BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the first quarter and three months ended 31 March 2019

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 March		*3 months ended 31 March*	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue		141,633	143,993	141,633	143,993
Cost of sales		(117,852)	(132,609)	(117,852)	(132,609)
Gross profit		23,781	11,384	23,781	11,384
Other operating income		1,287	1,366	1,287	1,366
Selling and promotional expenses		(2,208)	(1,272)	(2,208)	(1,272)
Administrative expenses		(6,286)	(5,287)	(6,286)	(5,287)
Other operating expenses		(1,019)	(887)	(1,019)	(887)
Results from operating activities		15,555	5,304	15,555	5,304
Finance income		2,352	2,230	2,352	2,230
Finance costs		(6,653)	(7,760)	(6,653)	(7,760)
Net finance costs		(4,301)	(5,530)	(4,301)	(5,530)
Share of results (net of tax) of equity-accounted:					
- associates		(5,290)	(13,259)	(5,290)	(13,259)
- joint ventures		(252)	506	(252)	506
Profit/(Loss) before tax	Note 20	5,712	(12,979)	5,712	(12,979)
Tax expense	Note 19	(3,516)	(2,696)	(3,516)	(2,696)
Profit/(Loss) for the period		2,196	(15,675)	2,196	(15,675)
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		23	562	23	562
Share of other comprehensive loss of associates		(4,179)	(5,890)	(4,179)	(5,890)
Other comprehensive loss for the period		(4,156)	(5,328)	(4,156)	(5,328)
Total comprehensive loss for the period		(1,960)	(21,003)	(1,960)	(21,003)
Profit/(Loss) attributable to:					
Owners of the Company		1,698	(16,083)	1,698	(16,083)
Non-controlling interests		498	408	498	408
Profit/(Loss) for the period		2,196	(15,675)	2,196	(15,675)
Total comprehensive loss attributable to:					
Owners of the Company		(2,458)	(21,411)	(2,458)	(21,411)
Non-controlling interests		498	408	498	408
Total comprehensive loss for the period		(1,960)	(21,003)	(1,960)	(21,003)
Basic earning/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	0.34	(6.79)	0.34	(6.79)

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 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

(The figures have not been audited)

		Unaudited 31 March 2019 RM'000	Audited 31 December 2018 RM'000
ASSETS			
Property, plant and equipment		134,654	130,931
Interests in associates		398,875	408,428
Interests in joint ventures		4,055	4,387
Inventory - Land held for property development		373,407	373,407
Investment properties		84,622	85,161
Intangible assets		4,026	4,196
Deferred tax assets		12,109	12,081
Other investments		3,100	3,100
Trade and other receivables		63,574	65,563
Total non-current assets		**1,078,422**	**1,087,254**
Inventories		626,869	653,186
Contract costs		4,997	5,516
Contract assets		163,920	192,626
Trade and other receivables		172,718	157,525
Deposits and prepayments		9,767	9,154
Current tax recoverable		10,201	10,714
Cash and cash equivalents		311,709	148,070
		1,300,181	1,176,791
Assets classified as held for sale		81	595
Total current assets		**1,300,262**	**1,177,386**
Total assets		**2,378,684**	**2,264,640**
EQUITY			
Share capital		454,802	336,092
Treasury shares		(34,748)	(34,748)
Reserves		871,304	873,762
Total equity attributable to owners of the Company		**1,291,358**	**1,175,106**
Non-controlling interests		17,291	17,993
Total equity		**1,308,649**	**1,193,099**
LIABILITIES			
Loans and borrowings	Note 8	161,507	171,881
Trade and other payables		3,524	3,524
Deferred tax liabilities		24,535	24,890
Total non-current liabilities		**189,566**	**200,295**
Loans and borrowings	Note 8	373,981	385,858
Trade and other payables		443,766	445,577
Contract liabilities		48,882	26,805
Provisions		7,845	7,994
Current tax payable		5,995	5,012
Total current liabilities		**880,469**	**871,246**
Total liabilities		**1,070,035**	**1,071,541**
Total equity and liabilities		**2,378,684**	**2,264,640**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**2.51**	**4.70**

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 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the first quarter and three months ended 31 March 2019
(The figures have not been audited)

		Total equity attributable to owners of the Company							
		Non-Distributable				Distributable			
		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 2018 (Unaudited)									
At 1 January 2018		336,092	10,917	(34,748)	129	795,406	1,107,796	19,553	1,127,349
Foreign currency translation differences for foreign operations		-	562	-	-	-	562	-	562
Share of other comprehensive loss of associates		-	(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 (loss)/income for the period		-	(5,324)	-	(4)	(16,083)	(21,411)	408	(21,003)
At 31 March 2018		336,092	5,593	(34,748)	125	779,323	1,086,385	19,961	1,106,346
For the 3 months ended 31 March 2019 (Unaudited)									
At 1 January 2019		336,092	13,158	(34,748)	215	860,389	1,175,106	17,993	1,193,099
Foreign currency translation differences for foreign operations		-	23	-	-	-	23	-	23
Share of other comprehensive loss of associates		-	(4,159)	-	(20)	-	(4,179)	-	(4,179)
Total other comprehensive income/(loss) for the period		-	(4,136)	-	(20)	-	(4,156)	-	(4,156)
Profit/(Loss) for the period		-	-	-	-	1,698	1,698	498	2,196
Total comprehensive income/(loss) for the period		-	(4,136)	-	(20)	1,698	(2,458)	498	(1,960)
Contribution by owners of the Company									
- Issue of ordinary shares via Rights Issue	Note 5	118,710	-	-	-	-	118,710	-	118,710
Transaction with non-controlling interests									
- Dividends payable by a subsidiary		-	-	-	-	-	-	(1,200)	(1,200)
At 31 March 2019		454,802	9,022	(34,748)	195	862,087	1,291,358	17,291	1,308,649

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 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter and three months ended 31 March 2019

(The figures have not been audited)

	Unaudited 31 March 2019 RM'000	Unaudited 31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	5,712	(12,979)
Adjustments for:		
Amortisation of:		
- intangible asset	170	170
- investment properties	539	539
- prepaid lease payments	7	7
Depreciation of property, plant and equipment	1,413	1,742
Finance income	(2,352)	(2,230)
Finance costs	6,653	7,760
Loss/(Gain) on disposal of:		
- property, plant and equipment	(112)	(188)
- assets held for sale	(236)	-
Property, plant and equipment written off	-	13
Share of results of equity-accounted:		
- associates	5,290	13,259
- joint ventures	252	(506)
Unrealised foreign exchange loss	198	1,022
Operating profit before changes in working capital	17,534	8,609
Changes in working capital:		
Inventories	26,565	16,800
Contract cost	519	-
Trade and other receivables, deposits and prepayments (including contract assets/liabilities)	37,052	(23,243)
Trade and other payables	(2,892)	(5,023)
Cash generated from/(used in) operations	78,778	(2,857)
Net income taxes paid	(2,323)	(1,254)
Net cash from/(used in) operating activities	76,455	(4,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(5,479)	(4,684)
Proceeds from disposal of:		
- property, plant and equipment	139	222
- assets held for sale	750	-
Changes in pledged deposits	(476)	(900)
Interest received	2,409	2,106
Net cash used in investing activities	(2,657)	(3,256)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	118,710	-
Net (repayment)/proceeds from loans and borrowings	(22,247)	15,087
Repayment of finance lease liabilities	(5)	(11)
Interest paid	(7,040)	(7,278)
Net cash from financing activities	89,418	7,798
Net increase in cash and cash equivalents	163,216	431
Effects of exchange rate changes on cash and cash equivalents	(54)	(194)
Cash and cash equivalents at beginning of period	133,453	63,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**296,615**	**63,531**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	219,931	20,815
Cash in hand and at banks	76,684	42,716
Total cash and cash equivalents as shown in statement of cash flows	296,615	63,531

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 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements of the Group as at and for the period ended 31 March 2019 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 2018. 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 2018.

The annual financial statements of the Group as at and for the year ended 31 December 2018 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 2018.

During the current period under review, the Group has adopted the following accounting standards, interpretations and amendments which are effective for annual periods beginning on and after 1 January 2019:

- MFRS 16, *Leases*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*

2. Significant accounting policies (continued)

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

The adoption of the above MFRS standards and amendments does not have any material financial impact on the financial statements of the Group, except for the following:

MFRS *16, Leases*

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard which continues to classify leases as finance or operating lease.

The Group adopted MFRS 16 using the modified retrospective method and the comparative figures were not restated.

Having completed a detailed assessment on all lease contracts existing on the date of initial application of MFRS 16, the Group concluded that the adoption of this standard did not have significant impact on its financial statements, other than the presentation of certain leasehold land (classified under property, plant and equipment and investment properties) as right-to-use assets.

For leases that met the definition of low value assets and short-term leases under MFRS 16, the Group had elected not to recognise them as right-to-use assets and the associated lease liabilities for these leases. The lease payments for these low value assets and short-term leases are recognised as expenses to profit or loss, on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.1 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 2020***
    - Amendment to MFRS 3, *Business Combinations – Definition of a Business*
    - Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

- ***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

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 2018.

5. Debt and equity securities

On 25 January 2019, the Company completed the Proposed Rights Issue following the listing and quotation of 263,799,322 Rights shares on the Main Market of Bursa Malaysia Securities Berhad with total Rights Issue proceeds of about RM118.71 million. The total issued and paid up capital of the Company, after the completion of the Rights Issue and excluding treasury shares held, is RM454.80 million, comprising 500,743,322 ordinary shares.

Save as disclosed above, there were no other 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 2019 is 13,056,000 shares.

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

During the current period, the Group acquired property, plant and equipment costing about RM5.5 million (31.3.2018: RM4.7 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM27,000 (31.3.2018: RM47,000) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

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

8. Loans and borrowings

			31 March 2019 RM'000	31 December 2018 RM'000
Non-current				
Secured	-	Term loans	161,485	171,853
	-	Finance lease	22	28
			161,507	171,881
Current				
Unsecured	-	Revolving credits	329,000	342,000
Secured	-	Term loans	44,960	43,837
	-	Finance lease	21	21
			373,981	385,858
Total			535,488	557,739

9. Earnings per ordinary share (“EPS”)

Basic EPS

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

	3 months ended 31 March	
	2019	2018
Profit/(Loss) attributable to owners of the Company (RM’000)	1,698	(16,083)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years (’000)	500,743	236,944
Basic EPS (sen)	0.34	(6.79)

Diluted EPS

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

10. Dividend

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

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 and management 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.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE FIRST QUARTER ENDED 31 MARCH 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
For the 3 months ended 31 March										
Revenue from external customers	49,034	46,986	87,321	90,988	5,278	6,019	-	-	141,633	143,993
Inter segment revenue	-	-	-	-	709	1,681	(709)	(1,681)	-	-
Total segment revenue	49,034	46,986	87,321	90,988	5,987	7,700	(709)	(1,681)	141,633	143,993
Segment profit/(loss)	8,550	143	5,022	(977)	160	640	(411)	(468)	13,321	(662)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(456)	(784)	592	411	-	-	-	-	136	(373)
- joint ventures	-	-	(252)	506	-	-	-	-	(252)	506
	8,094	(641)	5,362	(60)	160	640	(411)	(468)	13,205	(529)
Unallocated (expense)/income									(2,067)	436
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									(5,426)	(12,886)
Tax expense									(3,516)	(2,696)
Profit/(Loss) for the period									2,196	(15,675)
Other comprehensive loss, net of tax									(4,156)	(5,328)
Total comprehensive loss for the period									(1,960)	(21,003)
Non-controlling interests									(498)	(408)
Total comprehensive loss attributable to the owners of the Company									(2,458)	(21,411)

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

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 2018 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	31 March 2019 RM'000	31 December 2018 RM'000
Property, plant and equipment		
- Authorised but not contracted for	2,189	2,435
- Contracted but not provided for	17,513	24,100
	19,702	26,535
	=======	=======

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 2018.

16. Related parties

i) Transactions with key management personnel

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

	3 months ended 31 March	
	2019 RM'000	2018 RM'000
Directors of the Company	1,285	1,241
Other key management personnel	1,720	1,833
	3,005	3,074
	========	========

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Transactions with associates				
Construction contract cost	38,525	49,570	(19,113)	(23,404)
Construction contract sum billed	(4,098)	(3,166)	5,321	2,938
Fee charged on management services rendered	-	(340)	-	-
Sale of construction raw materials	-	-	223	223
	=======	=======	=======	=======

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Rental expense on properties	-	162	(496)	(834)
	=======	=======	=======	=======

Transaction with certain members of the key management personnel of the Group

	Transaction value 3 months ended 31 March		Balance outstanding as at 31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Consultant fee paid	60	56	-	-
	=======	=======	=======	=======

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 2019 vs March 2018)

	Cumulative quarters	
	3 months ended 31 March	
	2019	2018
	RM'000	RM'000
Revenue	141,633	143,993
Operating profit	15,555	5,304
Profit/(Loss) before tax	5,712	(12,979)

The Group recorded lower revenue of RM141.6 million for the period under review, as compared to RM144.0 million reported in the corresponding quarter of 2018. The decrease was contributed by the Construction division, which recorded a 4% decrease in its revenue when compared against that achieved in the corresponding period of 2018.

At the same time, the Group performance showed an improvement, from a loss before tax of RM13.0 million reported in March 2018 to a profit before tax of RM5.7 million. The improvement was mainly due to the following:

a) higher profits reported from both the Property and Construction divisions, resulted from increased work progress and additional new property sales [see Note 17.1 for details].

b) improvement in the share of the results from Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), from a loss of RM12.9 million in March 2018 to a lower loss of RM5.4 million in the current quarter under review.

Current 3-month vs immediate preceding 3-month review (March 2019 vs December 2018)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 March 2019	31 December 2018
	RM'000	RM'000
Revenue	141,633	166,477
Operating profit	15,555	28,721
Profit before tax	5,712	48,222

When compared to the immediate preceding quarter (October to December 2018), the drop in group revenue and profit was partly due to lower contributions from the projects that were substantially completed in prior year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (continued)
(March 2019 vs December 2018)

Higher profit before tax was reported in the immediate preceding 3-month period, mainly due to the recovery of additional contract claims of about RM27 million.

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 2019 vs March 2018)

	Cumulative quarters	
	3 months ended 31 March	
	2019	2018
	RM'000	RM'000
Revenue	49,034	46,986
Segment profit	8,550	143

Higher Property revenue and profit for the current period was partly due to increased work progress achieved and changes in product mix sold.

New Property sales of about RM57.0 million, against that of RM44.1 million achieved in the corresponding period of 2018 had also led to the increase in the property revenue and profit during the period under review.

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 2019 vs December 2018)

	Current 3 months ended 31 March 2019 RM'000	Immediate preceding 3 months ended 31 December 2018 RM'000
Revenue	49,034	46,133
Segment profit	8,550	2,500

When compared to the immediate preceding quarter (October to December 2018), the increase in Property revenue and profit was partly due to higher work progress achieved during the 3-month period.

The Group also managed to secure additional new sales of RM57.0 million during the current 3-month period, a 75% increase to that achieved in the immediate preceding quarter of RM32.5 million.

Prospects

The property market remains challenging due to factors such as rising costs of doing business, increased competition, huge overhang of property stocks in the market, weak buying sentiment, strict bank lending policy etc.

Our main focus remains on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching. We have adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to buyers' demand and market conditions. More medium range and affordable properties will be introduced to local markets in the years to come.

At the same time, various initiatives are put in to sell off the existing property stocks to improve this segment performance.

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 2019 vs March 2018)

	Cumulative quarters 3 months ended 31 March	
	2019 RM'000	**2018 RM'000**
Revenue	87,321	90,988
Segment profit/(loss)	5,022	(977)

Lower Construction revenue of RM87.3 million was reported, a 4% decline from that reported in March 2018, due to lower work progress achieved from existing on-going projects.

However, the Construction Segment reported a profit of RM5.0 million during the current quarter under review, against a loss of RM977,000 in March 2018, mainly due to some cost savings from certain substantially completed projects.

Current 3-month vs immediate preceding 3-month review (March 2019 vs December 2018)

	Current 3 months ended 31 March 2019 RM'000	**Immediate preceding 3 months ended 31 December 2018 RM'000**
Revenue	87,321	113,036
Segment profit	5,022	35,262

When compared to the immediate preceding quarter (October to December 2018), lower Construction revenue and profit were due to lower contributions from the projects that were substantially completed in prior year.

Higher revenue and profit in the immediate preceding period was mainly attributable to the recovery of additional claims of about RM27 million for a completed project.

17. Review of Group performance (continued)

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

b) Construction (continued)

Prospects

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

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

c) Other Segment

Current 3-month vs corresponding preceding 3-month review (March 2019 vs March 2018)

	Cumulative quarters 3 months ended 31 March	
	2019 RM'000	2018 RM'000
Revenue	5,278	6,019
Segment profit	160	640

The drop in Other segment revenue was mainly due to lower trading sales, about 35% lower than that reported in the corresponding period of 2018. At the same time, Other segment also registered lower profit of RM160,000, against the profit of RM640,000 achieved in March 2018, mainly due to lower profits generated from the trading and quarry operations.

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 2019 vs December 2018)

	Current 3 months ended 31 March 2019 RM'000	Immediate preceding 3 months ended 31 December 2018 RM'000
Revenue	5,278	7,308
Segment profit/(loss)	160	(11,008)

When compared to the immediate preceding quarter, Other segment showed a decrease in revenue during the current 3 months, mainly attributable to lower trading and quarry operations sales during the quarter.

Higher loss of RM11.0 million reported in the immediate preceding quarter (October to December 2018) was mainly due to the credit loss allowance of about RM11.0 million made against some trade receivables, in line with the adoption of MFRS 9.

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 (which is currently under construction) for recurring income in near term.

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

17.2 Review of performance of major associate

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited loss after tax attributable to owners of about RM4.1 million, against RM21.3 million registered in March 2018. The improvement in the DEHB performance was mainly due to higher maintenance work orders performed under the topside maintenance works as well as lower foreign exchange losses during the period under review.

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

18. Profit guarantee

The Group did not issue any profit guarantee.

19. Tax expense

Despite the group profit before tax being only RM11.3 million for the period under review (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM3.5 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 profit/loss before tax

	3 months ended 31 March	
	2019	**2018**
	RM'000	**RM'000**
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Gain on disposal of:		
- property, plant and equipment	(112)	(188)
- assets held for sale	(236)	-
Interest income from fixed deposits and cash funds	(795)	(346)
Other interest income	(1,557)	(1,884)
Amortisation of:		
- intangible assets	170	170
- investment properties	539	539
- prepaid lease payments	7	7
Depreciation of property, plant and equipment	1,413	1,742
Foreign exchange loss:		
- unrealised	198	1,022
- realised	1	33
Interest expense on loans and borrowings	6,653	7,760
Property, plant and equipment written off	-	13

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

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 March 2019.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Status of corporate proposals

There are no corporate proposals announced but not completed 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 rule that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and had set down the matter for trial from 21 to 25 May 2018. However, NLSB had filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling, which appeal is awaiting hearing. The main trial is held in abeyance pending disposal of NLSB's appeal to the Court of Appeal.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 was not qualified.

25. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 May 2019.