company | | | | | | |
| Less than one year | 105 | 14 | 91 | 105 | 17 | 88 |
| Between one to two years | 105 | 10 | 95 | 105 | 14 | 91 |
| Between two to five years | 209 | 7 | 202 | 314 | 17 | 297 |
| | <u>419</u> | <u>31</u> | <u>388</u> | <u>524</u> | <u>48</u> | <u>476</u> |

20.2 Security

Term loans

- secured by fixed charges over certain parcels of leasehold land and buildings (erected thereon) [see Notes 3.5, 7.1 and 8.1].
- secured by assignment of proceeds from a construction project undertaken by a subsidiary.
- secured by debentures over future and present assets of certain subsidiaries.
- covered by corporate guarantee from the Company and/or another subsidiary, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Loans and borrowings (continued)

20.2 Security (continued)

Revolving credits

The revolving credit facilities granted to direct subsidiaries are covered by way of corporate guarantees from the Company.

The revolving credit facility of the Company, is on a clean basis.

Hire purchases

The hire purchases are secured on the respective leased assets acquired (see Note 3.2).

20.3 Covenant for term loan facilities

The Group is required to maintain a debt to equity ratio of not exceeding 1 time.

21. Trade and other payables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Trade payables | | | | |
| Trade payables (Note 21.1) | 81,383 | 80,824 | - | - |
| Amount due to associates (Note 21.4) | 12,811 | 20,569 | - | - |
| Trade accruals | 144,617 | 160,970 | - | - |
| | <u>238,811</u> | <u>262,363</u> | <u>-</u> | <u>-</u> |
| Other payables | | | | |
| Other payables (Note 21.3) | 2,255 | 6,931 | - | 54 |
| Accruals | 7,250 | 5,276 | 556 | 423 |
| Advance payments and deposits received | 7,152 | 5,567 | 195 | 195 |
| Amount due to: | | | | |
| - subsidiaries (Note 21.2) | - | - | 73,022 | 55,769 |
| - associates (Note 21.4) | 549 | 420 | - | - |
| | <u>17,206</u> | <u>18,194</u> | <u>73,773</u> | <u>56,441</u> |
| Total | <u>256,017</u> | <u>280,557</u> | <u>73,773</u> | <u>56,441</u> |

21.1 Included in trade payables of the Group are retention sums and performance bonds amounting to RM54,811,000 (2021: RM57,995,000).

21.2 Included in the amount due to subsidiaries is a sum of RM70,175,000 (2021: RM54,787,000) bearing interest ranging from 3.73% to 4.86% (2021: 3.75% to 3.81%) per annum. The remaining balance is interest free and unsecured.

21.3 Other payables of the Group as at 31 December 2021 included a remaining outstanding land premium of RM3,524,000 in relation to prior years' acquisition of investment properties. The acquisition consideration was payable over an extended period up to 7 years at an effective interest of 5.22% per annum. The outstanding land premium has been fully settled during the current year.

21.4 The amount due to associates are unsecured and interest-free.

22. Provisions

**Group
RM'000**

Provisions for maintenance

| | |
|---|--------------|
| At 1 January 2021 | 3,539 |
| Utilised during the year | (67) |
| At 31 December 2021/1 January 2022 and 31 December 2022 | <u>3,472</u> |

Provisions for maintenance are made to cater for some anticipated contract maintenance/rectification works at site for certain completed projects.

23. Revenue

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Revenue from contracts with customers (Note 23.1) | 364,070 | 417,911 | 2,428 | 2,447 |
| Other revenue | | | | |
| - Rental income | 4,496 | 4,340 | - | - |
| - Dividend income from: | | | | |
| - a subsidiary | - | - | - | 40,000 |
| - an associate | - | - | 4,206 | 4,206 |
| | <u>368,566</u> | <u>422,251</u> | <u>6,634</u> | <u>46,653</u> |

23.1 Disaggregation of revenue

Disaggregation of the revenue from contracts with customers

| <i>Major products/services</i> | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Construction contracts | 265,352 | 310,293 | - | - |
| Sales of properties | 85,618 | 92,582 | - | - |
| Sales of goods | 2,731 | 2,868 | - | - |
| Revenue from hotel operations | 9,514 | 11,232 | - | - |
| Services rendered | 855 | 936 | 2,428 | 2,447 |
| | <u>364,070</u> | <u>417,911</u> | <u>2,428</u> | <u>2,447</u> |

Timing of recognition

| | | | | |
|--------------------|----------------|----------------|--------------|--------------|
| Over time | 340,318 | 384,314 | - | - |
| At a point in time | 23,752 | 33,597 | 2,428 | 2,447 |
| | <u>364,070</u> | <u>417,911</u> | <u>2,428</u> | <u>2,447</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Revenue (continued)

23.2 Nature of goods and services

The following information reflects the typical nature of transactions with customers:

| Major goods and services | Timing and method of revenue recognised | Payment terms | Example of variable consideration | Warranty |
|--|--|---|--|---|
| Construction contracts | Revenue is recognised over time which is measured by actual costs incurred to the estimated total contract cost. | Based on the milestones, as established in contracts. | Liquidated and ascertained damages arising from late completion, as established in contracts. | Defect liability period up to 24 months, depending on the nature of contract works performed. |
| Sales of properties | Revenue is recognised, either over time, or at a point in time, depending on the timing when controls of the assets pass to buyers. | Based on billings milestones as spelled out in contracts, certified by architects where applicable. | Discounts/rebates granted during promotional periods. Liquidated and ascertained damages arising from late completion, as established in contracts. | Defect liability period up to 24 months, as established in contracts and/or based on historical business practices. |
| Sales of goods | Revenue is recognised at a point in time when the goods are delivered and accepted by customers. | Credit period of up to 60 days from invoice date. | - | - |
| Revenue from hotel operations | Revenue is recognised, either over time, or at a point in time, depending on the timing when the customers receives and consumes the services/goods. | Based on published terms as stated in invoice | - | - |
| Services rendered (comprising management fee and maintenance services) | Revenue is recognised at a point in time when the services are rendered. | Credit period of up to 60 days from invoice date. | - | - |

23. Revenue (continued)**23.3 Unsatisfied performance obligations**

The unsatisfied performance obligations at the reporting date are expected to be fulfilled in the following periods based on the management's best estimations and on the assumption that there are no significant changes to the existing contractual periods and contract considerations.

| | 2022 RM'000 | 2021 RM'000 |
|------------------------|----------------|----------------|
| Within one year | 337,400 | 229,646 |
| More than one year | 309,082 | 616,769 |
| | <u>646,482</u> | <u>846,415</u> |
| Represented by: | | |
| Construction contracts | 634,431 | 806,251 |
| Sales of properties | 12,051 | 40,164 |
| | <u>646,482</u> | <u>846,415</u> |

24. Results from operating activities

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |

Results from operating activities is arrived at after charging:

Auditors' remuneration:

| | | | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| - Audit fee | | | | |
| KPMG PLT | 371 | 351 | 82 | 80 |
| Overseas affiliates of KPMG PLT | 25 | 20 | - | - |
| Other auditors | 17 | 13 | - | - |
| - Non-audit fee | | | | |
| KPMG PLT | 26 | 71 | 20 | 18 |
| Local affiliates of KPMG PLT | 181 | 162 | 16 | 13 |
| Overseas affiliates of KPMG PLT | 14 | 2 | - | - |
| Other auditors | 8 | 4 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Results from operating activities (continued)

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Results from operating activities is arrived at after charging/(crediting): (continued) | | | | |
| Material expense | | | | |
| Amortisation of: | | | | |
| - intangible asset (Note 9) | 681 | 681 | - | - |
| - investment properties (Note 8) | 2,111 | 2,125 | - | - |
| Depreciation of property, plant and equipment (excluding those capitalised in inventories and contract costs) (Note 3.3) | 9,899 | 9,399 | 244 | 146 |
| Property, plant and equipment written off | - | 4 | - | - |
| Personnel expenses (including key management personnel): | | | | |
| - contributions to state plans | 3,581 | 3,258 | - | - |
| - wages, salaries and others | 29,429 | 25,971 | - | - |
| Foreign exchange loss | | | | |
| - realised | 2 | - | - | - |
| Impairment loss on other assets: | | | | |
| - investment in a subsidiary (Note 4) | - | - | 18,000 | 50,000 |
| - investment in an associate (Note 5) | - | - | - | 9,618 |
| Inventories written down | - | 26 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net change in impairment loss on: | | | | |
| Financial assets at amortised cost [Note 32.3(a)] | (36) | 1,378 | - | - |
| Contract assets [Note 13.2(c)] | (2,283) | 2,633 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Expenses arising from leases: (Note 24.1) | | | | |
| Expenses relating to: | | | | |
| - short-term leases | 21 | 88 | 234 | 234 |
| - leases of low-value assets | 357 | 337 | 3 | 4 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Material income | | | | |
| Dividend income from other investments (Note 11) | | | | |
| - quoted shares in Malaysia | (1) | (1) | - | - |
| - unquoted shares in Malaysia | (124) | (41) | - | - |
| Dividend income from subsidiaries and associates | | | | |
| - quoted shares in Malaysia | - | - | (4,206) | (4,206) |
| - unquoted shares in Malaysia | - | - | - | (40,000) |
| Gain on disposal of property, plant and equipment | (39) | (511) | - | (1) |
| Foreign exchange gain | | | | |
| - unrealised | (247) | (159) | (238) | (159) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Lease expenses

24.1 The Group leases office equipment and premises with contract terms of 5 years or less. These leases are short-term leases and/or leases of low-value assets. The Group has elected not to recognise them as right-of-use assets and the associated lease liabilities for these leases. The lease payments for these short-term leases and low-value assets are recognised as expenses to profit or loss on a straight-line basis over the lease term.

25. Other non-operating expenses

Other non-operating expense comprises losses on deemed disposals amounting to RM55,000 (2021: RM2,004,000) arising from the dilution in the effective equity interest in one (2021: two) associate(s) [see Notes 37(i) and 37(ii)].

26. Finance income and costs

Recognised in profit or loss

| | Group | | Company | |
|--|---------------|---------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income of financial assets calculated using the effective interest method that are at amortised costs: | | | | |
| - fixed deposits and cash funds | 4,077 | 4,080 | 398 | 248 |
| - interest income from deferred payment scheme | 3,530 | 4,310 | - | - |
| - other finance income | 812 | 1,368 | 3,178 | 3,602 |
| | <u>8,419</u> | <u>9,758</u> | <u>3,576</u> | <u>3,850</u> |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| - loans and borrowings | 10,785 | 12,144 | 3,108 | 3,474 |
| - other finance costs | 1,184 | 7 | 2,571 | 1,406 |
| | <u>11,969</u> | <u>12,151</u> | <u>5,679</u> | <u>4,880</u> |

27. Compensations to key management personnel

Compensations paid/payable to key management personnel are as follows:

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company | | | | |
| - Fees | 450 | 494 | 450 | 494 |
| - Short-term employee benefits | 3,826 | 3,343 | 3,340 | 3,343 |
| | <u>4,276</u> | <u>3,837</u> | <u>3,790</u> | <u>3,837</u> |
| Other key management personnel (including subsidiaries' directors) | | | | |
| - Fees | 60 | 60 | - | - |
| - Short-term employee benefits | 3,634 | 4,303 | 57 | 153 |
| | <u>3,694</u> | <u>4,363</u> | <u>57</u> | <u>153</u> |
| Total | <u>7,970</u> | <u>8,200</u> | <u>3,847</u> | <u>3,990</u> |

Other key management personnel comprise persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The estimated monetary value of benefit-in-kind is RM44,000 (2021: RM52,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Tax expense/income

Major components of tax expense/(income) include:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Current tax expense/(income) | | | | |
| - current year | 7,426 | 8,236 | - | - |
| - prior years | (217) | (3,735) | - | (312) |
| | <u>7,209</u> | <u>4,501</u> | <u>-</u> | <u>(312)</u> |
| Deferred tax (income)/expense (Note 10) | | | | |
| - recognition and reversal of temporary differences | (926) | (662) | - | - |
| - prior years | 163 | 1,759 | - | - |
| | <u>(763)</u> | <u>1,097</u> | <u>-</u> | <u>-</u> |
| Total tax expense/(income) recognised in profit or loss | <u>6,446</u> | <u>5,598</u> | <u>-</u> | <u>(312)</u> |

Reconciliation of tax expense/income

| | Group | | Company | |
|--|----------------|------------------|------------------|------------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Profit/(Loss) for the year | 25,072 | (76,966) | (20,596) | (20,546) |
| Total tax expense/(income) | 6,446 | 5,598 | - | (312) |
| Profit/(Loss) excluding tax | <u>31,518</u> | <u>(71,368)</u> | <u>(20,596)</u> | <u>(20,858)</u> |
| Share of tax of equity-accounted associates and joint ventures | 17,515 | 6,294 | - | - |
| | <u>49,033</u> | <u>(65,074)</u> | <u>(20,596)</u> | <u>(20,858)</u> |
| Tax calculated using Malaysian tax rate of 24% | 11,768 | (15,618) | (4,943) | (5,006) |
| Effect of different tax rates in foreign jurisdiction | (19) | 4 | - | - |
| Non-deductible expenses | 10,072 | 37,214 | 5,952 | 15,654 |
| Non-taxable income | (486) | (8,491) | (1,009) | (10,648) |
| Movements in unrecognised deferred tax assets | 2,680 | 2,159 | - | - |
| Utilisation of tax loss previously not recognised | - | (1,400) | - | - |
| | <u>24,015</u> | <u>13,868</u> | <u>-</u> | <u>-</u> |
| Over-provision in prior years | (54) | (1,976) | - | (312) |
| Less: Share of tax of equity-accounted associates and joint ventures | (17,515) | (6,294) | - | - |
| Total tax expense/(income) | <u>6,446</u> | <u>5,598</u> | <u>-</u> | <u>(312)</u> |

29. Earnings per ordinary share - Group

Basic and Diluted earnings/(loss) per ordinary share

The calculation of basic and diluted earnings/(loss) per ordinary share was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after excluding treasury shares bought back in previous years.

| | 2022 | 2021 |
|---|-------------|-----------------|
| Profit/(Loss) attributable to ordinary shareholders (RM'000) | 24,809 | (78,665) |
| Weighted average number of ordinary shares, net of treasury shares of 13,056,000 (2021: 13,056,000) ('000) | 500,743 | 500,743 |
| Basic and Diluted earnings/(loss) per share (sen) | <u>4.95</u> | <u>(15.71)</u> |

30. Dividend

| | Sen per share | Total amount RM'000 | Date of payment |
|-----------------------|---------------|------------------------|-----------------|
| 2021 | | | |
| Interim 2021 ordinary | 7.9 | <u>39,559</u> | 6 August 2021 |

The Directors do not recommend any dividend to be paid for the year under review.

31. 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 - All other business segments with profit contributions less than 10%. This includes manufacture and sale of buildings 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**31. Operating segments (continued)**

| | Property development | |
|--|-----------------------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Revenue from external customers | 85,618 | 92,582 |
| Inter segment revenue | - | - |
| Total segment revenue | <u>85,618</u> | <u>92,582</u> |
| Segment profit/(loss) | 6,520 | 8,970 |
| Share of results (net of tax) of: | | |
| - associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group") | 4,096 | 2,370 |
| - joint ventures | - | - |
| | <u>10,616</u> | <u>11,340</u> |
| Unallocated expenses | | |
| Loss on deemed disposal of interests in associates, DEHB and Perdana Petroleum Berhad ("PPB") | | |
| Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment) | | |
| Tax expense | | |
| Profit/(Loss) for the year | | |
| Other comprehensive income, net of tax | | |
| Total comprehensive income/(expenses) for the year | | |
| Total comprehensive income attributable to non-controlling interests | | |
| Total comprehensive income/(expenses) attributable to owners of the Company | | |

Included in the measure of segment profit/(loss) are:

Depreciation and amortisation (including depreciation capitalised in inventories and contract costs)

Finance income

Finance costs

Net changes in impairment loss on financial assets and contract assets

Inventories written down

¹ Share of results of DEHB Group comprised the share of results from two associates, DEHB and PPB

| Construction | | Others | | Inter-segment elimination | | Consolidated | |
|-----------------------------|----------------|---------------------|-----------------|---------------------------|------------------|---------------------|------------------|
| 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 265,352 | 310,293 | 17,596 | 19,376 | - | - | 368,566 | 422,251 |
| 54,872 | 36,796 | 2,794 | 2,828 | (57,666) | (39,624) | - | - |
| <u>320,224</u> | <u>347,089</u> | <u>20,390</u> | <u>22,204</u> | <u>(57,666)</u> | <u>(39,624)</u> | <u>368,566</u> | <u>422,251</u> |
| 1,551 | 9,961 | (8,706) | (5,237) | (3,981) | (698) | (4,616) | 12,996 |
| 4,730 | 7,347 | - | - | - | - | 8,826 | 9,717 |
| 1,256 | 777 | - | - | - | - | 1,256 | 777 |
| <u>7,537</u> | <u>18,085</u> | <u>(8,706)</u> | <u>(5,237)</u> | <u>(3,981)</u> | <u>(698)</u> | <u>5,466</u> | <u>23,490</u> |
| | | | | | | (4,832) | (3,518) |
| | | | | | | (55) | (2,004) |
| | | | | | | 30,939 | (89,336) |
| | | | | | | (6,446) | (5,598) |
| | | | | | | <u>25,072</u> | <u>(76,966)</u> |
| | | | | | | 9,047 | 6,447 |
| | | | | | | <u>34,119</u> | <u>(70,519)</u> |
| | | | | | | (263) | (1,699) |
| | | | | | | <u>33,856</u> | <u>(72,218)</u> |
| Property development | | Construction | | Others | | Consolidated | |
| 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 4,605 | 3,951 | 165 | 556 | 8,042 | 8,034 | 12,812 | 12,541 |
| (812) | (1,368) | (3,530) | (4,310) | - | - | (4,342) | (5,678) |
| 3,786 | 2,479 | 4,191 | 3,569 | 3,992 | 6,103 | 11,969 | 12,151 |
| 343 | 534 | (2,283) | 2,633 | (379) | 844 | (2,319) | 4,011 |
| - | - | - | - | - | 26 | - | 26 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26</u> | <u>-</u> | <u>26</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Operating segments (continued)

Major customers

The following are the major customers with revenue equal to or more than 10% of the Group's total revenue individually:

| | Revenue | | Segment |
|------------|----------------|----------------|--------------|
| | 2022 RM'000 | 2021 RM'000 | |
| Customer A | 235,509 | 274,469 | Construction |

Geographical information

The Group is mainly domiciled in Malaysia. The contribution from the foreign operations based in Fiji is minimal and immaterial to warrant disclosure.

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Amortised cost ("AC")
- Fair value through other comprehensive income ("FVOCI") - equity instrument designated upon initial recognition.

| <u>Group</u> | Financial assets | | | | Total RM'000 |
|----------------------|-------------------------------|---|---|--|-----------------|
| | Other investment RM'000 | Trade and other receivables RM'000 | Cash and cash equivalents RM'000 | Other financial assets RM'000 | |
| At 31.12.2022 | | | | | |
| Carrying amount | 3,017 | 108,065 | 247,758 | 15,416 | 374,256 |
| AC | - | 108,065 | 247,758 | 15,416 | 371,239 |
| FVOCI | 3,017 | - | - | - | 3,017 |
| At 31.12.2021 | | | | | |
| Carrying amount | 3,028 | 161,454 [^] | 274,751 | 15,421 | 454,654 |
| AC | - | 161,454 [^] | 274,751 | 15,421 | 451,626 |
| FVOCI | 3,028 | - | - | - | 3,028 |

[^] Excluding amount receivable from Royal Malaysian Custom Department.

32. Financial instruments (continued)

32.1 Categories of financial instruments (continued)

| Group (continued) | Financial liabilities | | | Total RM'000 |
|--------------------------|---------------------------------------|--|-----------------------------|------------------------|
| | Loans and borrowings RM'000 | Trade and other payables* RM'000 | Provisions RM'000 | |
| At 31.12.2022 | | | | |
| Carrying amount | (232,950) | (248,865) | (3,472) | (485,287) |
| AC | (232,950) | (248,865) | (3,472) | (485,287) |
| At 31.12.2021 | | | | |
| Carrying amount | (268,817) | (274,990) | (3,472) | (547,279) |
| AC | (268,817) | (274,990) | (3,472) | (547,279) |

* Excluding advance payment received and/or deposit received from contract customers

| Company | Financial assets | | | Total RM'000 |
|----------------------|--|--|---|------------------------|
| | Trade and other receivables RM'000 | Cash and cash equivalents RM'000 | Other financial assets RM'000 | |
| At 31.12.2022 | | | | |
| Carrying amount | 76,736 | 29,797 | 2,824 | 109,357 |
| AC | 76,736 | 29,797 | 2,824 | 109,357 |
| At 31.12.2021 | | | | |
| Carrying amount | 105,888 | 32,729 | 2,788 | 141,405 |
| AC | 105,888 | 32,729 | 2,788 | 141,405 |

| Company | Financial liabilities | | |
|----------------------|---------------------------------------|---|------------------------|
| | Loans and borrowings RM'000 | Trade and other payables RM'000 | Total RM'000 |
| At 31.12.2022 | | | |
| Carrying amount | (79,888) | (73,773) | (153,661) |
| AC | (79,888) | (73,773) | (153,661) |
| At 31.12.2021 | | | |
| Carrying amount | (86,854) | (56,441) | (143,295) |
| AC | (86,854) | (56,441) | (143,295) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Net gains/(losses) on: | | | | |
| Financial assets at AC | 8,700 | 8,539 | 3,814 | 4,009 |
| Financial liabilities at AC | (11,969) | (12,151) | (5,679) | (4,880) |
| Equity instruments designated at FVOCI | 114 | (1) | - | - |
| | <u>(3,155)</u> | <u>(3,613)</u> | <u>(1,865)</u> | <u>(871)</u> |

32.3 Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

a. Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk arises principally from its receivables from customers and deposits in banks. The Company's exposure to credit risk mainly arises from unsecured short-term advances to subsidiaries and financial guarantees given to banks for credit facilities granted to certain subsidiaries. There are no significant changes as compared to previous year.

Receivables

Risk management objectives, policies and processes for managing the risk

- Receivables from external parties

The management regularly reviews the credit risk on customers and takes appropriate measures to enhance credit control procedures. At each reporting date, the Group or the Company assesses whether any of its receivables are credit impaired.

The gross carrying amount of credit impaired receivables will be written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the receivables that are impaired (either partially or fully) are still subject to debt recovery enforcement activities to recover the amounts due from the customers. There are no significant changes as compared to previous year.

The contract assets [see Note 13.2(c)] have substantially the same risk characteristics as the trade receivables from the same categories of customers. The Group or the Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

There are no significant changes as compared to previous year.

32. Financial instruments (continued)

32.3 Financial risk management (continued)

a. Credit risk (continued)

Receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

- Intercompany balances

The Company sometimes provides some financial support assistance via unsecured short-term advances to some of its subsidiaries. The Company monitors the results of these subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by their carrying amounts in the statements of financial position.

At the end of the reporting period, there are no significant concentrations of credit risk other than the following receivables due from:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Two (2021: two) external parties | 50,508 | 100,401 | - | - |
| One (2021: two) subsidiary(ies) | - | - | 76,587 | 103,988 |
| | <u>50,508</u> | <u>100,401</u> | <u>76,587</u> | <u>103,988</u> |

The exposure of credit risk for trade and other receivables as at the end of the reporting period by geographic region was:

| | Group | | Company | |
|----------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Malaysia | 108,055 | 161,429 | 76,736 | 105,888 |
| Fiji | 10 | 25 | - | - |
| | <u>108,065</u> | <u>161,454</u> | <u>76,736</u> | <u>105,888</u> |

Recognition and measurement of impairment loss

The Group monitors each receivable individually and uses ageing analysis to monitor the credit quality of the receivables. Appropriate debts recovery actions are taken to recover overdue debts. These actions include sending out reminder letters and scheduling repayments such as instalment scheme and contra arrangement, which are closely monitored by delegated team before commencing any legal proceedings against the customers.

For sales of properties, as ownership and titles to properties are only transferred to customers upon full settlement of the purchase consideration, the Group regards the credit risk exposure as low. Moreover, most of these trade receivables are supported with end-financing from reputable end-financiers, which have low risk of default.

As construction contracts only involve a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, historical payment trends and other external available information. The Group regards the risk of defaults from these contract customers, which are mostly government related, as low.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.3 Financial risk management (continued)

a. Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment loss (continued)

For receivables from goods sold and/or services rendered, an allowance matrix is used to measure any expected credit loss ("ECL") for a particular year. The Group analyses and studies prior years' actual credit loss experience, historical payments trends and other available external credit evaluations to derive appropriate loss rates.

The following tables provides information about the exposure to credit risk and ECLs for trade and other receivables:

| <u>Group</u> | Gross RM'000 | Loss allowance RM'000 | Net RM'000 |
|-----------------------------|-------------------------|--------------------------------------|-----------------------|
| <u>2022</u> | | | |
| Not past due | 71,938 | - | 71,938 |
| Past due 0-30 days | 6,658 | (28) | 6,630 |
| Past due 31-60 days | 2,267 | (32) | 2,235 |
| Past due 61-90 days | 345 | (70) | 275 |
| Past due 91-180 days | 2,267 | (344) | 1,923 |
| Past due more than 180 days | 38,715 | (13,651) | 25,064 |
| Trade and other receivables | <u>122,190</u> | <u>(14,125)</u> | <u>108,065</u> |
| <u>2021</u> | | | |
| Not past due | 126,475 | - | 126,475 |
| Past due 0-30 days | 3,462 | (28) | 3,434 |
| Past due 31-60 days | 1,227 | (28) | 1,199 |
| Past due 61-90 days | 830 | (57) | 773 |
| Past due 91-180 days | 1,551 | (441) | 1,110 |
| Past due more than 180 days | 57,354 | (28,891) | 28,463 |
| Trade and other receivables | <u>190,899</u> | <u>(29,445)</u> | <u>161,454</u> |

The movements in the allowance for impairment loss of trade and other receivables during the financial year are as follows:

| <u>Group</u> | Trade receivables RM'000 | Other receivables RM'000 | Total RM'000 |
|--|---|---|-------------------------|
| Balance at 1 January 2021 | 19,199 | 8,868 | 28,067 |
| Additions | 718 | 660 | 1,378 |
| Balance at 31 December 2021/1 January 2022 | <u>19,917</u> | <u>9,528</u> | <u>29,445</u> |
| Additions | 244 | 343 | 587 |
| Reversals | (623) | - | (623) |
| Write-offs | (15,158) | (126) | (15,284) |
| Balance at 31 December 2022 | <u>4,380</u> | <u>9,745</u> | <u>14,125</u> |

32. Financial instruments (continued)**32.3 Financial risk management** (continued)**a. Credit risk** (continued)**Receivables** (continued)**Recognition and measurement of impairment loss** (continued)**Intercompany balances**

Generally, the Company does not specifically monitor the ageing of debts owing by its subsidiaries, which are considered to have low credit risk. As the Company is able to determine the timing of payments of these debts and manage the utilisation of assets, there is no indication that the amounts due from subsidiaries of RM76,709,000 (2021: RM105,872,000) are not recoverable as at the end of the reporting period. The Company considers a subsidiary's debts to be credit impaired when the subsidiary is unlikely to repay its debts to the Company in full. The Company determines the probability of default for these debts using internal information available.

Financial guarantees**Risk management objectives, policies and processes for managing the risk**

The Company provides unsecured financial guarantees to banks in respect of certain banking facilities extended to certain subsidiaries when required. The Company monitors on an on-going basis the results of and repayments made by the subsidiaries to ensure that they are able to meet their obligations when due.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risks, being the outstanding financial guarantees granted to the subsidiaries as at end of the reporting period is summarised as follows:

| Company | 2022 RM'000 | 2021 RM'000 |
|---|------------------------------|------------------------------|
| Bank guarantees | 28,523 | 29,176 |
| Other loans and borrowings outstanding and recognised in financial statements | 152,803 | 181,640 |
| Total | <u>181,326</u> | <u>210,816</u> |

The Company reviews and reassesses the credit risk when a subsidiary's financial position deteriorates significantly and makes losses from its operation. The Company considers the financial guarantee to be credit impaired when the subsidiary is unlikely to repay its credit obligation to the bank in full. The Company determines the probability of default of the guaranteed loans individually using internal information available.

There is no indication that any subsidiary would default on the repayments of its loans and borrowings. The financial guarantees have not been recognised as the probability of the subsidiaries defaulting on the credit lines is remote.

Cash and cash equivalents

The cash and cash equivalents are held with licensed banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. These licensed banks have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due and to mitigate the effects of fluctuations in cash flows. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.3 Financial risk management (continued)

b. Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities (which are non-derivatives) as at the end of the reporting period based on undiscounted contractual payments:

| <u>Group</u> | Carrying amount RM'000 | Contractual interest rate % |
|-------------------------------|------------------------------|-----------------------------------|
| 2022 | | |
| Trade and other payables | 248,865 | - |
| Provisions | 3,472 | - |
| Loans and borrowings | | |
| - Secured term loans | 112,303 | 4.79 - 6.00 |
| - Unsecured revolving credits | 120,000 | 3.84 - 5.53 |
| - Hire purchases | 647 | 3.74 - 6.93 |
| <hr/> | | |
| 2021 | | |
| Trade and other payables | | |
| - interest-bearing | 3,524 | 5.22 |
| - non interest-bearing | 271,466 | - |
| Provisions | 3,472 | - |
| Loans and borrowings | | |
| - Secured term loans | 96,019 | 3.92 - 6.00 |
| - Unsecured revolving credits | 172,000 | 3.38 - 4.06 |
| - Hire purchases | 798 | 3.74 - 6.93 |
| <hr/> | | |
| Company | | |
| 2022 | | |
| Other payables | | |
| - interest-bearing | 70,175 | 3.73 - 4.86 |
| - non interest-bearing | 3,598 | - |
| Loans and borrowings | | |
| - Secured term loan | 44,500 | 4.79 |
| - Unsecured revolving credits | 35,000 | 4.60 - 5.12 |
| Hire purchases | 388 | 3.85 |
| Financial guarantees* | - | - |
| <hr/> | | |
| 2021 | | |
| Other payables | | |
| - interest-bearing | 54,787 | 3.75 - 3.81 |
| - non interest-bearing | 1,654 | - |
| Loans and borrowings | | |
| - Secured term loan | 1,378 | 4.20 |
| - Unsecured revolving credits | 85,000 | 3.60 - 3.96 |
| - Hire purchases | 476 | 3.85 |
| Financial guarantees* | - | - |
| <hr/> | | |

* Being corporate guarantees granted for banking facilities of certain subsidiaries [see Note 32.3(a)], which will only be encashed in the event of default by the subsidiaries. These financial guarantees do not have an impact on group contractual cash flows.

| Contractual cash flows RM'000 | Under 1 year RM'000 | 1-2 years RM'000 | 2-5 years RM'000 | More than 5 years RM'000 |
|--|------------------------------------|---------------------------------|---------------------------------|---|
| 248,865 | 230,883 | 3,716 | 14,266 | - |
| 3,472 | 3,472 | - | - | - |
| 129,562 | 30,387 | 24,819 | 50,155 | 24,201 |
| 121,382 | 121,382 | - | - | - |
| 698 | 180 | 180 | 338 | - |
| <u>3,708</u> | <u>3,708</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 271,466 | 251,283 | 7,861 | 12,322 | - |
| 3,472 | 3,472 | - | - | - |
| 109,221 | 32,515 | 22,288 | 38,232 | 16,186 |
| 173,229 | 173,229 | - | - | - |
| 878 | 180 | 180 | 518 | - |
| <u>70,175</u> | <u>70,175</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3,598 | 3,598 | - | - | - |
| 52,412 | 7,918 | 7,713 | 21,413 | 15,368 |
| 35,343 | 35,343 | - | - | - |
| 419 | 105 | 105 | 209 | - |
| 181,326 | 181,326 | - | - | - |
| <u>54,787</u> | <u>54,787</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1,654 | 1,654 | - | - | - |
| 1,384 | 1,384 | - | - | - |
| 85,436 | 85,436 | - | - | - |
| 524 | 105 | 105 | 314 | - |
| 210,816 | 210,816 | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.3 Financial risk management (continued)

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices risks that will affect the Group's financial position or cash flows.

i. Currency risk

The Group is occasionally exposed to foreign currency risk on bank balances denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

As it is not possible to predict with any certainty, the movements of foreign exchange rates, this risk is managed on an on-going basis. As at the end of the reporting period, the Group does not have any outstanding forward foreign exchange contracts.

Exposure to foreign currency risk

The exposure to foreign currency risk, attributable to a currency which is other than the functional currency of the Group entities, based on the carrying amounts as at the end of the reporting period was:

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Cash and cash equivalents denominated in USD | | |
| - Group | 4,904 | 4,631 |
| - Company | 4,798 | 4,490 |
| | <u>4,798</u> | <u>4,490</u> |

A 10% (2021: 10%) strengthening of the RM against USD at the end of the reporting period would have decreased equity and post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group/Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Equity and Profit or loss | |
|-----------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| USD | | |
| - Group | (373) | (352) |
| - Company | (365) | (341) |
| | <u>(738)</u> | <u>(693)</u> |

A 10% (2021: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

ii. Interest rate risk

The Group's investments in fixed-rate term deposits and fixed-rate loans and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

32. Financial instruments (continued)

32.3 Financial risk management (continued)

c. Market risk (continued)

ii. Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group's policy is to manage its interest rate risk on an on-going basis to ensure that there are no undue exposures thereto. Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook of the financial market prevailing then.

The investments in interest-earning assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed-rates instruments | | | | |
| - Financial assets | 250,382 | 282,819 | 27,764 | 30,835 |
| - Financial liabilities | (165,504) | (231,768) | (35,388) | (85,476) |
| Floating rates instruments | | | | |
| - Financial assets | - | - | 69,920 | 98,956 |
| - Financial liabilities | (67,446) | (40,573) | (114,675) | (56,165) |

Interest rate risk sensitivity analysis**a. Fair value sensitivity analysis for fixed-rate instruments**

The Group does not account for any fixed-rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

b. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period, taking into account the contractual repayments terms of its floating rate instruments, would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown as below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Equity and Profit or loss | | | |
|----------------------------------|---------------------------|-------------------|-------------------|-------------------|
| | 2022 | | 2021 | |
| | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Floating rate instruments | | | | |
| - Group | (1,639) | 1,639 | (629) | 629 |
| - Company | (1,264) | 1,264 | 337 | (337) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.3 Financial risk management (continued)

c. Market risk (continued)

iii. Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors and manages the equity investments on individual basis. The exposure to equity price risk is not material and hence, sensitivity analysis is not presented.

32.4 Fair value information

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| <u>Group</u> | Fair value of financial instruments carried at fair value | | |
|-------------------------------|---|---------------------|-----------------|
| | (Level 1) RM'000 | (Level 3) RM'000 | Total RM'000 |
| 2022 | | | |
| Financial assets | | | |
| Other investments | 54 | 2,963 | 3,017 |
| Trade and other receivables | - | - | - |
| | | | |
| Financial liabilities | | | |
| Loans and borrowings | | | |
| - Unsecured revolving credits | - | - | - |
| - Secured term loans | - | - | - |
| - Hire purchases | - | - | - |
| | | | |
| 2021 | | | |
| Financial assets | | | |
| Other investments | 65 | 2,963 | 3,028 |
| Trade and other receivables | - | - | - |
| | | | |
| Financial liabilities | | | |
| Loans and borrowings | | | |
| - Unsecured revolving credits | - | - | - |
| - Secured term loans | - | - | - |
| - Hire purchases | - | - | - |
| | | | |

| Fair value of financial instruments not carried at fair value | | | Total fair value RM'000 | Carrying amount RM'000 |
|---|---------------------|-----------------|----------------------------|---------------------------|
| (Level 2) RM'000 | (Level 3) RM'000 | Total RM'000 | | |
| - | - | - | 3,017 | 3,017 |
| - | 38,108 | 38,108 | 38,108 | 38,108 |
| <u>-</u> | <u>38,108</u> | <u>38,108</u> | <u>38,108</u> | <u>38,108</u> |
| - | 120,000 | 120,000 | 120,000 | 120,000 |
| - | 112,580 | 112,580 | 112,580 | 112,303 |
| 647 | - | 647 | 647 | 647 |
| <u>-</u> | <u>120,000</u> | <u>120,000</u> | <u>120,000</u> | <u>120,000</u> |
| <u>-</u> | <u>112,580</u> | <u>112,580</u> | <u>112,580</u> | <u>112,303</u> |
| <u>647</u> | <u>-</u> | <u>647</u> | <u>647</u> | <u>647</u> |
| - | - | - | 3,028 | 3,028 |
| - | 47,393 | 47,393 | 47,393 | 47,393 |
| <u>-</u> | <u>47,393</u> | <u>47,393</u> | <u>47,393</u> | <u>47,393</u> |
| - | 172,000 | 172,000 | 172,000 | 172,000 |
| - | 96,296 | 96,296 | 96,296 | 96,019 |
| 798 | - | 798 | 798 | 798 |
| <u>-</u> | <u>172,000</u> | <u>172,000</u> | <u>172,000</u> | <u>172,000</u> |
| <u>-</u> | <u>96,296</u> | <u>96,296</u> | <u>96,296</u> | <u>96,019</u> |
| <u>798</u> | <u>-</u> | <u>798</u> | <u>798</u> | <u>798</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Financial instruments (continued)

32.4 Fair value information (continued)

| <u>Company</u> | Fair value of financial instruments not carried at fair value | | | Total fair value RM'000 | Carrying amount RM'000 |
|-------------------------------|---|---------------------|-------------------|----------------------------|---------------------------|
| | (Level 2) RM'000 | (Level 3) RM'000 | Total RM'000 | | |
| 2022 | | | | | |
| Financial liabilities | | | | | |
| Loans and borrowings | | | | | |
| - Unsecured revolving credits | - | 35,000 | 35,000 | 35,000 | 35,000 |
| - Secured term loan | - | 44,569 | 44,569 | 44,569 | 44,500 |
| - Hire purchases | 388 | - | 388 | 388 | 388 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 2021 | | | | | |
| Financial liabilities | | | | | |
| Loans and borrowings | | | | | |
| - Unsecured revolving credits | - | 85,000 | 85,000 | 85,000 | 85,000 |
| - Secured term loan | - | 1,378 | 1,378 | 1,378 | 1,378 |
| - Hire purchases | 476 | - | 476 | 476 | 476 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The Group does not have any outstanding financial derivatives as at 31 December 2022.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active market for identical financial assets or financial liabilities that the entity can access at the measurement date.

Fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or financial liabilities, either directly or indirectly.

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rates at the end of the reporting period. For finance leases and hire purchases, the market interest rate is determined by reference to similar lease arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the current and previous financial year.

32. Financial instruments (continued)**32.4 Fair value information** (continued)**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets or financial liabilities.

Fair values within Level 3 for financial instruments not carried at fair value, which is determined for disclosures purpose, is derived based on discounted cash flows using unobservable input (i.e. interest rate). The estimated fair value would increase (decrease) when the interest rate was lower (higher).

For financial instruments carried at fair value, the fair value within Level 3 is derived by reference to the net assets of the investee, adjusted for the effect of market value of assets and/or the estimated discounted cash flows of the investee's operations, where applicable.

33. Capital management

The Group's objectives when managing capital is to maintain healthy capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of various stakeholders in the Group and to sustain the future development of the business.

As at end of reporting period, the Group is in net equity surplus position of RM1,264,681,000 with total loans and borrowings of RM232,950,000, which gives rise to a gearing ratio of approximately 18% and is below the debt to equity ratio of not exceeding 1 time (see Note 20.3).

There were no changes in the Group's strategy and approach on capital management during the year.

34. Capital expenditure commitments

| | Group | |
|--------------------------------------|---------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Property, plant and equipment | | |
| - Authorised but not contracted for | 15,000 | 15,000 |
| Investment properties | | |
| - Authorised and contracted for | 1,200 | 4,850 |
| - Authorised but not contracted for | 30,000 | 25,150 |
| | 46,200 | 45,000 |
| | 46,200 | 45,000 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common controls. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationships with its subsidiaries, associates, joint ventures and key management personnel.

Significant related party transactions

Significant related party transactions, other than compensations paid/payable to key management personnel (see Note 27), are disclosed below:

| | Group | | Company | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| <u>Subsidiaries</u> | | | | |
| Management fee income | - | - | (2,428) | (2,447) |
| Management fee expense | - | - | 1,284 | 1,034 |
| Rental expense on premises | - | - | 234 | 234 |
| Interest income | - | - | (3,178) | (3,602) |
| Interest expense | - | - | 2,571 | 1,406 |
| Dividend income | - | - | - | (40,000) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>Associates</u> | | | | |
| Construction costs payable | 157,130 | 161,528 | - | - |
| Construction contract sum billed | - | (2,093) | - | - |
| Dividend income | (4,206) | (4,206) | (4,206) | (4,206) |
| Sales of goods | (66) | - | - | - |
| Sale of property, plant and equipment | - | (160) | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

35. Related parties (continued)

| | Group | | Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| <u>Joint venture</u> | | | | |
| Distribution of profit | 1,530 | 1,530 | - | - |

The balances with the subsidiaries, associates and joint ventures are disclosed in Notes 12 and 21 to the financial statements.

The above related party transactions are based on negotiated terms.

36. Changes in investments in existing subsidiaries***i. Additional investments arising from new shares issued by existing subsidiaries***

On 20 April 2022, the Company subscribed for additional 50,000 new ordinary shares issued by its wholly owned subsidiary, Naim Engineering Sdn. Bhd. ("NESB") for a cash consideration of RM50,000. The share proceeds arising therefrom were subsequently used by NESB to redeem in full 50,000 preference shares previously issued to a minority shareholder. The preference shares were thereupon cancelled.

Later, in May 2022, the Company subscribed for another 40,000,000 new ordinary shares issued thereby for a total consideration of RM40,000,000, settled by way of cash of RM3,600,000 and capitalisation of debts owing thereto amounting to RM36,400,000.

Another direct subsidiary, Naim Land Sdn. Bhd. ("NLSB") subscribed for additional 99,998 new ordinary shares in Naim (MM2H) Sdn. Bhd. during the last financial year for a total consideration of RM99,998, also settled in full by way of capitalisation of debts owing thereto.

The above share subscriptions do not have any material impact to the Group as there are no changes in the Group's equity interests in NESB and Naim (MM2H) Sdn. Bhd..

ii. Acquisition of a new subsidiary

During the last financial year, NLSB subscribed for 2 ordinary shares in Naim Mortgage Sdn. Bhd. ("NMSB"), representing 100% of the equity interest therein, for a cash consideration of RM2. The acquisition did not have a material impact on the Group's assets and liabilities due to the dormancy of NMSB since its incorporation.

iii. Additional investment in an existing subsidiary

NLSB also acquired the remaining 30% equity interest in Jelas Kemuncak Resources Sdn. Bhd. ("JKRSB") from a minority shareholder during the last financial year at a cash consideration of RM1. The resultant equity interest held by the Group therein had increased from 70% to 100% following the said acquisition.

This change in the ownership interest in JKRSB was accounted for as an equity transaction between the Group and non-controlling interest holder. The change in the Group's share of net assets of about RM6,132,000 was adjusted against the Group's retained earnings.

iv. Internal restructuring

During the last financial year, the Company acquired the entire equity interest of Naim Academy Sdn. Bhd. ("NACSB") from NLSB for a cash consideration of RM200,000. Simultaneously, NACSB acquired the entire equity interest of Permyjaya Sino Education Sdn. Bhd. from NLSB for a cash consideration of RM2.00. These acquisitions do not have any impact to the Group as there are no changes in the group equity interest in these subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Movements in investment in associates

i. Dilution in equity interest in Perdana Petroleum Berhad (“PPB”)

During the current year under review, approximately 795,000 (2021: 1.7 million) redeemable convertible preference shares (“RCPS”) in PPB were converted into ordinary shares by the RCPS holders of PPB. Nevertheless, the Group’s resultant equity interest in PPB following the conversion of RCPS did not vary much from the 3.47% reported as of 31 December 2021. At the same time, another 24.22% owned associate of the Company, Dayang Enterprise Holdings Bhd. (“DEHB”) also recorded a dilution in its ownership interest in PPB, from 63.72% in 2021 to 63.69% in 2022 as a result of the RCPS conversion.

The dilution in the equity interest in PPB arising from the above RCPS conversions, after considering both direct and indirect interests held therein, was accounted for as a loss on deemed disposal amounting to RM55,000 (2021: RM214,000), which was recognised as other non-operating expense in profit or loss (see Note 25).

ii. Decrease in investment in DEHB

In the last financial year, the Group’s equity interest in DEHB had decreased from 26.42% to 24.22% following a private placement exercise effected by DEHB. The dilution in equity interest was accounted for as deemed disposal with a resultant loss of RM1,790,000 recognised as part of other non-operating expense in profit or loss (see Note 25).

iii. Dilution in equity interest in Miri Specialist Hospital Sdn. Bhd. (“MSHSB”)

During the last financial year, following a new share allotment exercise effected by an associate, MSHSB in which the Group had elected not to subscribe for its entitlement, the Group’s equity interest in MSHSB was diluted from 30.00% to 15.53% as a result.

Although the Group’s shareholding in MSHSB is less than 20% following the dilution in equity interest, the Group determines that it still has significant influence in MSHSB because it has two (2) board representatives in MSHSB.

The dilution in equity interest in MSHSB was accounted for as a deemed disposal. However, there was no impact arising from the dilution in equity interest in MSHSB as the carrying amount of the said investment had been previously reduced to zero following its share of losses up to its interest in MSHSB.

38. Material litigation

Contract litigation

On 12 November 2020, a wholly owned subsidiary, Naim Engineering Sdn. Bhd. (“NESB”) received a Writ of Summons together with a Statement of Claim from a subcontractor in respect of two completed works package projects. The claim against NESB was for damages and/or compensation in the sum of about RM32,935,000, or alternatively a sum of about RM29,595,000, 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 and the subcontractor agreed and confirmed the appointment of an arbitrator. A preliminary meeting with the arbitrator was held on 23 May 2022. On 18 July 2022, the subcontractor filed their statement of claim where NESB had then 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, of which NESB is currently performing internal assessment and review.

38. Material litigation (continued)**Contract litigation** (continued)

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.

39. Comparative figures

The following figures have been reclassified to conform with current year's presentation as well as in relation to the effect of offsetting of financial assets and financial liabilities as disclosed in Note 12.6:

| | Group | |
|---|--------------------|-------------------------------|
| | As restated | As previously reported |
| | RM'000 | RM'000 |
| Statement of financial position (Extract): | | |
| Trade and other receivables | 115,227 | 126,996 |
| Other financial assets | 15,421 | - |
| Cash and cash equivalents | 274,751 | 290,172 |
| Trade and other payables | <u>(280,557)</u> | <u>(292,326)</u> |

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 98 to 191 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Datuk Amar Abdul Hamed Bin Haji Sepawi

.....
Datuk Hasmi Bin Hasnan

Kuching,

Date: 13 April 2023

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Emily Hii San San (MIA CA 24978), the officer primarily responsible for the financial management of Naim Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 98 to 191 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

in Kuching in the State of Sarawak

on 13 April 2023.

.....
Emily Hii San San

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIM HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Naim Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 191.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition relating to construction contracts - Group

Refer to Note 1(d), Basis of Preparation and Note 2(s)(i), Accounting policy-Revenue from contracts with customers and Note 23, Revenue

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>The total revenue from construction contracts recognised by the Group was RM265 million for the financial year ended 31 December 2022, representing 72% of total revenue of the Group.</p> <p>Revenue from construction contracts is accounted for based on over time recognition using input method. The stage of completion is determined by reference to the actual contract costs incurred for work performed to-date bear to the total estimated contract costs.</p> <p>Consequently, the recognition of revenue is highly dependent on judgement exercised and estimates made in determining the estimated costs to complete, and the ability to deliver contracts within the contractual time and potential claims and penalties for late deliveries.</p> <p>We focused on this area as a key audit matter due to the degree of judgement involved in the estimation of cost to complete over the contract life. Changes in judgements and the related estimates throughout a contract life can result in material adjustments to revenue and consequently, the profit margin of contracts.</p> | <p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's processes, systems and controls implemented, in respect of the budgeting process of estimated costs to complete and monitoring of costs incurred for work performed to date. • We obtained an understanding of the method, key assumptions and underlying data used in the process for estimates made in determining the estimated costs to complete. • We have obtained an understanding of the basis of the key judgements made for the revenue recognition in particular on the number of performance obligations, determining the transaction price, allocation of transaction price to each performance obligation, appropriateness of over time revenue recognition. • We challenged the basis of estimations applied by the Group in regard to the required cost to complete the construction contracts and assessed whether there were biasness in estimating these costs. Our procedures include evaluating the historical accuracy of the Group's estimation process by comparing actual costs with the estimated costs that had previously been estimated, and testing estimated costs, on a sample basis, to sub-contractors' contracts and suppliers' quotations. • We checked, on sample basis, variations and claims arising from the contract revenue and sub-contract costs to correspondences, supplementary agreements or variation orders. • We interviewed the Group and evaluated the construction progress against the contracted completion date and assessed if any penalties were payable arising from expected and actual delay in completion of contracts. |

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIM HOLDINGS BERHAD (CONTINUED)

Key Audit Matters (continued)

2. Recognition of revenue from sales of properties - Group

Refer to Note 1(d), Basis of Preparation, Note 2(s)(i), Accounting policy-Revenue from contracts with customers and Note 23, Revenue

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>The total revenue from sales of properties recognised by the Group is RM85 million for the financial year ended 31 December 2022, representing 23% of total revenue of the Group.</p> <p>Revenue from sales of properties is accounted for either over time or at a point in time recognition, depending on the timing when the controls of properties are passed to customers. The stage of completion is determined by reference to the actual contract costs incurred for work performed to-date bear to the total estimated total property development costs.</p> <p>Consequently, the recognition of revenue is highly dependent on judgement exercised and estimates made in determining the estimated costs to complete, and the ability to deliver properties within the contracted time.</p> <p>We focused on this area as a key audit matter due to the degree of judgement involved in the estimation of cost to complete over the project life. Changes in judgements and the related estimates throughout a property development life can result in material adjustments to revenue and profit recognised on uncompleted properties.</p> | <p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's processes, systems and controls implemented, in respect of the budgeting process of estimated costs to complete and monitoring of costs incurred for work performed to date. • We obtained an understanding of the method, key assumptions and underlying data used in the process for estimates made in determining the estimated costs to complete. • We obtained an understanding of the basis of the key judgements made for the revenue recognition in particular on the number of performance obligations, determining the transaction price, allocation of transaction price to each performance obligation, appropriateness of whether revenue for each contract is to be recognised over time or at a point in time. • We challenged the basis of estimations applied by the Group in regard to the required cost to complete the contracts and assessed whether there were biasness in estimating these costs. Our procedures include evaluating the historical accuracy of the Group's estimation process by comparing actual costs with the estimated costs that had previously been estimated, testing estimated costs to contracts and suppliers' quotations. |

Key Audit Matters (continued)**3. Impairment of completed developed properties held for sale - Group**

Refer to Note 1(d), Basis of Preparation, Note 2(h)(iii), Accounting policy-Inventories and Note 7, Inventories

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The total completed developed properties held by the Group is RM325 million for the financial year ended 31 December 2022, representing 18% of total assets.</p> <p>We focus on this area as a key audit matter as property overhang units in the property industry remained on the high side despite of government's initiatives to help boost property sales. The risk is now heightened with increasing construction cost, coupled with competitive pricing within the industry, particularly for high rise properties. Subsequent sales of these units are highly dependent on market conditions.</p> <p>Thus, assessment of the valuation of the inventories is critical to ascertain that the carrying amount of these completed properties are stated at the lower of cost and net realisable value as such assessment involved estimates made by the Group and was influence by assumptions concerning future market conditions.</p> | <p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's processes and controls implemented in estimating the net realisable value of these inventories. • We obtained an understanding of the method, key assumptions and underlying data used in the assessment on the net realisable value for the completed development properties held for sale. • We challenged the basis of estimations applied by the Group in regard to net realisable value and assessed whether there were biasness as well as the Group's assessment on the effect of estimate uncertainty. Our procedures include checking to subsequent sales or planned selling prices of the respective units, taking into account market conditions and key attributes such as property size, types and location by reference to similar/comparable properties within the proximity. |

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIM HOLDINGS BERHAD (CONTINUED)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 03102/03/2024 J
Chartered Accountant

Kuching,
Date: 13 April 2023





PART 7

Other Information

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ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2023

NUMBER OF ISSUED SHARES : 513,799,322 ORDINARY SHARES
 CLASS OF SHARES : ORDINARY SHARES
 VOTING RIGHTS : ONE VOTE PER ORDINARY SHARE

| Size of Holdings | No of Shareholdings | % of Shareholders | No of Shares Held | % of Issued Capital |
|---------------------------|---------------------|-------------------|---------------------|---------------------|
| 1 – 99 | 22 | 0.32 | 606 | 0.00 |
| 100 – 1,000 | 1,019 | 14.91 | 606,010 | 0.12 |
| 1,001 – 10,000 | 3,402 | 49.80 | 18,665,915 | 3.73 |
| 10,001 – 100,000 | 2,055 | 30.08 | 68,476,719 | 13.67 |
| 100,001 – 25,037,165 (*) | 330 | 4.83 | 163,143,596 | 32.58 |
| 25,037,166 and above (**) | 4 | 0.06 | 249,850,476 | 49.90 |
| Total | 6,832 | 100.00 | 500,743,322# | 100.00 |

Remark:

* Less than 5% of issued shares

** 5% and above of issued shares

The number of 500,743,322 ordinary shares was arrived at after deduction the number of 13,056,000 treasury shares retained by the Company from the original number of issued shares of 513,799,322 ordinary shares of the Company

TOP 30 SHAREHOLDERS

| No | Name | No. of Shares Held | % Shareholding |
|-----|---|--------------------|----------------|
| 1. | ISLAND HARVESTS SDN BHD | 102,373,817 | 20.44 |
| 2. | TAPAK BERINGIN SDN. BHD. | 70,272,017 | 14.03 |
| 3. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HASMI BIN HASNAN (PB) | 44,864,692 | 8.96 |
| 4. | HASMI & ASSOCIATES MANAGEMENT SDN BHD | 32,339,950 | 6.46 |
| 5. | ABDUL HAMED BIN SEPAWI | 23,905,368 | 4.77 |
| 6. | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HASMI BIN HASNAN | 10,866,076 | 2.17 |
| 7. | ABDUL HAMED BIN SEPAWI | 8,648,059 | 1.73 |
| 8. | FOONG KAH HENG | 5,900,000 | 1.18 |
| 9. | HWS PROPERTIES SDN BHD | 4,312,250 | 0.86 |
| 10. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE ZHEN XAO (6000085) | 2,065,000 | 0.41 |
| 11. | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN LEONG KIAT (M02) | 2,000,000 | 0.40 |
| 12. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PLASMA CAPITAL SDN. BHD. | 2,000,000 | 0.40 |
| 13. | TAN KOK CHUAN | 1,951,500 | 0.39 |
| 14. | LEMBAH RAKYAT SDN. BHD. | 1,874,983 | 0.37 |
| 15. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SINCERE SUCCESS SDN BHD (PB) | 1,618,000 | 0.32 |
| 16. | TAN AI BENG | 1,460,000 | 0.30 |
| 17. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW POK OI | 1,436,100 | 0.29 |

TOP 30 SHAREHOLDERS

| No | Name | No. of Shares Held | % Shareholding |
|-----|---|--------------------|----------------|
| 18. | CHOY WEE CHIAP | 1,400,000 | 0.28 |
| 19. | MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM | 1,397,900 | 0.28 |
| 20. | TAPAK BERINGIN SDN. BHD. | 1,360,433 | 0.27 |
| 21. | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN BAKI | 1,359,600 | 0.27 |
| 22. | TING SIEW CHII | 1,295,000 | 0.26 |
| 23. | CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR) | 1,264,050 | 0.25 |
| 24. | PUBLIC INVEST NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MUHAMAD ALOYSIUS HENG (M) | 1,238,300 | 0.25 |
| 25. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD UBS AG SINGAPORE FOR TOH HOOI HAK | 1,200,000 | 0.24 |
| 26. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TING KUOK LEY @ DAVID KUOK LEH TING (PB) | 1,186,900 | 0.24 |
| 27. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN HUA CHA (6000154) | 1,152,100 | 0.23 |
| 28. | NG SIEW KOOI | 1,135,000 | 0.23 |
| 29. | KONG FOOD KIM | 1,100,000 | 0.22 |
| 30. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII SUI CHENG (E-JCL) | 1,080,500 | 0.22 |

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct No. of Shares Held | | Indirect No. of Shares Held | |
|--|---------------------------|-------|-----------------------------|-------|
| | | % | | % |
| 1. ISLAND HARVESTS SDN. BHD. | 102,373,817 | 20.44 | - | - |
| 2. TAPAK BERINGIN SDN. BHD. | 71,632,450 | 14.31 | - | - |
| 3. HASMI & ASSOCIATES MANAGEMENT SDN. BHD. | 32,339,950 | 6.46 | - | - |
| 4. DATUK HASMI BIN HASNAN | 55,730,768 | 11.13 | 135,259,244 | 27.01 |
| 5. DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI | 32,553,427 | 6.50 | 73,507,433 | 14.68 |

DIRECTORS' DIRECT AND INDIRECT INTEREST IN THE COMPANY

| | Direct No. of Shares Held | | Indirect No. of Shares Held | |
|---|---------------------------|-------|-----------------------------|-------|
| | | % | | % |
| 1. DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI | 32,553,427 | 6.50 | 73,507,433 | 14.68 |
| 2. DATUK HASMI BIN HASNAN | 55,730,768 | 11.13 | 135,259,244 | 27.01 |
| 3. BEH BOON EWE | - | - | - | - |
| 4. DATUK AHMAD BIN ABU BAKAR | - | - | - | - |
| 5. DATIN MARY SA'DIAH BINTI ZAINUDDIN | - | - | - | - |
| 6. CHIN CHEE KONG | - | - | - | - |
| 7. TAN CHUAN DYI | - | - | - | - |
| 8. SULAIHAH BINTI MAIMUNNI | - | - | - | - |

TOP 10 PROPERTIES

| Lot No/Location | Description | Date Of Acquisition/ Lease Expiring Date | Land Area/ (Built up Area) Sq. Meter | Carrying Amount RM'000 |
|---|--|---|--|------------------------------|
| PROPERTIES UNDER PROPERTY, PLANT AND EQUIPMENT | | | | |
| Part of Lot 6180, Block 11 Kuala Baram Land District | Clubhouse | 20.07.1995 Expiring 26.05.2114 | 29,220 (5,385)* | 23,487 |
| Part of Lot 4532 Bintulu Town District | Hotel Land and Building | 06.11.2008 Expiring 04.07.2111 | 1,969 (12,662) | 39,738 |
| PROPERTIES UNDER INVENTORY - LAND HELD FOR DEVELOPMENT | | | | |
| Lot 6186, Part of Lot 8837, Block 11 Kuala Baram Land District | Land For Development | 20.07.1995 Expiring 26.06.2114 | 459,680 | 20,778 |
| Lot 5234, Block 25 Muara Tuang Land District | Land For Development | 29.05.2008 Expiring 15.01.2112 | 1,808,000 | 26,709 |
| Lot 4288, Block 26 Kemena Land District | Land For Development | 14.11.2014 Expiring 13.11.2113 | 114,680 | 17,204 |
| Lot 2905, Block 20 Kemena Land District | Land For Development | 20.05.2013 Expiring 19.05.2112 | 260,000 | 15,080 |
| Lot 8619, Block 11 Kuala Baram Land District | Land For Development | 12.09.2012 Expiring 11.09.2111 | 142,000 | 8,529 |
| Lot 4533 Bintulu Town District | Land For Development | 26.09.2008 Expiring 04.07.2111 | 54,997 | 12,697 |
| INVESTMENT PROPERTY | | | | |
| Lot 2597, Block 8 Muara Tebas Land District | Industrial Land | 27.07.2016 Expiring 26.07.2076 | 200,300 | 10,002 |
| Lot 3244, Block 11 Kuala Baram Land District | Commercial Land and Retail Building | 20.07.1995 Expiring 19.07.2094 | 34,130 (25,560) | 41,793 |

* *excluding outdoor facilities*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of Members of NAIM HOLDINGS BERHAD will be held at Naim Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak on Thursday, 25 May 2023 at 10:00 a.m. for the following purposes:

ORDINARY BUSINESSES

1. Adoption of Financial Statements

To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31 December 2022. **[Please refer to Explanatory Note a]**

2. Approval of Directors' fees and remuneration

a. To approve the payment of Directors' remuneration for the Non-Executive Chairman.

ORDINARY RESOLUTION 1

b. To approve the payment of Directors' remuneration for the Non-Executive Directors.

ORDINARY RESOLUTION 2

3. Re-Election of Directors

To re-elect the following Directors who retire in accordance with Clause 85(a) of the constitution of the Company:

Datuk Hasmi Bin Hasnan
Datin Mary Sa'diah Binti Zainuddin
Datuk Ahmad Bin Abu Bakar

ORDINARY RESOLUTION 3

ORDINARY RESOLUTION 4

ORDINARY RESOLUTION 5

4. Re-Appointment of Auditors

To re-appoint Messrs. KPMG PLT as Auditors and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTION 6

SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

5. ORDINARY RESOLUTION 7 – RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“THAT subject to the passing of Ordinary Resolution No. 4, approval be and is hereby given to Datin Mary Sa'diah Binti Zainuddin to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next AGM.”

ORDINARY RESOLUTION 7

6. ORDINARY RESOLUTION 8 - AUTHORITY TO ALLOT AND ISSUE SHARES

“THAT, subject always to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors of the Company be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares or convertible securities in the Company, from time to time, and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion deem fit, provided that the aggregate number of shares or convertible securities to be issued pursuant to this resolution does not exceed ten percent (10%) of total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of, and quotation for the additional shares convertible securities so issued on Bursa Malaysia Securities Berhad (“Bursa Malaysia”) AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

AND THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 8 (d) of the Constitution of the Company, the shareholders of the Company do hereby waive their preemptive rights over all new shares, grants of new shares or any other convertible securities in the Company and/or any new shares to be issued pursuant to such grants or other convertible securities, such new shares when issued, to rank pari passu with existing issued shares in the Company.”

ORDINARY RESOLUTION 8

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. ORDINARY RESOLUTION 9 - PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES (“PROPOSED SHARE BUY-BACK”)

“THAT, subject always to the Companies Act 2016 and all other applicable laws, guidelines, rules and regulations, the Company be and are hereby authorised to purchase such number of ordinary shares of the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company, from time to time, through Bursa Malaysia, upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

- i. the aggregate number of ordinary shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company;
- ii. the amount not exceeding the retained profits of the Company shall be allocated by the Company for the Proposed Share Buy-Back;

AND THAT at the absolute discretion of the Directors of the Company, upon such purchase by the Company of its own shares, the purchased shares shall be cancelled and/or retained as treasury shares and subsequently be cancelled, distributed as dividends or resold on Bursa Malaysia and/or in any other manner as prescribed by the Companies Act 2016.

AND THAT the Directors of the Company be and are hereby empowered to do all acts and enter into all such transactions, agreements and arrangements, and to execute, sign and deliver for and on behalf of the Company, all such documents as the Directors may deem fit and expedient in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as the Directors may in their absolute discretion deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities;

AND THAT such authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this ordinary resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

ORDINARY RESOLUTION 9

8. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

JOYCE TAN (MAICSA7066653)
SSM Practising Certificate No. 202208000308
LIM TIEN WEI (MAICSA7073465)
SSM Practising Certificate No. 202208000234
Company Secretaries

Kuching, Sarawak
26 April 2023

NOTES:

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, to submit the proxy form electronically via TIH Online at <https://tjih.online> not less than forty eight (48) hours before the time set for holding the meeting or any adjournment thereof. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of proxy form.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respects of each omnibus account it holds.
7. Only members registered in the Record of Depositors as at 18 May 2023 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

Explanatory Notes on Ordinary and Special Businesses

a. Item 1 of the Agenda

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, not put forward for voting.

b. Ordinary Resolutions 1 and 2 – Directors' Remuneration

Pursuant to Section 230(1) of the Companies Act 2016, ("the Act"), the fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders of the Company at a general meeting. In this respect, the Board of Directors of the Company hereby seek the shareholders' approval for the Directors' remuneration in two (2) separate resolutions as follows:

- Ordinary resolution 1 payment of Directors' remuneration to the Non-Executive Chairman
- Ordinary resolution 2 payment of Directors' remuneration to the Non-Executive Directors

Details of the estimated Directors' Remuneration for Non-Executive Directors for the period from May 2023 to April 2024 are as follows:

| Description | Non-Executive Chairman May 2023 to April 2024 RM | Non-Executive Director May 2023 to April 2024 RM |
|---|---|--|
| Fixed allowance per month | 73,230 | Not applicable |
| EPF contribution per month | 11,717 | Not applicable |
| Directors' Fee per month | Not applicable | 7,500 |
| Additional Directors' Fee per month for Senior Independent Non-Executive director | Not applicable | 1,000 |
| Meeting allowance per Board meeting | 2,000 | 2,000 |
| Meeting allowance per Board Committees meeting | 1,500 | 1,500 |
| Other Benefits | Car, driver, petrol, medical coverage, professional & club memberships, travel, communication, D&O [®] Liability Insurance coverage and other claimable benefits | reimbursement for travel expenses (to attend meetings and company functions), communication, professional membership fee, D&O [®] Liability Insurance coverage and other claimable benefits |

Notes: [®] - Directors & Officers

The Executive Directors are not entitled to Directors' fees and meeting allowances for attending Board and Board Committee meetings.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

c. Ordinary Resolutions 3, 4 and 5 – Re-Election of Directors

Clause 85(a) of the Company's constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Directors retiring under Clause 85(a) are as follows:

- i. Datuk Hasmi Bin Hasnan;
 - ii. Datin Mary Sa'diah Binti Zainuddin; and
 - iii. Datuk Ahmad Bin Abu Bakar
- and being eligible have offered themselves for re-election.

The respective profiles of the above Directors are set out in the Profile of Directors pages 22 to 29.

The details of interest in securities of the Company (if any) held by the Directors are stated on page 203 of the Annual Report.

d. Ordinary Resolution 6 – Re-appointment of Auditors

The Board has at its meeting held on 13 April 2023 approved the recommendation of the Audit Committee on the re-appointment of Messrs KPMG PLT as Auditors of the Company. The Board is satisfied that Messrs KPMG PLT has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities which was concluded through the assessment carried out by the Audit Committee on the suitability and independence of Messrs. KPMG PLT.

e. Ordinary Resolution 7 – Retention of Independent Non-Executive Directors

Datin Mary Sa'diah Binti Zainuddin has served as Independent Non-Executive Director for a cumulative term of 10 years. The Nominating Committee and the Board have carried out an evaluation and assessment and concluded that Datin Mary Sa'diah Binti Zainuddin continues to be independent and objective in all board deliberations. She continues to comply with the relevant criteria and provisions under the definition of independence of the Main Market Listing Requirements of Bursa Securities. She is not related to any directors and major shareholders of the Company and hence she is not under the influence of other directors and major shareholders. Upon the recommendation by the Nominating Committee, the Board of Directors recommended that Datin Mary Sa'diah Binti Zainuddin to be retained as an Independent Non- Executive Director of the Company until the conclusion of the next AGM.

f. Ordinary Resolution 8 – Authority to Allot and Issue Share pursuant to Sections 75 and 76 of the Companies Act 2016

This resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will empower the Directors of the Company to issue shares or convertible securities in the Company up to an amount not exceeding ten percent (10%) of the total number of issued shares of the Company for the time being for any possible fund-raising activities for purposes as the Directors consider to be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next AGM.

The renewal of this mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding current and future investment project(s), working capital and/or acquisitions.

The Company did not issue any new shares under the general mandate which was approved at the 21st AGM.

g. Ordinary Resolution 9 – Proposed Renewal of Authority for the Company to Purchase its Own Shares

The Proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company for the time being. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM in the Company.

The Share Buy-Back Statement in relation to The Proposed Renewal of Authority for the Company to Purchase of its Own Shares dated 26 April 2023 is enclosed for further information.

ADMINISTRATIVE DETAILS FOR THE TWENTY-FIRST ANNUAL GENERAL MEETING (“21ST AGM”) OF NAIM HOLDINGS BERHAD

| | | |
|------------------------------|---|--|
| Date | : | Thursday, 25 May 2023 |
| Venue | : | NAIM Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak |
| Time & Place of Registration | : | From 9.00 a.m. until commencement of poll voting NAIM Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak |

1. OTHER IMPORTANT INFORMATION

If any of the members/proxies/corporate representatives (“Persons”) is unwell with fever, dry cough, tiredness, sore throat, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, they must seek medical attention and quarantine themselves at home. Under such circumstances, the Persons are advised to appoint the Chairman of the meeting as their proxy to attend and vote on their behalf at the 21st AGM.

Generally, any Persons who:

- feel unwell before the 21st AGM; or
- have been placed on quarantine orders or stay-at-home notices; or
- have a travel history to certain countries/regions in the specified period preceding the 21st AGM, as announced by the Ministry of Health, must not attend the 21st AGM in person, and instead are strongly encouraged to appoint the Chairman of this 21st AGM as their proxy to attend and vote on their behalf at the 21st AGM.

Any Persons attending the 21st AGM physically should wear a face mask in advance and throughout the 21st AGM and practice proper self-sanitisation, including the use of hand sanitisers.

2. CORPORATE MEMBERS

Corporate members who wish to appoint corporate representatives instead of a proxy to attend and vote at the 21st AGM, must deposit their **original or duly certified certificate** of appointment of corporate representative to Tricor Investor & Issuing House Services Sdn. Bhd. not later than **Tuesday, 23 May 2023 at 10:00 a.m.**

Attorneys appointed by power of attorney are required to deposit their power of attorney with Tricor Investor & Issuing House Services Sdn. Bhd. not later than **Tuesday, 23 May 2023 at 10:00 a.m.** to attend and vote at the 21st AGM.

If a corporate member (through its corporate representative(s) or appointed proxy(ies)) is unable to attend the 21st AGM, you may appoint the Chairman of the meeting as your proxy and indicate the voting instructions in the Form of Proxy in accordance with the notes and instructions printed therein.

3. NO DOOR GIFT/FOOD VOUCHER

There will be **no distribution/provision of door gifts or food vouchers** for the 21st AGM.

We would like to thank our members for your kind co-operation and understanding in these challenging times.

ADMINISTRATIVE DETAILS FOR THE TWENTY-FIRST ANNUAL GENERAL MEETING (“21ST AGM”) OF NAIM HOLDINGS BERHAD (CONTINUED)

4. GENERAL MEETING RECORD OF DEPOSITORS (“ROD”)

Only a depositor whose name appears on the **ROD as at 18 May 2023** shall be entitled to attend, speak and vote at the 21st AGM or appoint proxies/corporate representatives/attorneys to attend and/or vote on his/her behalf.

5. PROXY

If you are unable to attend the meeting on 25 May 2023, you may appoint the Chairman of the meeting as proxy and indicate the voting instructions in the Form of Proxy.

You may also submit the Form of Proxy electronically via **TIIH Online** website at <https://tiih.online> no later than **Tuesday, 23 May 2023 at 10:00 a.m.** Please read and follow the procedures below to submit Form of Proxy electronically.

You may submit your Form of Proxy to Tricor Investor & Issuing House Services Sdn. Bhd. by e-mail to is.enquiry@my.tricorglobal.com. However, please ensure that the **Original Form of Proxy** is deposited with Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 21st AGM or any adjournment thereof, otherwise the Form of Proxy shall be treated as invalid.

6. ELECTRONIC LODGEMENT OF FORM OF PROXY

The procedures to lodge your Form of Proxy electronically via Tricor’s **TIIH Online** website are summarised below:

| Procedure | Action |
|--|---|
| i. Steps for Individual Members | |
| a. Register as a User with TIIH Online | at https://tiih.online . Register as a user under the “e-Services”. Select the “ Sign Up ” button and followed by “ Create Account by Individual Holder ”. Please do refer to the tutorial guide posted on the homepage for assistance. |
| • Using your computer, please access the website | • If you are already a user with TIIH Online , you are not required to register again. |
| of Form of Proxy | b. Proceed with submission |
| • After the release of the | Notice of Meeting by the Company, login with your username (i.e. email address) and password. |
| | • Select the corporate event: “ Naim Holdings Berhad 21st AGM – Submission of Proxy Form ”. |
| | • Read and agree to the Terms & Conditions and confirm the Declaration. |
| | • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. |
| | • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. |
| | • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. |
| | • Review and confirm your proxy(s) appointment. |
| | • Print Form of Proxy for your record. |

ii. Steps for Corporation or Institutional Members

| Procedure | Action |
|---|---|
| c. Register as a User with TIIH Online website | <ul style="list-style-type: none"> • Access TIIH Online website at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional member selects “Create Account by Representative of Corporate Holder”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by e-mail within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the e-mail and re-set your own password. <p>Note: The representative of a corporation or institutional member must register as a user in accordance with the above steps before he/she can subscribe to this corporate member electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p> |
| d. Proceed with submission of Form of Proxy | <ul style="list-style-type: none"> • Login to TIIH Online website at https://tiih.online. • Select the corporate exercise name: “Naim Holdings Berhad 21st AGM – Submission of Proxy Form”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record. |

7. POLL VOTING

The Voting at the 21st AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

During this 21st AGM, the Poll Administrator will brief on the voting procedures. The voting session will commence as soon as the Chairman calls for the poll to be opened.

Upon completion of the voting session for the 21st AGM, the Scrutineers will verify and announce the poll results followed by the Chairman’s declaration whether the resolution is duly passed.

8. REGISTRATION

- a. Registration will start at 9.00 a.m. in **Naim Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak.**
- b. Please present your original MyKad/passport to the registration staff for verification.
- c. Upon verification, you are required to write your name, mobile contact and sign the Attendance list placed on the registration table.
- d. No person will be allowed to register on behalf of another person even with the original MyKad/passport of the other person.

ADMINISTRATIVE DETAILS FOR THE TWENTY-FIRST ANNUAL GENERAL MEETING (“21ST AGM”) OF NAIM HOLDINGS BERHAD (CONTINUED)

9. HELP DESK

Please proceed to the Help Desk for any clarification or queries apart from registration details.

The Help Desk will also handle revocation of proxy's appointment.

10. RECORDING OR PHOTOGRAPHY

Strictly **NO** unauthorised recording or photography of the proceedings of the 21st AGM is allowed.

11. ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299

Fax Number : +603-2783 9222

Email : is.enquiry@my.tricorglobal.com

Contact Persons : Mr. Jia Jin : +603-2783 9246 Email : Jia.Jin.Lim@my.tricorglobal.com

: Ms. Siti Zalina : +603-2783 9247 Email : Siti.Zalina@my.tricorglobal.com

: Ms. Lay Kiow : +603-2783 9232 Email : Lay.Kiow.Lim@my.tricorglobal.com



NAIM HOLDINGS BERHAD

REGISTRATION NO. 200201017804 (585467 - M)

FORM OF PROXY

| | | |
|------------------------|-----------------|---------------------------|
| Number of shares held: | CDS account no. | Shareholder's Contact No. |
| | | |

I/We _____
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No./ID No./Company No. _____ (new) _____ (old)

of _____
(FULL ADDRESS)

being a member/members of NAIM HOLDINGS BERHAD ("the Company") hereby appoint:

First Proxy

| Full Name | NRIC/Passport No. | Proportion of Shareholdings represented | |
|-----------|-------------------|---|---|
| | | No. of Shares | % |
| | | | |

and or failing him/her
Second Proxy

| Full Name | NRIC/Passport No. | Proportion of Shareholdings represented | |
|-----------|-------------------|---|---|
| | | No. of Shares | % |
| | | | |

Or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company will be held at NAIM Sapphire Luxury Homes, Function Hall, 3rd Floor, Jalan Lintang Selatan, Batu Lintang, 93200 Kuching, Sarawak on **Thursday, 25 May 2023 at 10:00 a.m.** or any adjournment thereof, in the manner indicated below:

| Resolutions | | FOR | AGAINST |
|---------------------------|---|-----|---------|
| Ordinary Resolution 1 | Approval of Directors' fees and remuneration for the Non-Executive Chairman | | |
| Ordinary Resolution 2 | Approval of Directors' fees and remuneration for the Non-Executive Directors | | |
| Ordinary Resolution 3 | Re-election of Director: Datuk Hasmi Bin Hasnan | | |
| Ordinary Resolution 4 | Re-election of Director: Datin Mary Sa'diah Binti Zainuddin | | |
| Ordinary Resolution 5 | Re-election of Director: Datuk Ahmad Bin Abu Bakar | | |
| Ordinary Resolution 6 | Re-appointment of Auditors: Messrs KPMG PLT as Auditors and authorising the Directors to fix their remuneration | | |
| Special Businesses | | | |
| Ordinary Resolution 7 | Retention of Datin Mary Sa'diah Binti Zainuddin as Independent Director | | |
| Ordinary Resolution 8 | Authority to allot and issue shares | | |
| Ordinary Resolution 9 | Proposed renewal of authority to purchase own shares | | |

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as the voting is indicated, the proxy/proxies will vote abstain from voting as he/she/they think(s) fit.)

Dated this _____ day of _____ 2023

Signature of Shareholder(s)/Common Seal

1. Fold here / Lipat di sini

STAMP

Share Registrar
TRICOR INVESTOR & ISSUING
HOUSE SERVICES SDN BHD

Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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NOTES:

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, to submit the proxy form electronically via TIIH Online at <https://tjih.online> not less than forty eight (48) hours before the time set for holding the meeting or any adjournment thereof. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of proxy form.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respects of each omnibus account it holds.
7. Only members registered in the Record of Depositors as at 18 May 2023 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

FROM WHERE WE BEGAN . . .



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(Formerly known as Naim Cendera Holdings Berhad)



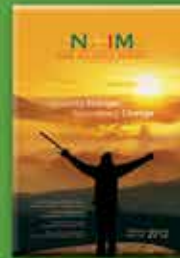
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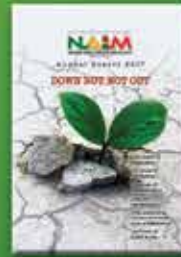
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