



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

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the second quarter and six months ended 30 June 2023				
<i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	86,884	80,481	155,405	179,648
Cost of sales	(79,928)	(73,695)	(141,570)	(162,430)
Gross profit	6,956	6,786	13,835	17,218
Other operating income	902	444	1,595	2,012
Selling and promotional expenses	(1,081)	(940)	(2,300)	(1,819)
Administrative expenses	(5,471)	(4,893)	(9,711)	(10,823)
Other operating expenses	(3,657)	(2,544)	(6,740)	(4,716)
Results from operating activities	(2,351)	(1,147)	(3,321)	1,872
Finance income	2,055	1,735	3,955	3,293
Finance costs	(2,827)	(2,603)	(5,678)	(5,141)
Net finance costs	(772)	(868)	(1,723)	(1,848)
Other non-operating expense	(2)	(2)	(56)	(18)
Share of results (net of tax) of equity-accounted:				
- associates	17,389	9,683	12,592	17,035
- joint ventures	3	282	5	533
Profit before tax	14,267	7,948	7,497	17,574
Tax expense	(1,710)	(1,152)	(2,913)	(3,640)
Profit for the period	12,557	6,796	4,584	13,934
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	6	(1)	7	2
Share of other comprehensive income of associates	10,647	7,006	10,872	7,980
Other comprehensive income for the period	10,653	7,005	10,879	7,982
Total comprehensive income for the period	23,210	13,801	15,463	21,916
Profit/(Loss) attributable to:				
Owners of the Company	12,594	6,764	4,428	13,664
Non-controlling interests	(37)	32	156	270
Profit for the period	12,557	6,796	4,584	13,934
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	23,247	13,769	15,307	21,646
Non-controlling interests	(37)	32	156	270
Total comprehensive income for the period	23,210	13,801	15,463	21,916
Basic and diluted earnings per ordinary share (EPS) (sen)	2.52	1.35	0.88	2.73

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 2022.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
As at 30 June 2023 <i>(The figures have not been audited)</i>		
	Unaudited	Audited
	30 June 2023 RM'000	31 December 2022 RM'000
ASSETS		
Property, plant and equipment	115,270	117,721
Interests in associates	459,784	440,582
Interests in joint ventures	2,034	2,027
Inventory - Land held for property development	163,712	172,242
Investment properties	84,143	80,503
Intangible assets	-	113
Deferred tax assets	2,124	2,229
Other investments	3,017	3,017
Trade and other receivables	20,582	30,700
Total non-current assets	850,666	849,134
Inventories	555,742	558,215
Contract costs	4,775	4,730
Contract assets	41,317	39,316
Trade and other receivables	122,716	77,365
Deposits and prepayments	8,399	10,449
Current tax recoverable	1,148	1,334
Other financial assets	12,599	15,416
Cash and cash equivalents	225,843	247,758
	972,539	954,583
Assets classified as held for sale	83	83
Total current assets	972,622	954,666
Total assets	1,823,288	1,803,800
EQUITY		
Share capital	454,802	454,802
Treasury shares	(34,748)	(34,748)
Reserves	859,934	844,627
Total equity attributable to owners of the Company	1,279,988	1,264,681
Non-controlling interests	22,106	21,950
Total equity	1,302,094	1,286,631
LIABILITIES		
Loans and borrowings	76,843	87,620
Deferred tax liabilities	20,796	21,167
Total non-current liabilities	97,639	108,787
Loans and borrowings	140,307	145,330
Trade and other payables	276,521	256,017
Contract liabilities	2,741	1,871
Provisions	2,824	3,472
Current tax payable	1,162	1,692
Total current liabilities	423,555	408,382
Total liabilities	521,194	517,169
Total equity and liabilities	1,823,288	1,803,800
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital	2.49	2.46

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 2022.



QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the second quarter and six months ended 30 June 2023

(The figures have not been audited)

	Total equity attributable to owners of the Company							Total equity RM '000
	Non-Distributable				Distributable		Non-controlling interests 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		
For the 6 months ended 30 June 2022 (Unaudited)								
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>	-	2	-	-	-	2	-	2
<i>Share of other comprehensive income of associates</i>	-	7,980	-	-	-	7,980	-	7,980
Total other comprehensive income for the period	-	7,982	-	-	-	7,982	-	7,982
Profit for the period	-	-	-	-	13,664	13,664	270	13,934
Total comprehensive income for the period	-	7,982	-	-	13,664	21,646	270	21,916
Redemption and cancellation of preference shares previously issued by a subsidiary to minority shareholder	-	-	-	-	-	-	(50)	(50)
At 30 June 2022	454,802	20,644	(34,748)	123	811,650	1,252,471	21,957	1,274,428
For the 6 months ended 30 June 2023 (Unaudited)								
At 1 January 2023, audited	454,802	21,720	(34,748)	112	822,795	1,264,681	21,950	1,286,631
<i>Foreign currency translation differences for foreign operations</i>	-	7	-	-	-	7	-	7
<i>Share of other comprehensive income of associates</i>	-	10,872	-	-	-	10,872	-	10,872
Total other comprehensive income for the period	-	10,879	-	-	-	10,879	-	10,879
Profit for the period	-	-	-	-	4,428	4,428	156	4,584
Total comprehensive income for the period	-	10,879	-	-	4,428	15,307	156	15,463
At 30 June 2023	454,802	32,599	(34,748)	112	827,223	1,279,988	22,106	1,302,094

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 2022.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the second quarter and six months ended 30 June 2023		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	30 June	30 June
	2023	2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,497	17,574
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	113	340
- investment properties	1,430	1,063
Depreciation of property, plant and equipment	4,903	4,423
Dividend income from unquoted shares	(2)	(1)
Finance income	(3,955)	(3,293)
Finance costs	5,678	5,141
(Gain)/Loss on disposal of:		
- property, plant and equipment	(80)	-
- deemed disposal of an associate	56	18
Net change in impairment loss on financial assets and contract assets	-	(623)
Share of results of equity-accounted:		
- associates	(12,592)	(17,035)
- joint ventures	(5)	(533)
Unrealised foreign exchange gain	(309)	(262)
Operating profit before changes in working capital	2,734	6,812
Changes in working capital:		
Inventories	11,021	(16,269)
Contract assets/liabilities	(1,131)	11,785
Contract costs	(45)	203
Trade and other receivables, deposits and prepayments	(33,297)	43,141
Trade and other payables	20,621	(36,234)
Provisions	(648)	-
Cash (used in)/generated from operations	(745)	9,438
Net income taxes paid	(3,525)	(2,204)
Net cash (used in)/from operating activities	(4,270)	7,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(2,470)	(450)
- investment properties	(5,070)	(2,933)
Proceeds from disposal of:		
- property, plant and equipment	80	-
Redemption and cancellation of preference shares by a subsidiary	-	(50)
Changes in pledged deposits	2,817	44
Dividends received from:		
- an associate	4,206	-
- unquoted shares	2	1
Interest received	4,069	3,377
Net cash from/(used in) investing activities	3,634	(11)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of loans and borrowings	(15,723)	(19,280)
Net repayment of hire purchases	(77)	(75)
Interest paid	(5,788)	(5,267)
Net cash used in financing activities	(21,588)	(24,622)
Net decrease in cash and cash equivalents	(22,224)	(17,399)
Effects of exchange rate changes on cash and cash equivalents	309	262
Cash and cash equivalents at beginning of period	247,758	274,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	225,843	257,614
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	181,802	212,846
Cash in hand and at banks	44,041	44,768
Total cash and cash equivalents as shown in statement of cash flows	225,843	257,614

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 2022.



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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 June 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates and joint ventures.

1. Basis of preparation

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

The condensed consolidated interim financial statements do not include all of the information required for a set of complete annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. 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 2022.

The annual financial statements of the Group as at and for the year ended 31 December 2022 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 2022, except as explained below.

During the current period under review, the Group has adopted the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments of the MFRSs which are effective for annual periods beginning on 1 January 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – 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*
- Amendments to MFRS 112, *Income Taxes – International Tax Reform - Pillar Two Model Rules*



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2. Significant accounting policies (continued)

The adoption of the above MFRSs and 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 but are neither effective yet nor early adopted by the Group:

- ***MFRSs effective for annual periods beginning on or after 1 January 2024***
 - Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
 - Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
 - Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
- ***MFRSs effective from a date yet to be determined***
 - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial applications of the abovementioned MFRSs and amendments are not expected to have any material financial impacts on the financial statements of the Group.

3. Seasonality or cyclicity of operations

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

4. Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2022.



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5. Debt and equity securities

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

There was no share buy-back during the period under review. The total number of ordinary shares repurchased in earlier periods retained as treasury shares as of 30 June 2023 remains at 13,056,000 shares.

6. *Acquisitions and/or disposals of property, plant and equipment and investment properties*

During the current period, the Group incurred about RM7.5 million (30.6.2022: RM3.4 million) for the acquisition of property, plant and equipment and investment properties (including assets under construction), which were satisfied in cash. Some fully depreciated property, plant and equipment were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

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

During the current period under review, some 804,200 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 2022, the dilution in the equity interest in PPB arising from the RCPS conversion was accounted for as a deemed disposal. A loss of about RM56,000 was recognised as other non-operating expense in profit or loss for the current period under review.

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



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8. Loans and borrowings

		30 June 2023 RM'000	31 December 2022 RM'000
Non-current			
Secured	- Term loans	76,434	87,130
	- Hire purchases	409	490
		76,843	87,620
Current			
Unsecured	- Revolving credits	117,500	120,000
Secured	- Term loans	22,646	25,173
	- Hire purchases	161	157
		140,307	145,330
Total		217,150	232,950

9. Earnings per ordinary share ("EPS")

Basic and diluted earnings per ordinary share

The calculation of the basic and diluted EPS was based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding excluding treasury shares bought back in previous years, presented as follows:

	6 months ended 30 June	
	2023	2022
Profit attributable to ordinary shareholders (RM'000)	4,428	13,664
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic and diluted EPS (sen)	0.88	2.73



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10. Dividend

No dividend was declared/paid by the Board during the current 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 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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11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
For the period ended 30 June										
Revenue from external customers	39,214	52,880	106,413	118,280	9,778	8,488	-	-	155,405	179,648
Inter segment revenue	-	-	21,298	38,193	1,261	1,228	(22,559)	(39,421)	-	-
Total segment revenue	39,214	52,880	127,711	156,473	11,039	9,716	(22,559)	(39,421)	155,405	179,648
Segment profit/(loss)	4,698	5,580	1,396	1,645	(5,210)	(3,412)	(3,823)	(2,447)	(2,939)	1,366
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	1,779	3,051	328	737	-	-	-	-	2,107	3,788
- joint ventures	-	-	5	533	-	-	-	-	5	533
	6,477	8,631	1,729	2,915	(5,210)	(3,412)	(3,823)	(2,447)	(827)	5,687
Unallocated expense									(2,105)	(1,342)
Loss on deemed disposal of interests in associates, DEHB and PPB									(56)	(18)
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									10,485	13,247
Tax expense									(2,913)	(3,640)
Profit for the period									4,584	13,934
Other comprehensive income, net of tax									10,879	7,982
Total comprehensive income for the period									15,463	21,916
Non-controlling interests									(156)	(270)
Total comprehensive income attributable to the owners of the Company									15,307	21,646

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



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12. Subsequent events

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

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2022 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	30 June 2023 RM'000	31 December 2022 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	12,700	15,000
<i>Investment properties</i>		
- Authorised and contracted for	3,500	1,200
- Authorised but not contracted for	25,100	30,000
	41,300	46,200

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 2022.



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16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel

	6 months ended 30 June	
	2023 RM'000	2022 RM'000
Directors of the Company	1,886	1,939
Other key management personnel	1,915	2,601
	<u>3,801</u>	<u>4,540</u>

Other transactions with key management personnel

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sale of property	<u>3,339</u>	-	<u>2,922</u>	-

ii) Other related party transactions

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Transactions with associates</u>				
Construction contract costs	73,465	75,249	(33,194)	(11,434)
Construction contract sum billed	-	-	2,256	2,523
Dividend income receivable	(4,206)	-	-	-
Rental of equipment	39	-	-	-
Sales of goods	<u>(70)</u>	-	<u>-</u>	<u>-</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 6-month vs. corresponding preceding 6-month review (June 2023 vs. June 2022)

	Cumulative quarters	
	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Revenue	155,405	179,648
Profit before tax	7,497	17,574

When compared to June 2022, the Group recorded a lower group revenue of RM155.4 million during the period under review, mainly contributed by lower property sales secured as well as lower work progress achieved at project sites.

At the same time, the Group reported a lower net profit before tax of RM7.5 million, compared against RM17.6 million reported in the corresponding period of 2022. The fluctuation in the net results was analysed as follows:

- a segment loss of about RM2.9 million was recorded by our core businesses, against a segment profit of about RM1.4 million reported in June 2022 [see Notes 11 and 17.1 for details].
- lower profit contribution from our major associates, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad. The share of net profit (after tax) of the DEHB Group had declined, from RM13.2 million in June 2022 to RM10.5 million in the current period under review.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2023	31 March 2023
	RM'000	RM'000
Revenue	86,884	68,521
Profit/(Loss) before tax	14,267	(6,770)

When compared to the immediate preceding quarter (January to March 2023), group revenue had improved, mainly attributable to higher work progress achieved at site during the current 3-month period. At the same time, group performance had also substantially improved during the current quarter, mainly due to an improved share of profit from our associate, DEHB Group amounting to RM16.0 million against a share of loss of RM5.5 million recorded in the immediate preceding quarter.



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17. Review of Group performance (continued)

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's prospects

a) *Property development*

Current 6-month vs. corresponding preceding 6-month review (June 2023 vs. June 2022)

	Cumulative quarters	
	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Revenue	39,214	52,880
Segment profit	4,698	5,580

Property Development showed a decline in its revenue and performance during the current period under review, mainly attributable to lower property sales secured as well as the incurrence of some fixed overheads and interest expenses. Lower new property sales of about RM35.8 million were secured during the 6-month period, when compared to that achieved in June 2022 of about RM38.2 million.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2023	31 March 2023
	RM'000	RM'000
Revenue	17,419	21,795
Segment profit	753	3,945

Both Property Development revenue and profit had declined, mainly contributed by lower property sales of about RM17.1 million (January to March 2023: RM18.7 million) as well as the incurrence of some fixed overheads. Delay in some new launches of affordable housing during the current period had also led to lower performance for this segment.



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17. Review of Group performance (continued)

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

a) *Property development (continued)*

Prospects

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

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

Continuous sales and marketing initiatives such as digital marketing, various enhanced and value-added service packages have been introduced along the way to sell off our property stocks to improve the performance of this segment and reduce associated holding costs. In addition to continuously targeting the local market, we are also looking into potential opportunities to promote our products outside Sarawak.

At the same time, we have also closely managed and monitored the development progress and development costs to ensure that the properties are completed within the planned budget and handed over to buyers on a timely schedule.

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.



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17. Review of Group performance (continued)

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

b) Construction

Current 6-month vs. corresponding preceding 6-month review (June 2023 vs. June 2022)

	Cumulative quarters	
	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Revenue	106,413	118,280
Segment profit	1,396	1,645

When compared to the corresponding preceding period of 2022, the Construction segment recorded a drop in its revenue and performance during the period under review, mainly contributed by lower work progress achieved from the existing ongoing construction projects.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2023	31 March 2023
	RM'000	RM'000
Revenue	64,315	42,098
Segment profit	423	973

The Segment revenue improved by 53% during the current 3-month period, mainly due to increased work progress achieved from the existing ongoing construction projects. At the same time, the Segment continued to record only a marginal profit during the period, mainly contributed by the incurrence of fixed overheads and interest expenses.



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17. Review of Group performance (continued)

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

b) *Construction (continued)*

Prospects

We continue to manage and monitor execution of construction projects closely as they progress, to make sure that they are completed within the planned schedule and 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 for which we have proven track records and experiences, supported by current project management resources.

c) *Other Segment*

Current 6-month vs. corresponding preceding 6-month review (June 2023 vs. June 2022)

	Cumulative quarters	
	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Revenue	9,778	8,488
Segment loss	(5,210)	(3,412)

Higher revenue was reported by Other Segment during the period under review mainly due to increased trading and quarry sales.

However, this Segment continued to register a loss due to the incurrence of some fixed overheads and interest expenses. The decline in the hotel occupancy rates had also adversely impacted the overall revenue and performance for this Segment.



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17. Review of Group performance (continued)

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

c) *Other Segment* (continued)

*Current 3-month vs. immediate preceding 3-month review
(June 2023 vs. March 2023)*

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2023	31 March 2023
	RM'000	RM'000
Revenue	5,150	4,628
Segment loss	(2,457)	(2,753)

When compared to the immediate preceding quarter, the Other Segment showed a slight improvement in its revenue during the current 3 months, mainly due to higher trading sales and quarry sales recorded in the period.

Nevertheless, this segment continued to register a loss due to the incurrence of fixed overheads and interest expenses, particularly from its low-performing operations.

Prospects

The Group expects contributions from this segment to gradually improve in the near term, particularly in the retail leasing and hotel businesses in Bintulu and Miri. Various revamping activities commenced since the last financial year, aiming to improve the current occupancy rates and investment yield, which we believe may take some time to yield fruitful results.

Meanwhile, we will keep our rental rates competitive to achieve a fair yield as well as to cater 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, particularly when the operations level is low. 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.



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17. Review of Group performance (continued)

17.2 Review of performance of major associates

For the period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited net profit after tax attributable to owners of about RM48.7 million, against a net profit after tax of RM55.8 million in the corresponding period of 2022. Despite better work orders/contracts, charter rates and vessel utilisation rates that had contributed positively to the DEHB's revenue during the current period, the decline in its net results was mainly due to higher foreign exchange loss incurred.

18. Tax expense

The Group reported higher tax expense of about RM2.9 million for the current period, despite the net loss incurred excluding tax and shares of results from associates and joint ventures, mainly due to the effect of non-recognition of additional deferred tax assets arising from certain loss-making and low-performing operations.

19. Additional disclosures on profit before tax

	6 months ended 30 June	
	2023 RM'000	2022 RM'000
Profit before tax is arrived at after (crediting)/charging:		
(Gain)/Loss on disposal of:		
- property, plant and equipment	(80)	-
- deemed disposal of an associate	56	18
Interest income from fixed deposits and cash funds	(2,291)	(1,647)
Other interest income	(1,664)	(1,646)
Amortisation of:		
- intangible assets	113	340
- investment properties	1,430	1,063
Depreciation of property, plant and equipment	4,903	4,423
Foreign exchange (gain)/loss:		
- unrealised	(309)	(262)
- realised	1	2
Interest expense on loans and borrowings	5,678	5,141
Net change in impairment loss on financial assets and contract assets	-	(623)

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.



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20. Profit guarantee

The Group did not issue any profit guarantee.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 June 2023.

22. Update of material litigation

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 were for damages and/or compensation in the sum of about RM32.93 million, or alternatively a sum of about RM29.60 million, costs of engaging an expert and/or the continuous costs until the completion of the suit, judgement interest and costs.

Following the stay of proceedings in favour of arbitration as agreed by both parties, a Notice of Arbitration dated 16 July 2021 was received on 19 July 2021. On 11 April 2022, 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 whereas NESB filed its statement of defence and counterclaim on 11 October 2022. The subcontractor then submitted a reply and their defence to NESB's counterclaim on 20 December 2022. NESB further replied to the subcontractor's defence to counterclaim on 24 February 2023. On 26 May 2023, the Arbitrator had ordered, *inter-alia*, for the hearing dates to be fixed in July 2024 and August 2024. Both NESB and the subcontractor are to exchange their expert report by 17 November 2023.

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



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23. Status of corporate proposals

Status of Utilisation of Proceeds from the Disposal of Land in prior year

As at 30 June 2023, there are no changes in the utilisation status of the sale proceeds arising from the prior year's land disposal by a wholly-owned subsidiary, Petrochemical Hub Sdn. Bhd. amounting RM340 million, summarised as follows:

Details of utilisation	Utilisation		Approved timeframe for utilisation	Extended timeframe for utilisation
	Approved RM'000	Actual RM'000		
Capital investment	15,000	-	Within 24 months from completion	Within 48 months from completion, expiring on 20 October 2024
Repayment of bank borrowings	117,000	117,000	Within 12 months from completion	-
Dividends to shareholders	90,000	90,000	Within 12 months from completion	-
Working capital for property development activities	75,000	75,000	Within 18 months from completion	-
Estimated expenses in relation to the Disposal	43,000	43,000	Within 9 months from completion	-
Total sales proceeds	340,000	325,000		

Save as disclosed, there are no other corporate proposals announced and/or not completed at the date of this quarterly report.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2022 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 29 August 2023.