BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the third quarter and nine months ended 30 September 2018

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 September		*9 months ended 30 September*	
			(Restated)		(Restated)
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue		178,760	53,654	438,949	260,950
Cost of sales		(149,206)	(172,298)	(384,642)	(352,229)
Gross profit/(loss)		29,554	(118,644)	54,307	(91,279)
Other operating income		1,697	45,135	3,713	47,992
Selling and promotional expenses		(1,756)	(1,567)	(5,774)	(6,241)
Administrative expenses		(5,788)	(5,988)	(16,542)	(21,262)
Other operating expenses		(811)	(923)	(3,021)	(2,605)
Results from operating activities		22,896	(81,987)	32,683	(73,395)
Finance income		1,947	2,892	6,209	6,916
Finance costs		(7,609)	(7,864)	(22,191)	(19,874)
Net finance costs		(5,662)	(4,972)	(15,982)	(12,958)
Other non-operating expense		-	-	-	(8,321)
Share of results (net of tax) of equity-accounted:					
- associates		15,793	227	13,067	(24,477)
- joint ventures		838	667	1,360	1,057
Profit/(Loss) before tax	Note 20	33,865	(86,065)	31,128	(118,094)
Tax expense	Note 19	(3,335)	(8,763)	(6,623)	(12,291)
Profit/(Loss) for the period		30,530	(94,828)	24,505	(130,385)
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		(219)	280	141	495
Realisation of reserves to profit or loss		-	-	-	(2,455)
Share of other comprehensive income/(loss) of associates		2,945	(2,539)	2,031	(10,709)
Other comprehensive income/(loss) for the period		2,726	(2,259)	2,172	(12,669)
Total comprehensive income/(loss) for the period		33,256	(97,087)	26,677	(143,054)
Profit/(Loss) attributable to:					
Owners of the Company		30,323	(95,014)	23,398	(130,949)
Non-controlling interests		207	186	1,107	564
Profit/(Loss) for the period		30,530	(94,828)	24,505	(130,385)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		33,049	(97,273)	25,570	(143,618)
Non-controlling interests		207	186	1,107	564
Total comprehensive income/(loss) for the period		33,256	(97,087)	26,677	(143,054)
Basic earning/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	12.80	(40.10)	9.87	(55.27)

The notes set out on pages 5 to 32 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 2017.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(The figures have not been audited)

	Note	Unaudited 30 September 2018 RM'000	Unaudited (Restated) 31 December 2017 RM'000	Unaudited (Restated) 1 January 2017 RM'000
ASSETS				
Property, plant and equipment		119,522	103,648	89,130
Prepaid lease payments		2,320	2,342	2,370
Interests in associates		346,814	331,544	401,456
Interests in joint ventures		7,332	5,543	4,906
Land held for property development		370,203	384,646	398,772
Investment properties		85,722	87,382	87,667
Intangible assets		4,366	4,876	5,557
Deferred tax assets		15,238	16,201	29,466
Other investments		2,974	2,974	2,974
Trade and other receivables		68,889	73,372	82,324
Total non-current assets		**1,023,380**	**1,012,528**	**1,104,622**
Inventories		67,668	79,563	103,525
Property development costs		575,259	546,157	448,369
Trade and other receivables		416,102	298,911	404,937
Deposits and prepayments		27,511	29,236	29,343
Current tax recoverable		13,277	13,142	12,453
Cash and cash equivalents		81,560	76,261	64,055
		1,181,377	1,043,270	1,062,682
Assets classified as held for sale		650	651	757
Total current assets		**1,182,027**	**1,043,921**	**1,063,439**
Total assets		**2,205,407**	**2,056,449**	**2,168,061**
EQUITY				
Share capital		336,092	336,092	336,092
Treasury shares		(34,748)	(34,748)	(34,748)
Reserves		768,104	742,534	944,986
Total equity attributable to owners of the Company		**1,069,448**	**1,043,878**	**1,246,330**
Non-controlling interests		20,660	19,553	18,694
Total equity		**1,090,108**	**1,063,431**	**1,265,024**
LIABILITIES				
Loans and borrowings	Note 8	174,090	159,684	123,619
Trade and other payables		3,524	6,874	10,057
Deferred tax liabilities		25,074	25,501	26,199
Total non-current liabilities		**202,688**	**192,059**	**159,875**
Loans and borrowings	Note 8	382,563	385,720	355,216
Trade and other payables		521,488	402,353	387,578
Provisions		8,006	11,600	-
Current tax payable		554	1,286	368
Total current liabilities		**912,611**	**800,959**	**743,162**
Total liabilities		**1,115,299**	**993,018**	**903,037**
Total equity and liabilities		**2,205,407**	**2,056,449**	**2,168,061**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**4.28**	**4.18**	**4.99**

The notes set out on pages 5 to 32 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 2017.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the third quarter and nine months ended 30 September 2018

(The figures have not been audited)

	Note	Share capital RM '000	Foreign currency translation reserve RM '000	Treasury shares RM '000	Other reserve RM '000	Retained earnings RM '000	Sub-total RM '000	Non-controlling interests RM '000	Total equity RM '000
		Total equity attributable to owners of the Company							
		Non-Distributable				Distributable			
For the 9 months ended 30 September 2017 (Unaudited)									
At 1 January 2017, as per audited financial statements		336,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
Effect of transition to MFRS		-	-	-	-	(68,242)	(68,242)	(10)	(68,252)
At 1 January 2017, restated		336,092	28,433	(34,748)	107	916,446	1,246,330	18,694	1,265,024
Foreign currency translation differences for foreign operations		-	495	-	-	-	495	-	495
Realisation of reserves to profit or loss		-	(2,445)	-	(10)	-	(2,455)	-	(2,455)
Share of other comprehensive income/(loss) of associates		-	(10,738)	-	29	-	(10,709)	-	(10,709)
Total other comprehensive (loss)/income for the period		-	(12,688)	-	19	-	(12,669)	-	(12,669)
(Loss)/Profit for the period		-	-	-	-	(130,949)	(130,949)	564	(130,385)
Total comprehensive (loss)/income for the period		-	(12,688)	-	19	(130,949)	(143,618)	564	(143,054)
At 30 September 2017, restated		336,092	15,745	(34,748)	126	785,497	1,102,712	19,258	1,121,970
For the 9 months ended 30 September 2018 (Unaudited)									
At 1 January 2018, as per audited financial statements		336,092	10,917	(34,748)	129	815,835	1,128,225	19,602	1,147,827
Effect of transition to MFRS		-	-	-	-	(84,347)	(84,347)	(49)	(84,396)
At 1 January 2018, restated		336,092	10,917	(34,748)	129	731,488	1,043,878	19,553	1,063,431
Foreign currency translation differences for foreign operations		-	141	-	-	-	141	-	141
Share of other comprehensive income/(loss) of associates		-	2,061	-	(30)	-	2,031	-	2,031
Total other comprehensive income/(loss) for the period		-	2,202	-	(30)	-	2,172	-	2,172
Profit for the period		-	-	-	-	23,398	23,398	1,107	24,505
Total comprehensive income/(loss) for the period		-	2,202	-	(30)	23,398	25,570	1,107	26,677
At 30 September 2018, unaudited		336,092	13,119	(34,748)	99	754,886	1,069,448	20,660	1,090,108

The notes set out on pages 5 to 32 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 2017.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2018

(The figures have not been audited)

	Unaudited 30 September 2018 RM'000	Restated 30 September 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	31,128	(118,094)
Adjustments for:		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,660	1,633
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	6,305	5,536
Dividend income from unquoted shares	(4)	(62)
Finance income	(6,209)	(6,916)
Finance costs	22,191	19,874
Loss/(Gain) on disposal of:		
- associate	-	8,321
- property, plant and equipment	(232)	(40)
- assets held for sale	-	(532)
Property, plant and equipment written off	57	107
Reversal of impairment loss on receivables	-	(12,000)
Share of results of equity-accounted:		
- associates	(13,067)	24,477
- joint ventures	(1,360)	(1,057)
Unrealised foreign exchange loss	131	1,380
Operating profit/(loss) before changes in working capital	41,131	(76,842)
Changes in working capital:		
Inventories	11,414	20,754
Land held for property development	-	1,316
Property development costs	(14,056)	(15,595)
Trade and other receivables, deposits and prepayments	(110,876)	12,320
Trade and other payables	112,370	48,242
Cash generated from/(used in) operations	39,983	(9,805)
Net income taxes paid	(7,383)	(6,957)
Net cash from/(used in) operating activities	32,600	(16,762)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(22,638)	(18,663)
Proceeds from disposal of:		
- property, plant and equipment	291	60
- assets held for sale	-	1,200
Changes in pledged deposits	(900)	(692)
Increase in investment in an existing joint venture	-	(2,700)
Dividends received	4	62
Interest received	6,151	6,919
Net cash used in investing activities	(17,092)	(13,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans and borrowings	11,269	57,199
Repayment of finance lease liabilities	(20)	(30)
Interest paid	(22,448)	(18,560)
Net cash (used in)/from financing activities	(11,199)	38,609
Net increase in cash and cash equivalents	4,309	8,033
Effects of exchange rate changes on cash and cash equivalents	90	(303)
Cash and cash equivalents at beginning of period	63,294	63,976
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**67,693**	**71,706**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	24,015	16,186
Cash in hand and at banks	43,678	55,520
Total cash and cash equivalents as shown in statement of cash flows	67,693	71,706

The notes set out on pages 5 to 32 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 2017.

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 134, *Interim Financial Reporting*.

These condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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 2017.

The annual financial statements of the Group as at and for the year ended 31 December 2017, which were prepared under Financial Reporting Standards (FRSs), 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 migrated to the MFRS accounting framework with effect from 1 January 2018 and these condensed consolidated interim financial statements are the Group's first set of MFRS compliant condensed consolidated interim financial statements. MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied in the preparation of the interim financial statements.

In preparing its opening MFRS statement of financial position as at 1 January 2017 (which is also the date of transition), the Group has adjusted certain amounts reported previously in the financial statements prepared in accordance with FRSs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS)

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 2017, except for some changes in certain accounting policies arising from the adoption of MFRS, which for transitioning entities were effective for the annual periods before or on 1 January 2018, including the adoption of the following MFRSs, amendments and interpretations.

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 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 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The changes in significant accounting policies are summarised as follows:

a) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

Under MFRS 15, revenue is recognised only when the contract is legally enforceable and certain criteria are met. Timing of revenue recognition is determined based on the transfer of controls rather than transfer of the significant risks and rewards of ownership. Determining the timing of transfer of controls – at point of time or over time – requires judgements.

2. Significant accounting policies (continued)

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

a) MFRS 15, Revenue from Contracts with Customers (continued)

Property development	Previously, the Group recognised revenue from sales of property based on the stage of completion of property sold and when the financial outcome can be reliably measured. Under a typical property sale contract, the buyer controls the property as it is constructed, and the Group is restricted practically or contractually from directing such property to another use and has an enforceable right to payments for performance to-date if the contract is terminated. Under MFRS 15, the revenue from sales of property is now recognised over time, using a method that depicts performance. When separate performance obligations are identified and distinct, the total consideration in a sale contract is allocated to all identified performance obligations based on their relative stand-alone selling prices. Revenue is recognised for each of the performance obligations as it is satisfied.
Construction contracts	Previously, the Group recognised contract revenue as soon as the outcome of a construction contract can be estimated reliably, based on the stage of completion of the contract. Contract expenses were recognised as incurred unless they created an asset related to future contract activity. Under MFRS 15, 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 revenue recognition. Only incremental costs of obtaining a contract is capitalised over the contract period, if they are directly chargeable to the customer; otherwise such costs are expensed off to profit or loss. When one of the performance obligations in the contract is to arrange for the provision of goods and 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.

2. Significant accounting policies (continued)

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

b) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Upon adoption of MFRS 9, financial assets are measured at either fair value or amortised cost. The Group's investment in unquoted shares (i.e. equity instrument) is measured at fair value through other comprehensive income. The carrying amount of the unquoted investment at the date of adoption approximated its fair value. No adjustment is required.

MFRS 9 also replaces the "incurred loss" model with an "expected credit loss" (ECL) model. The Group measures loss allowance at an amount equal to 12-month ECL or lifetime ECL, depending on whether the credit risk of a financial asset has increased significantly since initial recognition, defaults periods and credit rating of the affected financial assets. The Group considers reasonable and supportable information that is relevant and available without due cost and effort when measuring ECLs.

Total loss allowance provided at the date of transition is about RM42.6 million, against some affected trade receivables.

c) Investment in associates

Under FRS, the Group's investment in associates was measured at cost and post-acquisition share of net assets of the associates, including goodwill on acquisition.

At the date of transition to MFRS, the Group reassessed and evaluated the carrying amounts of its investment in associates for impairment, including goodwill impairment assessment. The carrying amount of the investment in an associate has been adjusted from RM392.8 million to RM371.4 million to reflect its fair value at the date of transition, which is regarded as the deemed costs for the said associate.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The financial impacts on the transition from the previous FRSs to the new MFRS are disclosed in Note 2.2.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs

a) Reconciliation of financial position

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Assets	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Property, plant and equipment	89,130	-	89,130	99,196	-	99,196	103,648	-	103,648
Prepaid lease payments	2,370	-	2,370	2,349	-	2,349	2,342	-	2,342
Investment in associates	422,918	(21,462)	401,456	376,786	(21,462)	355,324	353,006	(21,462)	331,544
Investment in joint ventures	4,906	-	4,906	8,995	-	8,995	5,543	-	5,543
Land held for property development	398,772	-	398,772	384,646	-	384,646	384,646	-	384,646
Investment properties	87,667	-	87,667	87,921	-	87,921	87,382	-	87,382
Intangible asset	5,557	-	5,557	5,046	-	5,046	4,876	-	4,876
Deferred tax assets	29,466	-	29,466	21,660	-	21,660	16,201	-	16,201
Other investments	2,974	-	2,974	2,974	-	2,974	2,974	-	2,974
Trade and other receivables	82,324	-	82,324	76,483	-	76,483`	73,372	-	73,372
Total non-current assets	1,126,084	(21,462)	1,104,622	1,066,056	(21,462)	1,044,594	1,033,990	(21,462)	1,012,528
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2.2 Financial impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Assets (continued)	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
Current assets									
Inventories	103,525	-	103,525	83,642	-	83,642	79,563	-	79,563
Trade and other receivables	449,959	(45,022)	404,937	456,039	(41,996)	414,043	350,764	(51,853)	298,911
Property development costs	441,545	6,824	448,369	474,040	2,028	476,068	542,082	4,075	546,157
Deposit and prepayments	29,343	-	29,343	26,870	-	26,870	29,236	-	29,236
Current tax recoverable	12,453	-	12,453	14,406	-	14,406	13,142	-	13,142
Cash and cash equivalents	64,055	-	64,055	72,476	-	72,476	76,261	-	76,261
	1,100,880	(38,198)	1,062,682	1,127,473	(39,968)	1,087,505	1,091,048	(47,778)	1,043,270
Assets held for sales	757	-	757	87	-	87	651	-	651
Total current assets	1,101,637	(38,198)	1,063,439	1,127,560	(39,968)	1,087,592	1,091,699	(47,778)	1,043,921
Total assets	2,227,721	(59,660)	2,168,061	2,193,616	(61,430)	2,132,186	2,125,689	(69,240)	2,056,449

2.2 Financial impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Equity	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
Share capital	336,092	-	336,092	336,092	-	336,092	336,092	-	336,092
Treasury shares	(34,748)	-	(34,748)	(34,748)	-	(34,748)	(34,748)	-	(34,748)
Retained earnings	984,688	(68,242)	916,446	857,366	(71,869)	785,497	815,835	(84,347)	731,488
Other reserves	28,540	-	28,540	15,871	-	15,871	11,046	-	11,046
Total equity attributable to the owners of the Company	1,314,572	(68,242)	1,246,330	1,174,581	(71,869)	1,102,712	1,128,225	(84,347)	1,043,878
Non-controlling interest	18,704	(10)	18,694	19,321	(63)	19,258	19,602	(49)	19,553
Total equity	1,333,276	(68,252)	1,265,024	1,193,902	(71,932)	1,121,970	1,147,827	(84,396)	1,063,431

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Liabilities	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
<u>Non-current liabilities</u>									
Loans and borrowings	123,619	-	123,619	153,885	-	153,885	159,684	-	159,684
Trade and other payables	10,057	-	10,057	6,874	-	6,874	6,874	-	6,874
Deferred tax liabilities	26,199	-	26,199	25,453	-	25,453	25,501	-	25,501
Total non-current liabilities	159,875	-	159,875	186,212	-	186,212	192,059	-	192,059
<u>Current liabilities</u>									
Loans and borrowings	355,216	-	355,216	382,116	-	382,116	385,720	-	385,720
Trade and other payables	378,986	8,592	387,578	430,458	10,502	440,960	387,197	15,156	402,353
Provisions	-	-	-	-	-	-	11,600	-	11,600
Current tax payables	368	-	368	928	-	928	1,286	-	1,286
Total current liabilities	734,570	8,592	743,162	813,502	10,502	824,004	785,803	15,156	800,959
Total liabilities	894,445	8,592	903,037	999,714	10,502	1,010,216	977,862	15,156	993,018
Total equity and liabilities	2,227,721	(59,660)	2,168,061	2,193,616	(61,430)	2,132,186	2,125,689	(69,240)	2,056,449

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

b) Reconciliation of profit or loss and other comprehensive income

	As at 30.9.2017			As at 31.12.2017		
	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Revenue	273,956	(13,006)	260,950	365,203	(21,662)	343,541
Cost of sales	(361,555)	9,326	(352,229)	(451,213)	16,100	(435,113)
Gross loss	(87,599)	(3,680)	(91,279)	(86,010)	(5,562)	(91,572)
Other operating income	47,992	-	47,992	48,583	-	48,583
Selling and promotional expenses	(6,241)	-	(6,241)	(8,925)	-	(8,925)
Administrative expenses	(21,262)	-	(21,262)	(28,791)	(10,461)	(39,252)
Other operating expenses	(2,605)	-	(2,605)	(5,292)	(121)	(5,413)
Results from operating activities	(69,715)	(3,680)	(73,395)	(80,435)	(16,144)	(96,579)
Finance income	6,916	-	6,916	8,902	-	8,902
Finance costs	(19,874)	-	(19,874)	(27,511)	-	(27,511)
Net finance costs	(12,958)	-	(12,958)	(18,609)	-	(18,609)
Other non-operating expense	(8,321)	-	(8,321)	(8,321)	-	(8,321)
Share of results of equity accounted associates and joint ventures	(23,420)	-	(23,420)	(39,764)	-	(39,764)
Loss before tax	(114,414)	(3,680)	(118,094)	(147,129)	(16,144)	(163,273)
Tax expense	(12,291)	-	(12,291)	(20,826)	-	(20,826)
Loss for the period	(126,705)	(3,680)	(130,385)	(167,955)	(16,144)	(184,099)

2.2 Financial impacts on transition to MFRSs (continued)

b) Reconciliation of profit or loss and other comprehensive income (continued)

	As at 30.9.2017			As at 31.12.2017		
	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Other comprehensive income/(loss), net of tax						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	495	-	495	1,783	-	1,783
Realisation of reserves from deemed disposal of an associate	(2,455)	-	(2,455)	(2,454)	-	(2,454)
Share of other comprehensive loss of associates	(10,709)	-	(10,709)	(16,823)	-	(16,823)
Total other comprehensive loss for the period	(12,669)	-	(12,669)	(17,494)	-	(17,494)
Total comprehensive loss for the period	(139,374)	(3,680)	(143,054)	(185,449)	(16,144)	(201,593)
(Loss)/Profit attributable to:						
- Owners of the Company	(127,322)	(3,627)	(130,949)	(168,853)	(16,105)	(184,958)
- Non-controlling interests	617	(53)	564	898	(39)	859
	(126,705)	(3,680)	(130,385)	(167,955)	(16,144)	(184,099)
Total comprehensive (loss)/profit attributable to:						
- Owners of the Company	(139,991)	(3,627)	(143,618)	(186,347)	(16,105)	(202,452)
- Non-controlling interests	617`	(53)	564	898	(39)	859
	(139,374)	(3,680)	(143,054)	(185,449)	(16,144)	(201,593)

2. Significant accounting policies (continued)

2.3 Standards, amendments and interpretations yet to be effective

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

- ***MFRSs effective for annual periods beginning on or after 1 January 2019***
  - MFRS 16, *Leases*
  - IC Interpretation 23, *Uncertainty over Income Tax Treatments*
  - Amendments to MFRS 3, *Business Combinations (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
  - Amendments to MFRS 11, *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 112, *Income Taxes (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
  - Amendments to MFRS 123, *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

- ***MFRSs effective for annual periods beginning on or after 1 January 2020***
  - Amendments to MFRS 2, *Share-based Payment*
  - Amendment to MFRS 3, *Business Combinations*
  - Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
  - *Amendment to MFRS 14, Regulatory Deferral Accounts*
  - Amendments to MFRS 101, *Presentation of Financial Statements*
  - Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
  - Amendments to MFRS 134, *Interim Financial Reporting*
  - Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
  - Amendment to MFRS 138, *Intangible Assets*
  - Amendments to IC Interpretation 12, *Service Concession Arrangements*
  - Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
  - Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
  - Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

2. Significant accounting policies (continued)

2.3 Standards, amendments and interpretations yet to be effective (continued)

- ***MFRSs effective for annual periods beginning on or after 1 January 2020 (continued)***
  - Amendments to IC Interpretation 132, *Intangible Assets - Web Site Costs*

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

- ***MFRSs effective from a date yet to be determined***
  - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods' financial statements upon its first adoption.

Impact of the initial application of MFRS 16, *Leases*, which will be applied retrospectively, is disclosed as below:

MFRS *16, Leases*

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

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. MFRS 16 requires the lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases, eliminating the classification of leases by the lessee as either finance lease (on balance sheet) or operating leases (off balance sheet).

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

The initial application of the other standards are not expected to have any material financial impacts to the Group.

3. Seasonality or cyclicality of operations

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

4. Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2017 as well as those judgements applied on the adoption of MFRS 9 and 15, as explained in Note 2.1.

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 2018 is 13,056,000 shares.

6. Property, plant and equipment - *acquisitions and disposals*

During the current period, the Group acquired property, plant and equipment costing about RM22.6 million (30.9.2017: RM18.7 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM0.1 million (30.09.2017: RM0.1 million) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

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

8. Loans and borrowings

		30 September 2018 RM'000	31 December 2017 RM'000
Non-current			
Secured	- Term loans	174,057	159,636
	- Finance lease	33	48
		174,090	159,684
Current			
Unsecured	- Revolving credits	345,000	353,000
Secured	- Term loans	37,543	32,695
	- Finance lease	20	25
		382,563	385,720
Total		556,653	545,404

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	9 months ended 30 September 2018	9 months ended 30 September 2017 (restated)
Profit/(Loss) attributable to owners of the Company (RM'000)	23,398	(130,949)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	9.87	(55.27)

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 quarter under review.

11. Operating segments

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

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

Property development	- Development and construction of residential and commercial properties (including sale of vacant land).
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.

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the 9 months ended 30 September										
Revenue from external customers	116,024	89,962	304,499	146,808	18,426	24,180	-	-	438,949	260,950
Inter segment revenue	-	-	-	-	3,718	5,543	(3,718)	(5,543)	-	-
Total segment revenue	116,024	89,962	304,499	146,808	22,144	29,723	(3,718)	(5,543)	438,949	260,950
	=======	=======	=======	=======	=======	=======	=======	=======	=======	======
Segment profit/(loss)	9,730	3,204	17,953	(79,387)	(537)	(1,072)	(1,256)	(795)	25,890	(78,050)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(1,610)	(313)	2,719	832	-	-	-	-	1,109	519
- joint ventures	-	-	1,360	1,057	-	-	-	-	1,360	1,057
	8,120	2,891	22,032	(77,498)	(537)	(1,072)	(1,256)	(795)	28,359	(76,474)
	=======	=======	=======	=======	=======	=======	=======	=======		
Unallocated expense									(9,189)	(8,303)
Loss on disposal of interests in an associate, DEHB									-	(8,321)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									11,958	(24,996)
Tax expense									(6,623)	(12,291)
Profit/(Loss) for the period									24,505	(130,385)
Other comprehensive income/(loss), net of tax									2,172	(12,669)
Total comprehensive income/(loss) for the year									26,677	(143,054)
Non-controlling interests									(1,107)	(564)
Total comprehensive income/(loss) attributable to the owners of the Company									25,570	(143,618)
									=======	=======

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

12. Subsequent events

There are no material events subsequent to the end of the period reported on, that has not been reflected in the condensed consolidated interim financial statements for the said period, made up to the date of this quarterly report, other than those disclosed in Note 22 on the status update of corporate proposals.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2017 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	30 September 2018 RM'000	31 December 2017 RM'000
Property, plant and equipment		
- Authorised but not contracted for	-	2,231
- Contracted but not provided for	23,522	29,852
	23,522	32,083

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 2017.

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 2018 RM'000	9 months ended 30 September 2017 RM'000
Directors of the Company	3,712	3,705
Other key management personnel	5,745	6,336
	9,457	10,041

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 9 months ended 30 September 2018 RM'000	Transaction value 9 months ended 30 September 2017 RM'000	Balance outstanding as at 30 September 2018 RM'000	Balance outstanding as at 30 September 2017 RM'000
Transactions with associates				
Construction contract cost	124,095	80,988	(23,320)	(3,178)
Construction contract sum billed	(23,229)	(9,889)	3,875	2,844
Fee charged on management services rendered	(675)	(510)	-	-
Rental expense on machinery	167	593	-	-
Sale of construction raw materials	-	(1,101)	223	1,141
Sale of property, plant and equipment	-	(1,200)	-	-
	=======	=======	=======	=======

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

	Transaction value 9 months ended 30 September 2018 RM'000	Transaction value 9 months ended 30 September 2017 RM'000	Balance outstanding as at 30 September 2018 RM'000	Balance outstanding as at 30 September 2017 RM'000
Rental expense on properties	486	486	(1,159)	(498)
	=======	=======	=======	=======

iv) Transaction with key management personnel

	Transaction value 9 months ended 30 September 2018 RM'000	Transaction value 9 months ended 30 September 2017 RM'000	Balance outstanding as at 30 September 2018 RM'000	Balance outstanding as at 30 September 2017 RM'000
Sale of properties	779	-	753	-
	=======	=======	=======	=======

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

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	438,949	260,950
Operating profit/(loss)	32,683	(73,395)
Profit/(Loss) before tax	31,128	(118,094)

The Group recorded higher revenue of RM438.9 million for the period under review, as compared to RM261.0 million reported in the corresponding period of 2017. The increase was contributed by both Property and Construction divisions, which recorded a 78% increase in their revenue when compared against that achieved in the corresponding period of 2017, due to increased work progress and additional new property sales [see Note 17.1 (b) for details].

At the same time, the Group performance showed an improvement, from a loss before tax of RM118.1 million reported in September 2017 to a profit of about RM31.1 million. The Property and Construction divisions reported a combined profit of RM27.7 million during the 9-month period, against a loss of RM76.2 million registered in the corresponding period of 2017. At the same time, the Group's share of the results in Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), had also improved, from a loss of RM25.0 million in September 2017 to a profit of RM12.0 million in the current period under review.

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2018	30 June 2018
	RM'000	RM'000
Revenue	178,760	116,196
Operating profit	22,896	4,483
Profit/(Loss) before tax	33,865	10,242

When compared to the immediate preceding quarter (April to June 2018), the increase in both group revenue and profit before tax were mainly due to higher work progress achieved at site as well as higher new property sales secured during this 3-month period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (continued) (September 2018 vs June 2018)

At the same time, the net share of profits from the associate, DEHB, had also improved from RM10.5 million in the immediate preceding 3-month period to RM13.7 million in the current 3-month period.

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

17.1 Review of performance of operating segments and current year prospects

a) Property

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters 9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	116,024	89,962
Segment profit	9,730	3,204

Property segment recorded an increase in its revenue and profit during the current period under view. The increase was partly contributed by increased work progress achieved. Higher new sales of about RM100.6 million (January to September 2017: RM92.9 million) also had led to the increase in the property revenue and profit during the 9-month period.

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)

a) Property **(continued)**

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current 3 months ended 30 September 2018 RM'000	Immediate preceding 3 months ended 30 June 2018 RM'000
Revenue	45,615	23,423
Segment profit	8,761	826

When compared to the immediate preceding quarter (April to June 2018), the increase in Property revenue and profit was partly due to higher work progress achieved during the 3-month period. At the same time, additional new sales of RM32.7 million were secured during this period, against that of RM23.8 million achieved in the immediate preceding 3-month period.

Prospects

We expect the property market to remain very 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 buyers' demand and market conditions. This will enable us to tailor better product development to suit the market. More medium range and affordable property will be introduced to local markets in the years to come.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance (continued)

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

b) Construction

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	304,499	146,808
Segment profit/(loss)	17,953	(79,387)

When compared to the previous 9 months ended 30 September 2017, Construction revenue and performance had substantially improved, which was in tandem with the increased work progress achieved from existing on-going projects.

The loss of RM79.4 million reported in last September 2017 was mainly due to additional loss provision of RM107 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.

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2018	30 June 2018
	RM'000	RM'000
Revenue	126,853	86,658
Segment profit	11,796	7,134

When compared to the immediate preceding quarter (April to June 2018), the increase in Construction revenue and profit was mainly due to increased work progress achieved from the existing on-going projects.

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

17. Review of Group performance (continued)

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

b) Construction (continued)

Prospects

We continue to implement measures to improve efficiency and control costs. At the same time, we also enhance project monitoring to ensure projects are on schedule, improve risk management system and embark on tightening of internal controls for this segment.

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

c) Other Segment

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	18,426	24,180
Segment loss	(537)	(1,072)

The drop in the revenue for Other segment was mainly due to lower trading sales, about 41% lower than that reported in the corresponding period of 2017. At the same time, Other segment registered lower loss of RM537,000, compared to RM1.1 million in September 2017, mainly attributable to some cost saving in utility consumption as well as scaling down of the premix operation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance (continued)

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

c) Other Segment (continued)

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current 3 months ended 30 September 2018 RM'000	Immediate preceding 3 months ended 30 June 2018 RM'000
Revenue	6,292	6,115
Segment profit/(loss)	7	(1,184)

When compared to the immediate preceding quarter, Other segment showed an increase in revenue and performance during the current 3 months, mainly attributable to higher trading and quarry sale during the quarter.

The loss of RM1.2 million reported in the immediate preceding quarter was mainly due to the reclassification of overhead costs to this segment.

Prospects

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

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

17.2 Review of performance of major associate

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM66.5 million, against a loss of RM89.7 million registered in the corresponding period of 2017. The improvement in the DEHB performance was mainly due to higher maintenance work orders performed during the period under review.

18. Profit guarantee

The Group did not issue any profit guarantee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

19. Tax expense

Despite the group profit before tax of 16.7 million reported for the current 9-month period (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM6.6 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

20. Additional disclosures on loss before tax

	9 months ended 30 September	
	2018 RM'000	**2017 RM'000**
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- associate	-	8,321
- property, plant and equipment	(232)	(40)
- assets held for sale	-	(532)
Interest income from fixed deposits and cash funds	(519)	(305)
Other interest income	(5,690)	(6,611)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,660	1,633
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	6,305	5.536
Write back of LAD provision	-	(31,163)
Foreign exchange loss:		
- unrealised	131	1,380
- realised	33	-
Interest expense on loans and borrowings	22,191	19,874
Property, plant and equipment written off	57	107
Reversal of allowance for impairment loss on receivables	-	(12,000)

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Status of corporate proposals

Proposed Renounceable Rights Issue

On 30 August 2018, the Company is proposing to undertake a renounceable rights issue of up to 355,416,000 new ordinary shares ("Rights Share") at an issue price of RM0.45 per Rights Share, on the basis of three (3) Rights Shares for every two (2) existing shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company ("Entitled Shareholders") on the Entitlement Date ("Proposed Rights Issue").

Key features of the Proposed Rights Issue are summarised as follows:

Proposed undertakings by major shareholders

The Company intends to undertake the Proposed Rights Issue on a minimum subscription level basis where the Proposed Rights Issue would entail a minimum issuance of 222,222,222 Rights Shares to raise minimum gross proceeds of approximately RM100.00 million.

In order to meet the minimum subscription level, the Company had secured irrevocable and unconditional undertakings from its major shareholders, namely Datuk Amar Abdul Hamed Bin Haji Sepawi ("Datuk Amar"), Datuk Hasmi Bin Hasnan ("Datuk Hasmi") and persons acting in concert with them ("PACs") to subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date, and at the same time apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s) by way of excess Rights Shares applications ("Proposed Undertakings").

On the basis that the Proposed Undertakings and the minimum subscription Level will be fulfilled via the Proposed Undertakings, the Company is not expected to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other entitled shareholders.

Proposed exemption

As the Proposed Rights Issue is to be undertaken on a minimum subscription basis, which is premised on the minimum subscription level being fulfilled via the Proposed Undertakings, Datuk Amar, Datuk Hasmi and their PACs intend to submit an application to the Securities Commission ("SC") for the grant of an exemption to undertake a Mandatory Offer upon completion of the Proposed Rights Issue. In the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue will not be implemented as the Proposals are inter-conditional.

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

22. Status of corporate proposals (continued)

Proposed Renounceable Rights Issue (continued)

Proposed utilisation of proceeds

Based on the issue price of RM0.45 for each Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM100.00 million under the minimum subscription level and up to approximately RM159.94 million under the maximum subscription level. The proceeds arising from the Proposed Rights Issue will be used to finance the property development activities of the Group as well as partial repayment of borrowings of the Group.

As at the date of this report, the Company has secured the following approvals in respect of the Proposed Rights Issue:

a. Approval by Bursa Securities on 10 October 2018 for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities; and

b. Approval by shareholders of the Company at an Extraordinary General Meeting held on 13 November 2018.

As the Proposed Rights Issue and the Proposed Exemption are inter-conditional, the Proposals are also subject to approval by the SC in respect of the Proposed Exemption. The application to the SC for the Proposed Exemption has been made on 16 November 2018 after the Proposals have been approved by the shareholders at the EGM.

Further details of the Proposed Rights Issue and its latest status are set out in the separate announcements made to Bursa Malaysia.

23. Update of material litigations status

Land issue

On 20 March 2017, Naim Land Sdn. Bhd, ("NLSB") received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years.

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

23. Update of material litigations status (continued)

Land issue (continued)

NLSB filed its Defence to the claim on 26 May 2017 and had on 3 July 2017 filed a Notice of Application for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. Parties had exchanged affidavits in respect of the said application and ruling on the same was delivered on 17 January 2018; wherein the Judge ruled that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and set down the matter for trial from 21 to 25 May 2018. NLSB had filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.

25. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 November 2018.