



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the third quarter and nine months ended 30 September 2017				
<i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended</i>		<i>9 months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	65,412	50,057	273,956	285,141
Cost of sales	(181,484)	(44,436)	(361,555)	(258,199)
Gross (loss)/profit	(116,072)	5,621	(87,599)	26,942
Other operating income	45,135	5,642	47,992	16,542
Selling and promotional expenses	(1,567)	(1,856)	(6,241)	(6,501)
Administrative expenses	(5,988)	(3,910)	(21,262)	(21,126)
Other operating expenses	(923)	114	(2,605)	(95)
Results from operating activities	(79,415)	5,611	(69,715)	15,762
Finance income	2,892	2,204	6,916	7,064
Finance costs	(7,864)	(6,333)	(19,874)	(17,969)
Net finance costs	(4,972)	(4,129)	(12,958)	(10,905)
Other non-operating expense	-	-	(8,321)	-
Share of results (net of tax) of equity-accounted:				
- associates	227	10,870	(24,477)	3,928
- joint ventures	667	(837)	1,057	(1,269)
(Loss)/Profit before tax	Note 20 (83,493)	11,515	(114,414)	7,516
Tax (expense)/income	Note 19 (8,763)	1,725	(12,291)	(3,434)
(Loss)/Profit for the period	(92,256)	13,240	(126,705)	4,082
Other comprehensive income/(loss), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	280	(927)	495	181
Realisation of reserves to profit or loss	-	-	(2,455)	-
Share of other comprehensive loss of an associate	(2,539)	5,452	(10,709)	(7,256)
Other comprehensive (loss)/income for the period	(2,259)	4,525	(12,669)	(7,075)
Total comprehensive (loss)/income for the period	(94,515)	17,765	(139,374)	(2,993)
(Loss)/Profit attributable to:				
Owners of the Company	(92,456)	12,841	(127,322)	3,067
Non-controlling interests	200	399	617	1,015
(Loss)/Profit for the period	(92,256)	13,240	(126,705)	4,082
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(94,715)	17,366	(139,991)	(4,008)
Non-controlling interests	200	399	617	1,015
Total comprehensive (loss)/income for the period	(94,515)	17,765	(139,374)	(2,993)
Basic (loss)/earnings per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9 (39.02)	5.42	(53.74)	1.29

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements. The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016.


NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
For the third quarter and nine months ended 30 September 2017		
<i>(The figures have not been audited)</i>		
	Unaudited	Audited
	30 September	31 December
	2017	2016
	RM'000	RM'000
ASSETS		
Property, plant and equipment	99,196	89,130
Prepaid lease payments	2,349	2,370
Interests in associates	376,786	422,918
Interests in joint ventures	8,995	4,906
Land held for property development	384,646	398,772
Investment properties	87,921	87,667
Intangible assets	5,046	5,557
Deferred tax assets	21,660	29,466
Other investments	2,974	2,974
Trade and other receivables	76,483	82,324
Total non-current assets	1,066,056	1,126,084
Inventories	83,642	103,525
Property development costs	474,040	441,545
Trade and other receivables	456,039	449,959
Deposits and prepayments	26,870	29,343
Current tax recoverable	14,406	12,453
Cash and cash equivalents	72,476	64,055
	1,127,473	1,100,880
Assets classified as held for sale	87	757
Total current assets	1,127,560	1,101,637
Total assets	2,193,616	2,227,721
EQUITY		
Share capital	336,092	250,000
Share premium	-	86,092
Treasury shares	(34,748)	(34,748)
Reserves	873,237	1,013,228
Total equity attributable to owners of the Company	1,174,581	1,314,572
Non-controlling interests	19,321	18,704
Total equity	1,193,902	1,333,276
LIABILITIES		
Loans and borrowings	153,885	123,619
Trade and other payables	6,874	10,057
Deferred tax liabilities	25,453	26,199
Total non-current liabilities	186,212	159,875
Loans and borrowings	382,116	355,216
Trade and other payables	430,458	378,986
Current tax payable	928	368
Total current liabilities	813,502	734,570
Total liabilities	999,714	894,445
Total equity and liabilities	2,193,616	2,227,721
Net assets per ordinary share attributable to owners of the Company (RM)	4.70	5.26

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements. The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the third quarter and nine months ended 30 September 2017

(The figures have not been audited)

	Note	Total equity attributable to owners of the Company								
		Non-Distributable					Distributable			
		Share capital RM '000	Share premium RM '000	Foreign currency translation reserve RM '000	Treasury shares RM '000	Other reserve RM '000	Retained earnings RM '000	Sub-total RM '000	Non-controlling interests RM '000	Total equity RM '000
For the 9 months ended 30 September 2016 (Unaudited)										
At 1 January 2016		250,000	86,092	21,591	(34,748)	362	983,980	1,307,277	15,105	1,322,382
Foreign currency translation differences for foreign operations		-	-	181	-	-	-	181	-	181
Share of other comprehensive loss of an associate		-	-	(6,899)	-	(357)	-	(7,256)	-	(7,256)
Total other comprehensive loss for the period		-	-	(6,718)	-	(357)	-	(7,075)	-	(7,075)
Profit for the period		-	-	-	-	-	3,067	3,067	1,015	4,082
Total comprehensive income/(loss) for the period		-	-	(6,718)	-	(357)	3,067	(4,008)	1,015	(2,993)
Changes in ownership interests in a subsidiary		-	-	-	-	-	(9)	(9)	(391)	(400)
Transaction with non-controlling interests		-	-	-	-	-	-	-	3,000	3,000
- Issue of shares by a subsidiary		-	-	-	-	-	-	-	3,000	3,000
At 30 September 2016		250,000	86,092	14,873	(34,748)	5	987,038	1,303,260	18,729	1,321,989
For the 9 months ended 30 September 2017 (Unaudited)										
At 1 January 2017, as per audited		250,000	86,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
Transfer in accordance with Section 618(2) of the Companies Act 2016 **		86,092	(86,092)	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations		-	-	495	-	-	-	495	-	495
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate		-	-	(2,445)	-	(10)	-	(2,455)	-	(2,455)
Share of other comprehensive income/(loss) of an associate		-	-	(10,738)	-	29	-	(10,709)	-	(10,709)
Total other comprehensive income/(loss) for the period		-	-	(12,688)	-	19	-	(12,669)	-	(12,669)
(Loss)/Profit for the period		-	-	-	-	-	(127,322)	(127,322)	617	(126,705)
Total comprehensive income/(loss) for the period		-	-	(12,688)	-	19	(127,322)	(139,991)	617	(139,374)
At 30 September 2017		336,092	-	15,745	(34,748)	126	857,366	1,174,581	19,321	1,193,902

** Pursuant to Section 74 of the Companies Act 2016 ("the Act"), all shares issued before or upon the commencement of the Act shall have no par or nominal value.

In accordance with the transitional provision as set out in Section 618(2) of the Act, any amount standing to the credit of the company's share premium account shall become part of share capital.

The Company has classified all of its share premium balance as part of share capital, in compliance with the provision of the Act.

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements. The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the third quarter and nine months ended 30 September 2017		
<i>(The figures have not been audited)</i>		
	Unaudited 30 September 2017 RM'000	Unaudited 30 September 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss/(Profit) before tax	(114,414)	7,516
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,633	1,133
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	5,536	5,639
Dividend income from unquoted shares	(62)	(124)
Finance income	(6,916)	(7,064)
Finance costs	19,874	17,969
Loss/(Gain) on disposal of:		
- associate	8,321	-
- property, plant and equipment	(40)	54
- assets held for sale	(532)	-
Property, plant and equipment written off	107	203
Reversal of impairment loss on receivables	(12,000)	(2,468)
Share of results of equity-accounted:		
- associates	24,477	(3,928)
- joint ventures	(1,057)	1,269
Unrealised foreign exchange loss/(gain)	1,380	(182)
Operating (loss)/profit before changes in working capital	(73,162)	20,548
Changes in working capital:		
Inventories	20,754	6,167
Land held for property development	1,316	-
Property development costs	(20,391)	(48,841)
Trade and other receivables, deposits and prepayments	15,346	58,693
Trade and other payables	46,332	(58,480)
Cash used in operations	(9,805)	(21,913)
Net income taxes paid	(6,957)	(10,555)
Net cash used in operating activities	(16,762)	(32,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(18,663)	(6,294)
- investment properties	-	(3,073)
- associate	-	(35)
- non-controlling interest in an existing subsidiary	-	(400)
Proceeds from disposal of:		
- property, plant and equipment	60	239
- assets held for sale	1,200	-
Increase in deposits pledged to licensed banks	(692)	-
Increase in investment in an existing joint venture	(2,700)	-
Dividends received	62	124
Interest received	6,919	2,616
Net cash used in investing activities	(13,814)	(6,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other loans and borrowings	57,199	50,803
Net (repayment of)/proceeds from finance lease liabilities	(30)	76
Proceeds from issuance of shares to non-controlling interest	-	3,000
Interest paid	(18,560)	(16,933)
Net cash from financing activities	38,609	36,946
Net increase/(decrease) in cash and cash equivalents	8,033	(2,345)
Effects of exchange rate changes on cash and cash equivalents	(303)	170
Cash and cash equivalents at beginning of period	63,976	52,561
CASH AND CASH EQUIVALENTS AT END OF PERIOD	71,706	50,386
<i>Representing by:</i>		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	16,186	16,846
Cash in hand and at banks	55,520	33,540
Total cash and cash equivalents	71,706	50,386
Add: Cash included as held for sale	-	-
Total cash and cash equivalents as shown in statement of cash flows	71,706	50,386

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Naim Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates and joint ventures.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of FRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

The annual financial statements of the Group as at and for the year ended 31 December 2016 are available upon request from the Company’s registered office at 9th floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

The Group has applied the Financial Reporting Standards (FRSs) as its financial reporting framework in preparing the condensed consolidated interim financial statements for the period under review.

2. Significant accounting policies

Given that certain Group entities are transitioning entities (being entities subject to the application of IC Interpretation 15, *Agreements for the Construction of Real Estate* or the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities), the Group is currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) Framework until 1 January 2018 as mandated by the Malaysian Accounting Standards Board (“MASB”).

As a result, the Group (including the transitioning entities) will continue to apply FRSs as their financial reporting framework to prepare their financial statements for the annual period ending 31 December 2017.

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2016.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

During the current period under review, the Group has adopted the following FRSs and amendments which are effective for annual periods beginning on or after 1 January 2017:

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS 2014-2016 Cycle)*
- Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

The initial application of the abovementioned FRSs and amendments does not have any material financial impacts on the financial statements of the Group.

2.1 Migration to new accounting framework

The Group's financial statements for the annual period beginning on 1 January 2018 and the subsequent annual periods will be prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards.

In the interim, the MASB has issued a number of accounting standards, amendments and interpretations under the MFRSs framework, which will be effective for adoption for annual periods beginning on or after 1 January 2018:

- ***Effective for annual periods beginning on or after 1 January 2018***
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS 2014-2016 Cycle)*
 - Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
 - Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
 - MFRS 9, *Financial Instruments*
 - MFRS 15, *Revenue from Contracts with Customers*
 - Clarifications to MFRS 15, *Revenue from Contracts with Customers*
 - Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014-2016 Cycle)*
 - Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*
 - IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Migration to new accounting framework (continued)

- ***Effective for annual periods beginning on or after 1 January 2019***
 - MFRS 16, *Leases*
 - IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- ***Effective for annual periods beginning on or after 1 January 2021***
 - MFRS 17, *Insurance Contracts*
- ***Effective from a date yet to be determined***
 - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is currently assessing the financial impact that may arise from the migration to MFRS, including the adoption of MFRS 1, MFRS 9, MFRS 15 and MFRS 16.

3. Seasonality or cyclicity of operations

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

4. Estimates

The preparation of the condensed consolidated interim financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty were the same as those disclosed in the annual financial statements as at and for the year ended 31 December 2016.

5. Debt and equity securities

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

There was no share buy-back during the period under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 September 2017 is 13,056,000 shares.


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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
6. Property, plant and equipment - *acquisitions and disposals*

During the current period, the Group acquired property, plant and equipment costing about RM18.7 million (30.9.2016: RM6.3 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM0.1 million (30.9.2016: RM0.1 million) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group
Decrease in equity interest in an existing associate, Dayang Enterprise Holdings Bhd. ("DEHB")

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

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

8. Loans and borrowings

		30 September 2017	31 December 2016
		RM'000	RM'000
<i>Non-current</i>			
Secured	- Term loans	153,832	123,545
	- Finance lease	53	74
		153,885	123,619
<i>Current</i>			
Unsecured	- Revolving credits	360,000	339,000
Secured	- Term loans	22,086	16,175
	- Finance lease	30	41
		382,116	355,216
Total		536,001	478,835
		=====	=====



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Earnings per ordinary share (“EPS”)

Basic EPS

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

	9 months ended 30 September	
	2017	2016
(Loss)/Profit attributable to owners of the Company (RM'000)	(127,322)	3,067
	-----	-----
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
	-----	-----
Basic EPS (sen)	(53.74)	1.29
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Diluted EPS

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

10. Dividend

No dividend was declared/or paid during the period under review.



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments

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

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

- Property development - Development and construction of residential and commercial properties (including sale of vacant land).
- Construction - Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).
- Others - Manufacture and sale of buildings and construction materials, provision of sand extraction and land filling services, property investment as well as quarry operation.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the GMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms. Unallocated items mainly comprise corporate and headquarters expenses and other investment income, which are managed on a group basis and are not allocated to any operating segment.

Segment assets and liabilities

The GMD reviews the statements of financial position of subsidiaries for resource allocation and decision making instead of a summary of consolidated assets and liabilities by segments. As such, information on segment assets and segment liabilities is not presented.



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
For the 9 months ended 30 September										
Revenue from external customers	90,196	116,022	159,580	139,856	24,180	29,263	-	-	273,956	285,141
Inter segment revenue	-	-	-	-	5,543	7,608	(5,543)	(7,608)	-	-
Total segment revenue	<u>90,196</u>	<u>116,022</u>	<u>159,580</u>	<u>139,856</u>	<u>29,723</u>	<u>36,871</u>	<u>(5,543)</u>	<u>(7,608)</u>	<u>273,956</u>	<u>285,141</u>
Segment profit/(loss)	2,610	17,153	(77,118)	(5,627)	933	822	(795)	(1,071)	(74,370)	11,277
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	(313)	1,006	832	512	-	-	-	-	519	1,518
- joint ventures	-	-	1,057	(1,269)	-	-	-	-	1,057	(1,269)
	<u>2,297</u>	<u>18,159</u>	<u>(75,229)</u>	<u>(6,384)</u>	<u>933</u>	<u>822</u>	<u>(795)</u>	<u>(1,071)</u>	<u>(72,794)</u>	<u>11,526</u>
Unallocated expense									(8,303)	(6,420)
Loss on disposal of interests in an associate, DEHB									(8,321)	-
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									(24,996)	2,410
Tax expense									(12,291)	(3,434)
Loss for the period									(126,705)	4,082
Other comprehensive loss, net of tax									(12,669)	(7,075)
Total comprehensive loss for the period									<u>(139,374)</u>	<u>(2,993)</u>
Non-controlling interests									(617)	(1,015)
Total comprehensive loss attributable to the owners of the Company									<u>(139,991)</u>	<u>(4,008)</u>



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Subsequent events

Pursuant to a dividend-in-specie ("DIS") distribution exercise by the Group's associate, DEHB, the Group is expecting to receive approximately 76.47 million shares in Perdana Petroleum Berhad ("PPB") within one month from the entitlement date of 16 November 2017. As a result, the Group will hold about 9.9% equity stake in PBB upon receiving the distribution. The impact arising from the above DIS will be accounted for by the Group in the next quarter ending 31 December 2017.

Saved as disclosed, there are no other material events subsequent to the end of the period reported on, that has not been reflected in the condensed consolidated interim financial statements for the said period, made up to the date of this quarterly report.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2016 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	30 September 2017 RM'000	31 December 2016 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	3,235	4,117
- Contracted but not provided for	32,675	34,937
	35,910	39,054
	=====	=====

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2016.


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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
16. Related parties
i) Transactions with key management personnel

Compensations payable/paid to key management personnel during the period under review are as follows:

	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Directors of the Company	3,705	4,136
Other key management personnel	6,336	7,566
	10,041	11,702
	10,041	11,702

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with associates</u>				
Construction contract cost	80,988	7,116	(3,178)	(970)
Construction contract sum billed	(9,889)	(4,160)	2,844	-
Management fee charged	(510)	-	-	-
Rental expense on machinery	593	2,041	-	(956)
Sale of construction raw materials	(1,101)	(4,200)	1,141	2,440
Sale of property, plant and equipment	(1,200)	-	-	-
	10,041	7,116	(3,178)	(970)
	10,041	7,116	(3,178)	(970)

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

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Rental expense on properties	486	486	(498)	(496)
	486	486	(498)	(496)
	486	486	(498)	(496)



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance

	Cumulative quarters	
	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Revenue	273,956	285,141
Operating (loss)/profit	(69,715)	15,762
(Loss)/Profit before tax	(114,414)	7,516

Current 9-month vs corresponding preceding 9-month review (September 2017 vs September 2016)

Group revenue decreased slightly from RM285.1 million in September 2016 to RM274.0 million in September 2017. Despite higher construction revenue of RM159.6 million (September 2016: RM139.9 million), the increase was offset by a drop in property revenue of 22% from RM116 million as of September 2016.

For the current 9-month period, the Group registered a loss before tax of RM114.4 million, against a profit of RM7.5 million reported in September 2016, mainly due to the following:

- additional loss of RM107.0 million from certain completed projects, mainly due to a lower than expected contract sum where the eventual revenue was far below our initial projection because of final re-measurement adjustment as well as prolongation and acceleration costs incurred for the completion of the said projects. Further, additional overheads to incur until the end of contract maintenance period was also factored in to derive the loss provision. The loss provision was based on the management's prudent and conservative estimation of claims negotiation status with the clients. One of the main contributing factors to the significant loss in these projects was due to substantial shortening/compressing of construction periods by the clients by as much as one third. With supported grounds on the claims and the backing of independent assessment by external claims consultant, management is continuously pursuing the recovery of claimable prolongation/acceleration costs, which may involve dispute resolutions including mediation, CIPAA and/or arbitration.
- an accounting loss of RM8.3 million arising from the dilution in equity interest in an associate, Dayang Enterprise Holdings Bhd. ("DEHB") (also see Note 7 for details).
- significant deterioration in the share of DEHB's results, from a profit of RM2.4 million in previous corresponding period of 2016 to a loss of RM25.0 million in the current period under review (see Note 17.2 for details).

The loss was however alleviated by the write back of liquidated and ascertained damages (LAD) previously provided for construction projects of about RM31.2 million.



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17. Review of Group performance (continued)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2017	30 June 2017
	RM'000	RM'000
Revenue	65,412	94,922
Operating (loss)/profit	(79,415)	915
Loss before tax	(83,493)	(22,871)

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

When compared to the immediate preceding quarter (April to June 2017), the drop in group revenue, by 31%, was mainly due to the downwards adjustments in the contract sum for certain completed projects as explained in the preceding page.

At the same time, the Group also recorded higher loss before tax of RM83.5 million in the current quarter (April to June 2017: RM22.9 million loss). The loss was mainly contributed by the additional loss provision of RM107.0 million made for certain completed projects as explained in the preceding page.

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1 below.

17.1 Review of performance of operating segments and current year prospects

a) Property

	Cumulative quarters	
	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Revenue	90,196	116,022
Segment profit	2,610	17,153

Current 9-month vs corresponding preceding 9-month review (September 2017 vs September 2016)

For the current period under review, Property segment achieved lower revenue of RM90.2 million, against the RM116.0 million achieved in the corresponding period in 2016. At the same time, Property profit also decreased by 85% to RM2.6 million in the current period. The drop in both Property revenue and profit was due to lower development progress achieved from the existing on-going development projects during the current period as well as some discounts/rebates given for certain completed development projects as part of the Group's initiatives to clear off property stocks.



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17. Review of Group performance (continued)

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

a) *Property (continued)*

Current 9-month vs corresponding preceding 9-month review (September 2017 vs September 2016) (continued)

Despite the above drop in property performance, the Group managed to achieve higher new sales of about RM92.9 million during the current 9-month period, against RM86.0 million new sales achieved in September 2016.

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2017	30 June 2017
	RM'000	RM'000
Revenue	20,661	28,105
Segment loss	(3,669)	(709)

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

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

Prospects

We expect the property market to remain challenging due to factors such as rising costs of doing business, increased competition and property stocks, weak buying sentiment, strict bank lending policy etc. In the near term, we will continue to focus on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching and put in various initiatives to sell off the existing property stocks.

At the same time, we have also adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to the buyers' demand and market conditions. This will enable us to tailor better product development to suit the market. Some plans are also in the pipeline to launch more medium range and affordable projects in the years to come. In short, product planning and pricing as well as tightening of costs control (including appropriate right sizing and cost cutting) are amongst the key measures being implemented in order to sustain the performance in our Property segment in the near term.



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17. Review of Group performance (continued)

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

b) Construction

	Cumulative quarters	
	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Revenue	159,580	139,856
Segment loss	(77,118)	(5,627)

Current 9-month vs corresponding preceding 9-month review (September 2017 vs September 2016)

Higher construction revenue of RM159.6 million (September 2016: RM139.9 million) was mainly due to increased work progress achieved from the existing on-going projects.

Nevertheless, the Segment registered a huge loss of RM77.1 million in the current period, against the loss of RM5.6 million reported in the corresponding period. Significant variation in this segmental performance is explained as below:

- Additional loss provision of up to RM107.0 million for certain completed projects, made based on conservative management estimation on likely contract sum to be agreed with the clients (including possible likely prolongation and acceleration claims) as well as additional overheads to incur until the end of contract maintenance period.

The Segment's loss was however moderated by:

- The write back of liquidated and ascertained damages (LAD) previously provided for construction projects of about RM31.2 million.
- increased work progress achieved from existing on-going projects, which contributed some profit of RM17.0 million to this segment .



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

17. Review of Group performance (continued)

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

b) Construction (continued)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2017	30 June 2017
	RM'000	RM'000
Revenue	36,663	60,709
Segment (loss)/profit	(78,888)	1,220

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

When compared to the immediate preceding quarter (April to June 2017), the drop in Construction revenue and performance was mainly due to additional loss provision for certain completed projects, as explained in earlier pages.

Prospects

We continue to implement measures to improve efficiency and cost control. At the same time, we also enhance project monitoring to ensure projects are on schedule, improve risk management system and embark on tightening of internal controls for this segment. Appropriate right sizing and cost cutting are being carried out as part of the process to better manage the costs.

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



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17. Review of Group performance (continued)

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

c) Other Segment

	Cumulative quarters	
	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Revenue	24,180	29,263
Segment profit	933	822

Current 9-month vs corresponding preceding 9-month review (September 2017 vs September 2016)

Decline in revenue for Other segment was mainly due to lower premix sales, about 95% lower than that reported in September 2016 as a result of the completion of existing sales orders. On the other hand, trading sales and quarry sales had showed an improvement of about 16%, against that achieved in September 2016 of RM16 million.

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2017	30 June 2017
	RM'000	RM'000
Revenue	8,089	6,108
Segment (loss)/profit	(21)	575

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

Other segment reported higher revenue during the current 3 months, against RM6.1 million in the immediate preceding quarter, mainly attributable to higher trading sales achieved. On the other hand, this segment registered a loss of RM0.02 million, against a profit of RM0.6 million, partly contributed by higher fixed operational costs.

Prospects

In the near term, we continue to improve the quarry and premix operations by putting various measures to market and sell the products to achieve economies of scale and improve their performance.



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

17. Review of Group performance (continued)

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

c) *Other Segment (continued)*

Prospects (continued)

The property investment and trading operations will continue to contribute positively to the Group results. In addition to retail property, we will be embarking on other types of commercial properties, for example hotel in Bintulu Paragon, for recurring income.

In addition to retail property, we will be embarking on other types of commercial properties, for example hotel in Bintulu Paragon, for recurring income.

17.2 Review of performance of major associate

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), registered a loss after tax attributable to owners of about RM89.7 million, against a profit of RM7.8 million achieved in the corresponding period of 2016. The loss was mainly due to impairment loss on property, plant and equipment, foreign exchange losses and lower charter rates achieved.

18. Profit guarantee

The Group did not issue any profit guarantee.

19. Tax expense

Despite the loss before tax of RM114.4 million reported for the current period, the Group incurred tax expense of RM12.3 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.



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20. Loss before tax

	9 months ended 30 September	
	2017	2016
	RM'000	RM'000
Loss before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- associate	8,321	-
- property, plant and equipment	(40)	54
- assets held for sale	(532)	-
Interest income from fixed deposits and cash funds	(305)	(340)
Other interest income	(6,611)	(5,607)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,633	1,133
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	5,536	5,639
Liquidated and ascertained damages (LAD) income	-	(2,877)
Write back of LAD provision	(31,163)	(10,322)
Foreign exchange loss/(gain):		
- unrealised	1,380	(182)
- realised	-	7
Interest expense on loans and borrowings	19,874	17,969
Property, plant and equipment written off	107	203
Reversal of allowance for impairment loss on receivables	(12,000)	(2,468)

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2017.

22. Status of corporate proposals

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



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23. Update of material litigations status

Land issue

On 21 March 2017, Naim Land Sdn. Bhd. ("NLSB") received a Writ of Summons from 2 persons suing on behalf of themselves and their siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was alienated by the State Government of Sarawak to NLSB in 1997 and land premium has been settled. NLSB has filed its Defence to the claim on 26 May 2017 and has on 21 July 2017 filed a Notice of Application on 21 July 2017 for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. Parties have exchanged affidavits in respect of the said application and the same was fixed for mention in Court on 14 November 2017. At the mention on 14 November 2017, the Court gave directions for Submissions to be filed by the parties by 14 December 2017.

Other litigations

- (i) On 25 April 2017, another subsidiary, Naim Engineering Sdn. Bhd. ("NESB") received a payment claim totalling RM4,610,378.17 from a subcontractor, made against NESB under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA"). On 28 July 2017, NESB received the Adjudication Claim and has responded with an Adjudication Response dated 24 August 2017. The claimant then served NESB with an Adjudication Reply dated 5 September 2017. Subsequent to submissions made by both parties, the adjudicator is expected to deliver his decision on or before 24 November 2017.
- (ii) On 25 April 2017, NESB received another three separate payments claims amounting to RM29,595,135.55 from a subcontractor, made against NESB under the CIPAA. NESB is instituting a counterclaim against the said subcontractor. NESB submitted a Payment Response on 11 May 2017 and is currently still awaiting the subcontractor's response.

The Directors are of the opinion that the above-mentioned payment claims by the subcontractors are baseless and frivolous and had instructed our solicitors to vigorously contest the two cases to defend our interest.



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24. Breakdown of realised and unrealised profits or losses

	30 September 2017 RM'000	31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	729,308	813,170
- unrealised	19,353	30,257
	748,661	843,427
Share of retained earnings from:		
- associates	150,077	188,972
- joint ventures	8,995	3,106
	907,733	1,035,505
Less: Consolidation adjustments	(50,367)	(50,817)
Total group retained earnings as per consolidated statement of changes in equity	857,366	984,688
	=====	=====

The determination of realised and unrealised profits or losses is based on Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

25. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.

26. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 November 2017.