BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the first quarter and three months ended 31 March 2018

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 March		*3 months ended 31 March*	
		2018 RM'000	(Restated) 2017 RM'000	2018 RM'000	(Restated) 2017 RM'000
Revenue		143,993	113,529	143,993	113,529
Cost of sales		(132,609)	(94,699)	(132,609)	(94,699)
Gross profit		11,384	18,830	11,384	18,830
Other operating income		1,366	1,342	1,366	1,342
Selling and promotional expenses		(1,272)	(2,507)	(1,272)	(2,507)
Administrative expenses		(5,287)	(7,174)	(5,287)	(7,174)
Other operating expenses		(887)	(438)	(887)	(438)
Results from operating activities		5,304	10,053	5,304	10,053
Finance income		2,230	2,087	2,230	2,087
Finance costs		(7,760)	(5,875)	(7,760)	(5,875)
Net finance costs		(5,530)	(3,788)	(5,530)	(3,788)
Share of results (net of tax) of equity-accounted:					
- associates		(13,259)	(12,654)	(13,259)	(12,654)
- joint ventures		506	(393)	506	(393)
Loss before tax	Note 20	(12,979)	(6,782)	(12,979)	(6,782)
Tax expense	Note 19	(2,696)	(3,076)	(2,696)	(3,076)
Loss for the period		(15,675)	(9,858)	(15,675)	(9,858)
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		562	(92)	562	(92)
Share of other comprehensive (loss)/income of an associate		(5,890)	(2,416)	(5,890)	(2,416)
Other comprehensive (loss)/income for the period		(5,328)	(2,508)	(5,328)	(2,508)
Total comprehensive loss for the period		(21,003)	(12,366)	(21,003)	(12,366)
(Loss)/Profit attributable to:					
Owners of the Company		(16,083)	(10,002)	(16,083)	(10,002)
Non-controlling interests		408	144	408	144
Loss for the period		(15,675)	(9,858)	(15,675)	(9,858)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(21,411)	(12,510)	(21,411)	(12,510)
Non-controlling interests		408	144	408	144
Total comprehensive loss for the period		(21,003)	(12,366)	(21,003)	(12,366)
Basic loss per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	(6.79)	(4.22)	(6.79)	(4.22)

The notes set out on pages 5 to 31 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 FIRST QUARTER ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

(The figures have not been audited)

		Unaudited	Unaudited (Restated)	Unaudited (Restated)
		31 March 2018 RM'000	31 December 2017 RM'000	1 January 2017 RM'000
ASSETS				
Property, plant and equipment		106,264	103,648	89,130
Prepaid lease payments		2,335	2,342	2,370
Interests in associates		312,271	331,544	401,456
Interests in joint ventures		6,208	5,543	4,906
Land held for property development		382,617	384,646	398,772
Investment properties		86,843	87,382	87,667
Intangible assets		4,706	4,876	5,557
Deferred tax assets		15,733	16,201	29,466
Other investments		2,974	2,974	2,974
Trade and other receivables		73,602	73,372	82,324
Total non-current assets		**993,553**	**1,012,528**	**1,104,622**
Inventories		73,826	79,563	103,525
Property development costs		537,542	546,387	448,151
Trade and other receivables		331,411	306,505	407,891
Deposits and prepayments		27,842	29,236	29,343
Current tax recoverable		12,494	13,142	12,453
Cash and cash equivalents		77,397	76,261	64,055
		1,060,512	1,051,094	1,065,418
Assets classified as held for sale		583	651	757
Total current assets		**1,061,095**	**1,051,745**	**1,066,175**
Total assets		**2,054,648**	**2,064,273**	**2,170,797**
EQUITY				
Share capital		336,092	336,092	336,092
Treasury shares		(34,748)	(34,748)	(34,748)
Reserves		729,315	750,726	946,984
Total equity attributable to owners of the Company		**1,030,659**	**1,052,070**	**1,248,328**
Non-controlling interests		19,970	19,562	18,694
Total equity		**1,050,629**	**1,071,632**	**1,267,022**
LIABILITIES				
Loans and borrowings	Note 8	172,310	159,684	123,619
Trade and other payables		6,874	6,874	10,057
Deferred tax liabilities		25,436	25,501	26,199
Total non-current liabilities		**204,620**	**192,059**	**159,875**
Loans and borrowings	Note 8	388,170	385,720	355,216
Trade and other payables		397,792	401,976	388,316
Provisions		11,600	11,600	-
Current tax payable		1,837	1,286	368
Total current liabilities		**799,399**	**800,582**	**743,900**
Total liabilities		**1,004,019**	**992,641**	**903,775**
Total equity and liabilities		**2,054,648**	**2,064,273**	**2,170,797**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**4.12**	**4.21**	**4.99**

The notes set out on pages 5 to 31 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.

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2018

(The figures have not been audited)

	Note	Total equity attributable to owners of the Company							
		Non-Distributable				Distributable			
	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
For the 3 months ended 31 March 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		-	-	-	-	(66,244)	(66,244)	(10)	(66,254)
At 1 January 2017, restated		336,092	28,433	(34,748)	107	918,444	1,248,328	18,694	1,267,022
Foreign currency translation differences for foreign operations		-	(92)	-	-	-	(92)	-	(92)
Share of other comprehensive loss of an associate		-	(2,434)	-	18	-	(2,416)	-	(2,416)
Total other comprehensive (loss)/income for the period		-	(2,526)	-	18	-	(2,508)	-	(2,508)
(Loss)/Profit for the period		-	-	-	-	(10,002)	(10,002)	144	(9,858)
Total comprehensive (loss)/income for the period		-	(2,526)	-	18	(10,002)	(12,510)	144	(12,366)
At 31 March 2017		336,092	25,907	(34,748)	125	908,442	1,235,818	18,838	1,254,656
For the 3 months ended 31 March 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		-	-	-	-	(76,155)	(76,155)	(40)	(76,195)
At 1 January 2018, restated		336,092	10,917	(34,748)	129	739,680	1,052,070	19,562	1,071,632
Foreign currency translation differences for foreign operations		-	562	-	-	-	562	-	562
Share of other comprehensive income/(loss) of an associate		-	(5,886)	-	(4)	-	(5,890)	-	(5,890)
Total other comprehensive loss for the period		-	(5,324)	-	(4)	-	(5,328)	-	(5,328)
(Loss)/Profit for the period		-	-	-	-	(16,083)	(16,083)	408	(15,675)
Total comprehensive income/(loss) for the period		-	(5,324)	-	(4)	(16,083)	(21,411)	408	(21,003)
At 31 March 2018, unaudited		336,092	5,593	(34,748)	125	723,597	1,030,659	19,970	1,050,629

The notes set out on pages 5 to 31 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 FIRST QUARTER ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 March 2018
(The figures have not been audited)

	Unaudited 31 March 2018 RM'000	Restated 31 March 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(12,979)	(6,782)
Adjustments for:		
Amortisation of:		
- intangible asset	170	170
- investment properties	539	554
- prepaid lease payments	7	7
Depreciation of property, plant and equipment	1,742	1,640
Finance income	(2,230)	(2,087)
Finance costs	7,760	5,875
Loss/(Gain) on disposal of:		
- property, plant and equipment	(188)	1
- assets held for sale	-	(532)
Property, plant and equipment written off	13	-
Share of results of equity-accounted:		
- associates	13,259	12,654
- joint ventures	(506)	393
Unrealised foreign exchange loss	1,022	8
Operating profit before changes in working capital	8,609	11,901
Changes in working capital:		
Inventories	4,484	10,810
Property development costs	12,316	(6,745)
Trade and other receivables, deposits and prepayments	(23,243)	(23,522)
Trade and other payables	(5,023)	(13,513)
Cash used in operations	(2,857)	(21,069)
Net income taxes paid	(1,254)	(2,572)
Net cash used in operating activities	(4,111)	(23,641)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(4,684)	(8,376)
Proceeds from disposal of:		
- property, plant and equipment	222	-
Changes in pledged deposits	(900)	(265)
Increase in investment in an existing joint venture	-	(2,700)
Interest received	2,106	1,851
Net cash used in investing activities	(3,256)	(9,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans and borrowings	15,087	38,524
Repayment of finance lease liabilities	(11)	(10)
Interest paid	(7,278)	(5,855)
Net cash from financing activities	7,798	32,659
Net increase/(decrease) in cash and cash equivalents	431	(472)
Effects of exchange rate changes on cash and cash equivalents	(194)	(91)
Cash and cash equivalents at beginning of period	63,294	63,976
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**63,531**	**63,413**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	20,815	26,287
Cash in hand and at banks	42,716	37,126
Total cash and cash equivalents as shown in statement of cash flows	63,531	63,413

The notes set out on pages 5 to 31 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.

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 three months ended 31 March 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 RM41.0 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.

2.2 Financial impacts on transition to MFRSs

a) Reconciliation of financial position

	As at 1.1.2017			As at 31.3.2017			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	93,481	-	93,481	103,648	-	103,648
Prepaid lease payments	2,370	-	2,370	2,363	-	2,363	2,342	-	2,342
Investment in associates	422,918	(21,462)	401,456	407,733	(21,462)	386,271	353,006	(21,462)	331,544
Investment in joint ventures	4,906	-	4,906	7,213	-	7,213	5,543	-	5,543
Land held for property development	398,772	-	398,772	385,962	-	385,962	384,646	-	384,646
Investment properties	87,667	-	87,667	88,999	-	88,999	87,382	-	87,382
Intangible asset	5,557	-	5,557	5,387	-	5,387	4,876	-	4,876
Deferred tax assets	29,466	-	29,466	29,359	-	29,359	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	79,312	-	79,312	73,372	-	73,372
Total non-current assets	1,126,084	(21,462)	1,104,622	1,102,783	(21,462)	1,081,321	1,033,990	(21,462)	1,012,528

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 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 31.3.2017			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	92,972	-	92,972	79,563	-	79,563
Trade and other receivables	449,959	(42,068)	407,891	471,582	(42,033)	429,549	350,764	(44,259)	306,505
Property development costs	441,545	6,606	448,151	459,674	7,857	467,531	542,082	4,305	546,387
Deposit and prepayments	29,343	-	29,343	30,870	-	30,870	29,236	-	29,236
Current tax recoverable	12,453	-	12,453	12,152	-	12,152	13,142	-	13,142
Cash and cash equivalents	64,055	-	64,055	63,758	-	63,758	76,261	-	76,261
	1,100,880	(35,462)	1,065,418	1,131,008	(34,176)	1,096,832	1,091,048	(39,954)	1,051,094
Assets held for sales	757	-	757	90	-	90	651	-	651
Total current assets	1,101,637	(35,462)	1,066,175	1,131,098	(34,176)	1,096,922	1,091,699	(39,954)	1,051,745
Total assets	2,227,721	(56,924)	2,170,797	2,233,881	(55,638)	2,178,243	2,125,689	(61,416)	2,064,273

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 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 31.3.2017			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	(66,244)	918,444	973,399	(64,957)	908,442	815,835	(76,155)	739,680
Other reserves	28,540	-	28,540	26,032	-	26,032	11,046	-	11,046
Total equity attributable to the owners of the Company	1,314,572	(66,244)	1,248,328	1,300,775	(64,957)	1,235,818	1,128,225	(76,155)	1,052,070
Non-controlling interest	18,704	(10)	18,694	18,867	(29)	18,838	19,602	(40)	19,562
Total equity	1,333,276	(66,254)	1,267,022	1,319,642	(64,986)	1,254,656	1,147,827	(76,195)	1,071,632

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 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 31.3.2017			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**
Non-current liabilities									
Loans and borrowings	123,619	-	123,619	138,176	-	138,176	159,684	-	159,684
Trade and other payables	10,057	-	10,057	10,057	-	10,057	6,874	-	6,874
Deferred tax liabilities	26,199	-	26,199	25,884	-	25,884	25,501	-	25,501
Total non-current liabilities	159,875	-	159,875	174,117	-	174,117	192,059	-	192,059
Current liabilities									
Loans and borrowings	355,216	-	355,216	379,172	-	379,172	385,720	-	385,720
Trade and other payables	378,986	9,330	388,316	360,179	9,348	369,527	387,197	14,779	401,976
Provisions	-	-	-	-	-	-	11,600	-	11,600
Current tax payables	368	-	368	771	-	771	1,286	-	1,286
Total current liabilities	734,570	9,330	743,900	740,122	9,348	749,470	785,803	14,779	800,582
Total liabilities	894,445	9,330	903,775	914,239	9,348	923,587	977,862	14,779	992,641
Total equity and liabilities	2,227,721	(56,924)	2,170,797	2,233,881	(55,638)	2,178,243	2,125,689	(61,416)	2,064,273

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 31.3.2017			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	113,622	(93)	113,529	365,203	(22,089)	343,114
Cost of sales	(96,060)	1,361	(94,699)	(451,213)	16,998	(434,215)
Gross profit/(loss)	17,562	1,268	18,830	(86,010)	(5,091)	(91,101)
Other operating income	1,342	-	1,342	48,583	-	48,583
Selling and promotional expenses	(2,507)	-	(2,507)	(8,925)	-	(8,925)
Administrative expenses	(7,174)	-	(7,174)	(28,791)	(4,729)	(33,520)
Other operating expenses	(438)	-	(438)	(5,292)	(121)	(5,413)
Results from operating activities	8,785	1,268	10,053	(80,435)	(9,941)	(90,376)
Finance income	2,087	-	2,087	8,902	-	8,902
Finance costs	(5,875)	-	(5,875)	(27,511)	-	(27,511)
Net finance costs	(3,788)	-	(3,788)	(18,609)	-	(18,609)
Other non-operating expense	-	-	-	(8,321)	-	(8,321)
Share of results of equity accounted associates and joint ventures	(13,047)	-	(13,047)	(39,764)	-	(39,764)
Loss before tax	(8,050)	1,268	(6,782)	(147,129)	(9,941)	(157,070)
Tax expense	(3,076)	-	(3,076)	(20,826)	-	(20,826)
Loss for the period	(11,126)	1,268	(9,858)	(167,955)	(9,941)	(177,896)
	=======	=======	=======	=======	========	=======

2.2 Financial impacts on transition to MFRSs (continued)

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

	As at 31.3.2017			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, net of tax						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(92)	-	(92)	1,783	-	1,783
Realisation of reserves from deemed disposal of an associate	-	-	-	(2,454)	-	(2,454)
Share of other comprehensive loss of associates	(2,416)	-	(2,416)	(16,823)	-	(16,823)
Total other comprehensive loss for the period	(2,508)	-	(2,508)	(17,494)	-	(17,494)
Total comprehensive loss for the period	(13,634)	-	(12,366)	(185,449)	(9,941)	(195,390)
Loss attributable to:						
- Owners of the Company	(11,289)	1,287	(10,002)	(168,853)	(9,901)	(178,754)
- Non-controlling interests	163	(19)	144	898	(40)	858
	(11,126)	1,268	(9,858)	(167,955)	(9,941)	(177,896)
Total comprehensive loss attributable to:						
- Owners of the Company	(13,797)	1,287	(12,510)	(186,347)	(9,901)	(196,248)
- Non-controlling interests	163`	(19)	144	898	(40)	858
	(13,634)	1,268	(12,366)	(185,449)	(9,941)	(195,390)

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:

<u>MFRS *16, Leases*</u>

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 year 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 31 March 2018 is 13,056,000 shares.

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

During the current quarter, the Group acquired property, plant and equipment costing about RM4.7million (31.3.2017: RM8.4 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM47,000 (31.03.2017: RM500) 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 quarter under review.

8. Loans and borrowings

		31 March 2018 RM'000	31 December 2017 RM'000
Non-current			
Secured	- Term loans	172,267	159,636
	- Finance lease	43	48
		172,310	159,684
Current			
Unsecured	- Revolving credits	351,000	353,000
Secured	- Term loans	37,150	32,695
	- Finance lease	20	25
		388,170	385,720
Total		560,480	545,404

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	3 months ended 31 March 2018	3 months ended 31 March 2017 (restated)
Loss attributable to owners of the Company (RM'000)	(16,083)	(10,002)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	(6.79)	(4.22)

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 3 months ended 31 March										
Revenue from external customers	46,986	41,301	90,988	62,244	6,019	9,984	-	-	143,993	113,529
Inter segment revenue	-	-	-	-	1,681	1,288	(1,681)	(1,288)	-	-
Total segment revenue	46,986	41,301	90,988	62,244	7,700	11,272	(1,681)	(1,288)	143,993	113,529
Segment profit/(loss)	143	7,918	(977)	887	640	379	(468)	(272)	(662)	8,912
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(784)	(125)	411	(41)	-	-	-	-	(373)	(166)
- joint ventures	-	-	506	(393)	-	-	-	-	506	(393)
	(641)	7,793	(60)	453	640	379	(468)	(272)	(529)	8,353
Unallocated income/(expense)									436	(2,647)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									(12,886)	(12,488)
Tax expense									(2,696)	(3,076)
Loss for the period									(15,675)	(9,858)
Other comprehensive loss, net of tax									(5,328)	(2,508)
Total comprehensive loss for the year									(21,003)	(12,366)
Non-controlling interests									(408)	(144)
Total comprehensive loss attributable to the owners of the Company									(21,411)	(12,510)

[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.

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

	31 March 2018 RM'000	31 December 2017 RM'000
Property, plant and equipment		
- Authorised but not contracted for	2,131	2,231
- Contracted but not provided for	25,856	29,852
	27,987	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 year under review are as follows:

	3 months ended 31 March	
	2018 RM'000	2017 RM'000
Directors of the Company	1,241	1,212
Other key management personnel	1,833	2,230
	3,074	3,442
	========	========

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
<u>Transactions with associates</u>				
Construction contract cost	49,570	312	(23,404)	(1,069)
Construction contract sum billed	(3,166)	(1,485)	2,938	1,004
Fee charged on management services rendered	(340)	(175)	-	-
Rental expense on machinery	-	331	-	(272)
Sale of construction raw materials	-	(1,001)	223	1,541
	=======	=======	=======	=======

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

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Rental expense on properties	162	162	(834)	(586)
	=======	=======	=======	=======

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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 3-month vs corresponding preceding 3-month review (March 2018 vs March 2017)

	Cumulative quarters	
	3 months ended 31 March	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	143,993	113,529
Operating profit	5,304	10,053
Loss before tax	(12,979)	(6,782)

The Group recorded higher revenue of RM144.0 million for the quarter under review, as compared to RM113.5 million reported in the corresponding quarter of 2017. The increase was contributed by both Property and Construction divisions, which recorded a 33% increase in their revenue when compared against that achieved in the corresponding period in 2017, due to increased work progress and additional new property sales [see Note 17.1 (b) for details].

At the same time, the Group registered a loss before tax of about RM13.0 million, against a loss of RM6.8 million reported in March 2017. The loss was mainly attributed to our major associate, Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB") (in which the Group has a direct equity interest of about 9.9% following the dividend-in-specie comprising shares in PPB distributed by DEHB in the last quarter of 2017). Our Group's share of the loss of DEHB and PPB amounted to RM12.9 million in the current quarter under review (31.3.2017: our Group's share of DEHB and PPB's loss amounted to RM12.5 million).

Current 3-month vs immediate preceding 3-month review (March 2018 vs December 2017)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2018	31 December 2017 (restated)
	RM'000	RM'000
Revenue	143,993	79,057
Operating profit/(loss)	5,304	(18,190)
Loss before tax	(12,979)	(40,184)

When compared to the immediate preceding quarter (October to December 2017), the improvement in group revenue and performance was mainly due to increased work progress achieved from existing on-going projects.

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) (March 2018 vs December 2017)

Higher loss reported in the immediate preceding quarter (October to December 2017) of RM40.2 million was mainly attributable to the additional loss provision of RM107 million made for certain completed projects during that quarter.

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 3-month vs corresponding preceding 3-month review (March 2018 vs March 2017)

	Cumulative quarters	
	3 months ended 31 March	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	46,986	41,301
Segment profit	143	7,918

For the current quarter under review, Property segment achieved higher revenue of RM47.0 million, against the RM41.3 million achieved in the corresponding period in 2017. The increase in Property revenue was partly contributed by increased work progress achieved. The Group also managed to achieve new sales of about RM44.1 million during the current quarter, against that of RM52.1 million achieved in the corresponding period of 2017.

The drop in the Property profit was due to the changes in property mix sold as well some discounts/rebates given for certain completed development projects as part of the Group's initiatives to clear off property stocks. Increased financing costs had also led to the drop in the overall profit for this Segment.

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)

a) Property **(continued)**

Current 3-month vs immediate preceding 3-month review (March 2018 vs December 2017)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2018	31 December 2017 (restated)
	RM'000	RM'000
Revenue	46,986	22,930
Segment profit	143	720

Despite the improvement in the Property revenue to RM47 million from RM22.9 million achieved in the immediate preceding quarter, this Segment recorded a lower profit of RM143,000 (October to December 2017: RM720,000), mainly due to the changes in product mix sold and rising interest costs.

Prospects

We expect the property market to remain challenging due to factors such as rising costs of doing business, increased competition and property stocks, weak buying sentiment, strict bank lending policy etc. In the near term, we 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. We expect to introduce more medium range and affordable property to local markets in the years to come.

In short, product planning and pricing as well as tightening of costs control (including appropriate right sizing and cost cutting) are amongst the key measures being implemented in order to sustain the performance in our Property segment in the near term.

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 3-month vs corresponding preceding 3-month review (March 2018 vs March 2017)

	Cumulative quarters 3 months ended 31 March	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	90,988	62,244
Segment (loss)/profit	(977)	887

Higher Construction revenue of RM91.0 million was reported, a 46.2% increase from that reported in March 2017, which was in tandem with the increased work progress achieved from the existing on-going projects.

However, the Segment registered a marginal loss of RM977,000 during the current quarter, against a profit of RM887,000 in March 2017, mainly due to increased financing costs.

Current 3-month vs immediate preceding 3-month review (March 2018 vs December 2017)

	Current 3 months ended 31 March 2018	Immediate preceding 3 months ended 31 December 2017 (restated)
	RM'000	RM'000
Revenue	90,988	46,231
Segment loss	(977)	(17,755)

When compared to the immediate preceding quarter (October to December 2017), the improvement in Construction revenue and performance was mainly due to increased work progress from the existing projects during the quarter.

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. Appropriate right sizing and cost cutting are being carried out as part of the process to better manage costs. Besides, we also focus on enhancing the existing process and system as part of the initiatives to rehabilitate this segment.

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

c) Other Segment

Current 3-month vs corresponding preceding 3-month review (March 2018 vs March 2017)

	Cumulative quarters	
	3 months ended 31 March	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	6,019	9,984
Segment profit/(loss)	640	379

The drop in the revenue for Other segment was mainly due to lower trading and sales, about 58% lower than that reported in the corresponding period of 2017.

However, the segment showed slight improvement in its performance, mainly due to the tight control of fixed overheads incurred especially from low performing operations such as premix.

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 (March 2018 vs December 2017)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2017	31 December 2017 (restated)
	RM'000	RM'000
Revenue	6,019	9,896
Segment profit/(loss)	640	(5,582)

When compared to the immediate preceding quarter, Other segment showed a decline in revenue during the current 3 months, mainly attributable to lower trading sales achieved as explained above.

However, the Segment performance had improved a result of tight control of fixed overheads (including right sizing exercise) particularly on low performing operations.

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.

At the same time, we are in the process of disposing of the non-performing premix operation to minimize further loss and realise some cash.

17. Review of Group performance (continued).

17.2 Review of performance of major associate

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), registered a lower loss after tax attributable to owners of about RM21.3 million, against RM42.6 million achieved in the corresponding period in 2017. The loss was mainly due to foreign exchange losses and lower charter rates achieved.

18. Profit guarantee

The Group did not issue any profit guarantee.

19. Tax expense

Despite the loss before tax of RM13.0 million reported for the current quarter, the Group incurred tax expense of RM2.7 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

	3 months ended 31 March	
	2018	2017
	RM'000	RM'000
Loss before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- property, plant and equipment	(188)	1
- assets held for sale	-	(532)
Interest income from fixed deposits and cash funds	(346)	(59)
Other interest income	(1,884)	(2,028)
Amortisation of:		
- intangible assets	170	170
- investment properties	539	554
- prepaid lease payments	7	7
Depreciation of property, plant and equipment	1,742	1,640
Foreign exchange loss:		
- unrealised	1,022	8
- realised	33	99
Interest expense on loans and borrowings	7,760	5,875
Property, plant and equipment written off	13	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

20. Additional disclosures on loss before tax (continued)

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2018.

22. Status of corporate proposals

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

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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 May 2018.