



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the third quarter and nine months ended 30 September 2022				
<i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	115,702	115,205	295,350	258,593
Cost of sales	(111,854)	(106,463)	(274,284)	(239,352)
Gross profit	3,848	8,742	21,066	19,241
Other operating income	2,847	1,268	4,859	3,680
Selling and promotional expenses	(860)	(945)	(2,679)	(2,896)
Administrative expenses	(5,419)	(5,337)	(16,242)	(13,592)
Other operating expenses	(3,513)	(3,758)	(8,229)	(8,092)
Results from operating activities	(3,097)	(30)	(1,225)	(1,659)
Finance income	2,732	2,778	6,025	7,151
Finance costs	(3,658)	(2,842)	(8,799)	(8,961)
Net finance costs	(926)	(64)	(2,774)	(1,810)
Other non-operating expense	(7)	(6)	(25)	(1,967)
Share of results (net of tax) of equity-accounted:				
- associates	9,966	6,018	27,001	(1,986)
- joint ventures	296	179	829	650
Profit/(Loss) before tax	6,232	6,097	23,806	(6,772)
Tax expense	(1,543)	1,782	(5,183)	(460)
Profit/(Loss) for the period	4,689	7,879	18,623	(7,232)
Other comprehensive income/(expenses), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	1	(2)	3	100
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate	-	-	-	(1,344)
Share of other comprehensive income of associates	7,979	1,374	15,959	8,490
Other comprehensive income for the period	7,980	1,372	15,962	7,246
Total comprehensive income for the period	12,669	9,251	34,585	14
Profit/(Loss) attributable to:				
Owners of the Company	4,560	7,324	18,224	(7,415)
Non-controlling interests	129	555	399	183
Profit/(Loss) for the period	4,689	7,879	18,623	(7,232)
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	12,540	8,696	34,186	(169)
Non-controlling interests	129	555	399	183
Total comprehensive income for the period	12,669	9,251	34,585	14
Basic earnings/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)	0.91	1.46	3.64	(1.48)

The notes set out on pages 5 to 21 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2021.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
As at 30 September 2022 <i>(The figures have not been audited)</i>		
	Unaudited	Audited
	30 September	31 December
	2022	2021
	RM'000	RM'000
ASSETS		
Property, plant and equipment	119,448	124,879
Interests in associates	438,996	396,062
Interests in joint ventures	1,465	1,904
Inventory - Land held for property development	172,242	172,242
Investment properties	78,208	76,086
Intangible assets	284	794
Deferred tax assets	2,218	2,396
Other investments	3,028	3,028
Trade and other receivables	33,460	46,268
Total non-current assets	849,349	823,659
Inventories	559,718	549,053
Contract costs	4,725	4,883
Contract assets	32,547	43,389
Trade and other receivables	114,141	126,996
Deposits and prepayments	8,459	8,179
Current tax recoverable	999	1,103
Cash and cash equivalents	276,255	290,172
Assets classified as held for sale	82	82
Total current assets	996,926	1,023,857
Total assets	1,846,275	1,847,516
EQUITY		
Share capital	454,802	454,802
Treasury shares	(34,748)	(34,748)
Reserves	844,957	810,771
Total equity attributable to owners of the Company	1,265,011	1,230,825
Non-controlling interests	22,086	21,737
Total equity	1,287,097	1,252,562
LIABILITIES		
Loans and borrowings	53,312	68,459
Deferred tax liabilities	21,377	22,097
Total non-current liabilities	74,689	90,556
Loans and borrowings	187,903	200,358
Trade and other payables	288,524	292,326
Contract liabilities	1,728	5,566
Provisions	3,472	3,472
Current tax payable	2,862	2,676
Total current liabilities	484,489	504,398
Total liabilities	559,178	594,954
Total equity and liabilities	1,846,275	1,847,516
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital	2.46	2.40

The notes set out on pages 5 to 21 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements. The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the third quarter and nine months ended 30 September 2022
(The figures have not been audited)

	Total equity attributable to owners of the Company							
	Non-Distributable				Distributable		Non-controlling interests RM '000	Total equity RM '000
	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		
<u>For the 9 months ended 30 September 2021 (Unaudited)</u>								
At 1 January 2021, audited	454,802	6,172	(34,748)	166	922,342	1,348,734	15,906	1,364,640
<i>Foreign currency translation differences for foreign operations</i>	-	100	-	-	-	100	-	100
<i>Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate</i>	-	(1,344)	-	-	-	(1,344)	-	(1,344)
<i>Share of other comprehensive income of associates</i>	-	8,490	-	-	-	8,490	-	8,490
Total other comprehensive income for the period	-	7,246	-	-	-	7,246	-	7,246
(Loss)/Profit for the period	-	-	-	-	(7,415)	(7,415)	183	(7,232)
Total comprehensive income/(expenses) for the period	-	7,246	-	-	(7,415)	(169)	183	14
Distributions to the owners <i>- Dividends paid to the owners of the Company</i>	-	-	-	-	(39,559)	(39,559)	-	(39,559)
At 30 September 2021	454,802	13,418	(34,748)	166	875,368	1,309,006	16,089	1,325,095
<u>For the 9 months ended 30 September 2022 (Unaudited)</u>								
At 1 January 2022, audited	454,802	12,662	(34,748)	123	797,986	1,230,825	21,737	1,252,562
<i>Foreign currency translation differences for foreign operations</i>	-	3	-	-	-	3	-	3
<i>Share of other comprehensive income of associates</i>	-	15,959	-	-	-	15,959	-	15,959
Total other comprehensive income for the period	-	15,962	-	-	-	15,962	-	15,962
Profit for the period	-	-	-	-	18,224	18,224	399	18,623
Total comprehensive income for the period	-	15,962	-	-	18,224	34,186	399	34,585
Redemption and cancellation of preference shares previously issued by a subsidiary to minority shareholder	-	-	-	-	-	-	(50)	(50)
At 30 September 2022	454,802	28,624	(34,748)	123	816,210	1,265,011	22,086	1,287,097

The notes set out on pages 5 to 21 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the third quarter and nine months ended 30 September 2022		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	30 September	30 September
	2022	2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	23,806	(6,772)
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,228	1,594
Depreciation of property, plant and equipment	7,811	7,117
Dividend income from unquoted shares	(63)	(42)
Finance income	(6,025)	(7,151)
Finance costs	8,799	8,961
(Gain)/Loss on disposal of:		
- property, plant and equipment	-	(287)
- deemed disposal of associate(s)	25	1,967
Net change in impairment loss on financial assets and contract assets	(2,906)	542
Share of results of equity-accounted:		
- associates	(27,001)	1,986
- joint ventures	(829)	(650)
Unrealised foreign exchange gain	(509)	(183)
Operating profit before changes in working capital	4,846	7,592
Changes in working capital:		
Inventories	(10,552)	22,744
Contract assets/liabilities	9,287	(18,235)
Contract costs	158	(467)
Trade and other receivables, deposits and prepayments	25,924	25,040
Trade and other payables	(3,763)	(19,109)
Provisions	-	(5)
Cash generated from operations	25,900	17,560
Net income taxes paid	(5,697)	(13,609)
Net cash from operating activities	20,203	3,951
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(905)	(459)
- investment properties	(4,940)	-
Proceeds from disposal of:		
- property, plant and equipment	-	288
Redemption and cancellation of preference shares by a subsidiary	(50)	-
Changes in pledged deposits	33	(24)
Distribution of profit received from a joint venture	1,530	-
Dividends received	63	42
Interest received	6,108	7,387
Net cash from investing activities	1,839	7,234
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to the:		
- owners of the Company	-	(39,559)
Net repayments of loans and borrowings	(27,490)	(33,099)
Net repayment of hire purchases	(112)	(25)
Interest paid	(8,834)	(9,457)
Net cash used in financing activities	(36,436)	(82,140)
Net decrease in cash and cash equivalents	(14,394)	(70,955)
Effects of exchange rate changes on cash and cash equivalents	509	183
Cash and cash equivalents at beginning of period	274,751	337,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD	260,866	267,178
<i>Representing by:</i>		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	207,681	208,626
Cash in hand and at banks	53,185	58,552
Total cash and cash equivalents as shown in statement of cash flows	260,866	267,178

The notes set out on pages 5 to 21 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements. The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements of the Group as at and for the period ended 30 September 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates and joint ventures.

1. Basis of preparation

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

The condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. 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 2021.

The annual financial statements of the Group as at and for the year ended 31 December 2021 are available upon request from the Company’s registered office at 9th floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.

2. Significant accounting policies

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2021, except as explained below.

During the current period under review, the Group has adopted the following accounting standards and amendments which are effective for annual periods beginning on and after 1 January 2022:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018 – 2020)*



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2. Significant accounting policies (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract*
- Amendment to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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

2.1 Standards, amendments and interpretations yet to be effective

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

- ***MFRSs effective for annual periods beginning on or after 1 January 2023***
 - MFRS 17, *Insurance Contracts*
 - Amendments to MFRS 17, *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
 - Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
 - Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
 - Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- ***MFRSs effective for annual periods beginning on or after 1 January 2024***
 - Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- ***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 adoption of the above MFRSs and associated amendments is not expected to have any material financial impact on the financial statements of the Group.



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3. Seasonality or cyclicity of operations

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

4. Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2021.

5. Debt and equity securities

There were no issuances, cancellations, repurchases, resales 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 total number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 September 2022 remains at 13,056,000 shares.

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

During the current period, the Group acquired property, plant and equipment (including assets under construction) costing about RM0.9 million (30.9.2021: RM0.5 million), which were satisfied in cash.

7. Changes in the composition of the Group

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

During the current period under review, some 370,000 redeemable convertible preference shares ("RCPS") in PPB were converted into ordinary shares by the RCPS holders of PPB. Although the Group's resultant equity interest in PPB following the conversion of RCPS did not vary much from the 3.47% as of 31 December 2021, the dilution in the equity interest in PPB arising from the RCPS conversion was accounted for as a deemed disposal. A loss of about RM25,000 was recognised as other non-operating expense in profit or loss.

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



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8. Loans and borrowings

		30 September 2022 RM'000	31 December 2021 RM'000
Non-current			
Secured	- Term loans	52,782	67,812
	- Hire purchases	530	647
		53,312	68,459
Current			
Unsecured	- Revolving credits	166,000	172,000
Secured	- Term loans	21,747	28,207
	- Hire purchases	156	151
		187,903	200,358
		241,215	268,817

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	9 months ended 30 September	
	2022 RM'000	2021 RM'000
Profit/(Loss) attributable to owners of the Company (RM'000)	18,224	(7,415)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic EPS (sen)	3.64	(1.48)

Diluted EPS

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



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10. Dividend

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

11. Operating segments

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

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

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

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

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

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

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

Segment assets and liabilities

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



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
For the 9 months ended 30 September										
Revenue from external customers	71,993	61,860	209,959	181,492	13,398	15,241	-	-	295,350	258,593
Inter segment revenue	-	-	47,188	21,251	2,274	2,107	(49,462)	(23,358)	-	-
Total segment revenue	71,933	61,860	257,147	202,743	15,672	17,348	(49,462)	(23,358)	295,350	258,593
Segment profit/(loss)	3,024	2,846	5,318	3,239	(5,989)	(5,192)	(3,742)	(1,905)	(1,389)	(1,012)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	3,262	1,899	(2,716)	6,490	-	-	-	-	546	8,389
- joint ventures	-	-	829	650	-	-	-	-	829	650
	6,286	4,745	3,431	10,379	(5,989)	(5,192)	(3,742)	(1,905)	(14)	8,027
Unallocated expense									(2,610)	(2,457)
Loss on deemed disposal of interests in associates, DEHB and PPB									(25)	(1,967)
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									26,455	(10,375)
Tax expense									(5,183)	(460)
Profit/(Loss) for the period									18,623	(7,232)
Other comprehensive income, net of tax									15,962	7,246
Total comprehensive income for the period									34,585	14
Non-controlling interests									(399)	(183)
Total comprehensive income/(expenses) attributable to the owners of the Company									34,186	(169)

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



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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.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2021 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	30 September 2022 RM'000	31 December 2021 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	3,476	15,000
<i>Investment properties</i>		
- Authorised and contracted for	1,200	4,850
- Authorised but not contracted for	23,500	25,150
	28,176	45,000

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2021.



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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	
	2022	2021
	RM'000	RM'000
Directors of the Company	2,848	2,892
Other key management personnel	4,105	3,379
	<u>6,953</u>	<u>6,271</u>

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with associates</u>				
Construction contract costs	127,821	72,688	(24,474)	(20,432)
Construction contract sum billed	-	(2,093)	2,523	2,597
	<u>-</u>	<u>(2,093)</u>	<u>2,523</u>	<u>2,597</u>



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

17. Review of Group performance

Current 9-month vs corresponding preceding 9-month review (September 2022 vs September 2021)

	Cumulative quarters	
	9 months ended 30 September	
	2022	2021
	RM'000	RM'000
Revenue	295,350	258,593
Profit/(Loss) before tax	23,806	(6,772)

The Group recorded higher revenue of RM295.4 million in the current period under review, against RM258.6 million reported in the corresponding period of 2021. The increase was mainly attributable to the Property Development and Construction divisions, which had recorded a 16% rise in revenue when compared to that achieved in the corresponding period of 2021.

At the same time, the Group reported a profit before tax of RM23.8 million, compared to a loss before tax of RM6.8 million reported in September 2021. Both Property Development and Construction divisions had shown signs of improvement in their segment performance, mainly due to increased work progress from existing ongoing projects and additional property sales secured during the period [see Note 17.1 for details]. In addition, the share of results (after tax) from our major associates, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), had improved from a loss of RM10.4 million in September 2021 to a profit of RM26.5 million in the current period under review.

Current 3-month vs immediate preceding 3-month review (September 2022 vs June 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2022	30 June 2022
	RM'000	RM'000
Revenue	115,702	80,481
Profit before tax	6,232	7,948

When compared to the immediate preceding quarter (April to June 2022), group revenue had improved mainly attributable to higher work progress achieved from the ongoing projects during the 3-month period. However, group profit before tax had declined by some RM1.7 million due to the incurrence of fixed overheads from some low activity operations, particularly quarry and retail leasing operations.



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17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (September 2022 vs June 2022) (continued)

Our major associate, DEHB had contributed positively to the group during the current 3-month period, as it did in the preceding quarter. The net share of results from the associate had improved from RM10.0 million in the immediate preceding 3-month period to a profit of RM13.2 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 development*

Current 9-month vs corresponding preceding 9-month review (September 2022 vs September 2021)

	Cumulative quarters	
	9 months ended 30 September	
	2022	2021
	RM'000	RM'000
Revenue	71,993	61,860
Segment profit	3,024	2,846

Property Development Segment recorded an improvement in revenue for the current period, partly due to increased work progress at site. The Group also recorded new property sales of about RM50.3 million (January to September 2021: RM59.0 million). The segment reported a marginal profit of some RM3.0 million during the period as a result.



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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 development (continued)*

*Current 3-month vs immediate preceding 3-month review
(September 2022 vs June 2022)*

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2022	30 June 2022
	RM'000	RM'000
Revenue	19,113	27,360
Segment (loss)/profit	(2,556)	1,455

Property Development showed a deterioration in revenue and performance during the current 3-month period, mainly attributable to lower property sales secured and the incurrence of some fixed overheads. New property sales of about RM12.1 million were secured during the current quarter, approximately 20% lower than that achieved in the immediate preceding quarter (April to June 2022) of about RM15.1 million.

Prospects

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



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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 development (continued)*

Prospects (continued)

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

Continuous sales and marketing initiatives (such as digital marketing, various enhanced and value-added service packages, etc.) have been introduced along the way to sell off our property stocks to improve the performance of this segment and reduce associated holding costs. At the same time, we have also closely managed and monitored the development progress and construction costs to ensure that the properties are completed and handed over to buyers on time while minimising the possibility of cost overruns and sustaining the property profit.

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

b) *Construction*

Current 9-month vs corresponding preceding 9-month review (September 2022 vs September 2021)

	Cumulative quarters	
	9 months ended 30 September	
	2022	2021
	RM'000	RM'000
Revenue	209,959	181,492
Segment profit	5,318	3,239

The Construction segment showed an improvement in both revenue and performance during the period under review, mainly contributed by higher work progress achieved from existing ongoing construction projects.



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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 3-month vs immediate preceding 3-month review (September 2022 vs June 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2022	30 June 2022
	RM'000	RM'000
Revenue	91,679	48,961
Segment profit	3,673	886

When compared to the immediate preceding quarter (April to June 2022), the Construction Segment recorded higher revenue and profit during the current quarter, mainly due to increased work progress achieved from the current ongoing projects. Recovery of a sum amounting to RM2.3 million previously provided for as doubtful contract receivable had also contributed positively to the segment performance during the current 3-month period.

Prospects

Tightened project planning, execution and monitoring are in place to make sure construction projects are completed within the targeted schedule and to achieve the expected margin.

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



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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

Current 9-month vs corresponding preceding 9-month review (September 2022 vs September 2021)

	Cumulative quarters	
	9 months ended 30 September	
	2022	2021
	RM'000	RM'000
Revenue	13,398	15,241
Segment loss	(5,989)	(5,192)

The drop in Other segment revenue was mainly due to lower trading sales as well as lower occupancy rates reported by the hotel and retail leasing operations. At the same time, this segment continued to register a loss due to the incurrence of some fixed overheads and interest expense.

Current 3-month vs immediate preceding 3-month review (September 2022 vs June 2022)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2022	30 June 2022
	RM'000	RM'000
Revenue	4,910	4,160
Segment loss	(2,577)	(1,954)

When compared to the immediate preceding quarter, the Segment showed a slight improvement in revenue during the current 3-month period, mainly due to higher revenue reported by the hotel operations with improved room rates.

However, the Other Segment had registered a higher loss due to the incurrence of some fixed overheads and interest expense, particularly from the quarry operation and hotel operation.



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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* (continued)

Prospects

The Group expects contributions from this segment to gradually improve in the near term, particularly in the retail leasing and hotel businesses. We will keep our rental rates competitive in order to retain tenants while maintaining a fair yield, and catering to the changing working culture (i.e. work-from-home culture) and rising e-commerce businesses. We will continuously implement various cost control measures to bring down overheads while initiating various revamping activities to improve the current occupancy rates and yield in the near terms. At the same time, we have also monitored and managed the collection of debts from the retail leasing business closely while providing necessary support and assistance to our tenants during this economic recovery period.

17.2 Review of performance of major associates

For the current period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM108.7 million, against a loss after tax of RM30.4 million achieved in September 2021. The improvement in DEHB's performance during the current period was mainly due to increased work orders/contracts, higher vessel utilisation, receipt of insurance claims, reversal of impairment loss on trade receivables as well as lower depreciation charges.

18. Tax expense

The Group reported higher tax expense of about RM5.2 million, when compared to the net profit excluding tax and shares of results from associates and joint ventures, mainly due to higher non-deductible expenses as well as the effect of additional deferred tax assets not recognised arising from certain loss-making and low performing operations.

19. Profit guarantee

The Group did not issue any profit guarantee.

20. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2022.



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21. Additional disclosures on profit/loss before tax

	9 months ended	
	2022	2021
	RM'000	RM'000
Profit/Loss before tax is arrived at after (crediting)/charging:		
(Gain)/Loss on disposal of:		
- property, plant and equipment	-	(287)
- deemed disposal of associates	25	1,967
Interest income from fixed deposits and cash funds	(2,634)	(2,717)
Other interest income	(3,391)	(4,434)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,228	1,594
Depreciation of property, plant and equipment	7,811	7,117
Foreign exchange (gain)/loss:		
- unrealised	(509)	(183)
- realised	2	-
Interest expense on loans and borrowings	8,799	8,961
Net change in impairment loss on financial assets and contract assets	(2,906)	542

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

22. Update of material litigations status

Contract litigation

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



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22. Update of material litigations status (continued)

Contract litigation (continued)

Following the stay of proceedings in favour of arbitration as agreed by both parties, a Notice of Arbitration dated 16 July 2021 was received on 19 July 2021. On 11 April 2022, both NESB and the subcontractor agreed and confirmed the appointment of the arbitrator. A preliminary meeting with the arbitrator was held on 23 May 2022. On 18 July 2022, the subcontractor filed their statement of claim and the preliminary internal assessment of their current documentation is weak. NESB had filed a statement of defence and counterclaim on 11 October 2022 and is currently awaiting the subcontractor's reply and defence to NESB's counterclaim which must be filed by 6 December 2022 for further review and assessment of the case.

Based on our records, the Group is of the view that the claim by the subcontractor is frivolous. As such, the Group does not expect the claim to succeed and is of the view that the claim does not have a material financial and/or operational impact on the Group's results for the financial year ending 31 December 2022. Notwithstanding, in the event that the claim is allowed by the Arbitrator, the financial impact is limited to what is claimed by the subcontractor in the Statement of Claim. The Group has instructed its solicitor to vigorously contest the claim.

23. Status of corporate proposals

There are no corporate proposals announced and/or not completed at the date of this quarterly report.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2021 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 24 November 2022.