



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>				
For the second quarter and six months ended 30 June 2016				
<i>(The figures have not been audited)</i>				
	<b>CURRENT QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	96,080	138,585	235,084	265,249
Cost of sales	(94,390)	(126,633)	(213,763)	(233,577)
<b>Gross profit</b>	<b>1,690</b>	<b>11,952</b>	<b>21,321</b>	<b>31,672</b>
Other operating income	298	898	10,900	3,838
Selling and promotional expenses	(1,871)	(3,372)	(4,645)	(6,356)
Administration expenses	(6,535)	(8,106)	(17,216)	(17,191)
Other expenses	(209)	61	(209)	(29)
<b>Results from operating activities</b>	<b>(6,627)</b>	<b>1,433</b>	<b>10,151</b>	<b>11,934</b>
Finance income	3,040	2,285	4,860	3,579
Finance costs	(7,682)	(4,713)	(11,636)	(6,809)
<b>Net finance costs</b>	<b>(4,642)</b>	<b>(2,428)</b>	<b>(6,776)</b>	<b>(3,230)</b>
Share of results (net of tax) of equity-accounted:				
- associates	1,276	10,504	(6,942)	21,481
- joint ventures	157	328	(432)	918
<b>(Loss)/Profit before tax</b>	<b>(9,836)</b>	<b>9,837</b>	<b>(3,999)</b>	<b>31,103</b>
Tax expense	(574)	(1,274)	(5,159)	(4,536)
<b>(Loss)/Profit for the period</b>	<b>(10,410)</b>	<b>8,563</b>	<b>(9,158)</b>	<b>26,567</b>
<b>Other comprehensive (loss)/income, net of tax</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations	(497)	(11)	1,108	(718)
Share of other comprehensive income/(loss) of an associate	4,347	2,075	(12,708)	4,409
<b>Other comprehensive income/(loss) for the period</b>	<b>3,850</b>	<b>2,064</b>	<b>(11,600)</b>	<b>3,691</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,560)</b>	<b>10,627</b>	<b>(20,758)</b>	<b>30,258</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(10,671)	8,406	(9,774)	26,018
Non-controlling interests	261	157	616	549
<b>(Loss)/Profit for the period</b>	<b>(10,410)</b>	<b>8,563</b>	<b>(9,158)</b>	<b>26,567</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(6,821)	10,470	(21,374)	29,709
Non-controlling interests	261	157	616	549
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,560)</b>	<b>10,627</b>	<b>(20,758)</b>	<b>30,258</b>
<b>Basic earnings per ordinary share attributable to owners of the Company (sen)</b>				
	Note 9	(4.50)	3.55	(4.13)
				10.98

The notes set out on pages 5 to 20 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 2015.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
For the second quarter and six months ended 30 June 2016			
<i>(The figures have not been audited)</i>		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Property, plant and equipment		88,577	87,302
Prepaid lease payments		2,384	2,399
Interests in associates		379,477	394,287
Interests in joint ventures		3,374	3,724
Land held for property development		406,996	404,339
Investment properties		69,381	70,092
Intangible assets		5,897	6,237
Deferred tax assets		24,422	23,372
Other investments		2,974	2,974
Trade and other receivables		91,373	86,399
<b>Total non-current assets</b>		<b>1,074,855</b>	<b>1,081,125</b>
Inventories		66,153	28,595
Property development costs		447,080	461,338
Trade and other receivables		428,427	448,222
Deposits and prepayments		32,956	30,500
Current tax recoverable		10,718	9,013
Cash and cash equivalents		56,188	52,952
		1,041,522	1,030,620
Assets classified as held for sale		153	172
<b>Total current assets</b>		<b>1,041,675</b>	<b>1,030,792</b>
<b>Total assets</b>		<b>2,116,530</b>	<b>2,111,917</b>
<b>EQUITY</b>			
Share capital		250,000	250,000
Share premium		86,092	86,092
Treasury shares		(34,748)	(34,748)
Reserves		984,550	1,005,933
<b>Total equity attributable to owners of the Company</b>		<b>1,285,894</b>	<b>1,307,277</b>
<b>Non-controlling interests</b>		<b>15,330</b>	<b>15,105</b>
<b>Total equity</b>		<b>1,301,224</b>	<b>1,322,382</b>
<b>LIABILITIES</b>			
Loans and borrowings	Note 8	103,682	109,747
Deferred tax liabilities		26,400	26,563
<b>Total non-current liabilities</b>		<b>130,082</b>	<b>136,310</b>
Loans and borrowings	Note 8	340,302	296,283
Trade and other payables		342,359	355,366
Current tax payable		2,563	1,576
<b>Total current liabilities</b>		<b>685,224</b>	<b>653,225</b>
<b>Total liabilities</b>		<b>815,306</b>	<b>789,535</b>
<b>Total equity and liabilities</b>		<b>2,116,530</b>	<b>2,111,917</b>
<b>Net assets per ordinary share attributable to owners of the Company (RM)</b>		<b>5.14</b>	<b>5.23</b>

The notes set out on pages 5 to 20 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 2015.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> For the second quarter and six months ended 30 June 2016 (The figures have not been audited)										
	Note	Total equity attributable to owners of the Company								
		Non-Distributable					Distributable			
		Share capital RM' 000	Share premium 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
<b>For the 6 months ended 30 June 2015 (Unaudited)</b>										
<b>At 1 January 2015</b>		250,000	86,092	1,729	(34,748)	16	957,939	1,261,028	13,770	1,274,798
<i>Foreign currency translation differences for foreign operations</i>		-	-	(718)	-	-	-	(718)	-	(718)
<i>Share of other comprehensive income of an associate</i>		-	-	4,386	-	23	-	4,409	-	4,409
Total other comprehensive income for the period		-	-	3,668	-	23	-	3,691	-	3,691
Profit for the period		-	-	-	-	-	26,018	26,018	549	26,567
Total comprehensive income for the period		-	-	3,668	-	23	26,018	29,709	549	30,258
Changes in ownership interests in a subsidiary		-	-	-	-	-	6	6	(6)	-
Transactions with owners of the Company										
- Dividends		-	-	-	-	-	(8,293)	(8,293)	-	(8,293)
Transaction with non-controlling interests										
- Issue of shares by a subsidiary		-	-	-	-	-	-	-	400	400
<b>At 30 June 2015</b>		250,000	86,092	5,397	(34,748)	39	975,670	1,282,450	14,713	1,297,163
<b>For the 6 months ended 30 June 2016 (Unaudited)</b>										
<b>At 1 January 2016</b>		250,000	86,092	21,591	(34,748)	362	983,980	1,307,277	15,105	1,322,382
<i>Foreign currency translation differences for foreign operations</i>		-	-	1,108	-	-	-	1,108	-	1,108
<i>Share of other comprehensive loss of an associate</i>		-	-	(12,305)	-	(403)	-	(12,708)	-	(12,708)
Total other comprehensive loss for the period		-	-	(11,197)	-	(403)	-	(11,600)	-	(11,600)
(Loss)/Profit for the period		-	-	-	-	-	(9,774)	(9,774)	616	(9,158)
Total comprehensive (loss)/income for the period		-	-	(11,197)	-	(403)	(9,774)	(21,374)	616	(20,758)
Changes in ownership interests in a subsidiary		-	-	-	-	-	(9)	(9)	(391)	(400)
<b>At 30 June 2016</b>		250,000	86,092	10,394	(34,748)	(41)	974,197	1,285,894	15,330	1,301,224

The notes set out on pages 5 to 20 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 2015.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
For the second quarter and six months ended 30 June 2016		
<i>(The figures have not been audited)</i>		
	Unaudited 30 June 2016 RM'000	Unaudited 30 June 2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	(3,999)	31,103
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	340	340
- investment properties	711	571
- prepaid lease payments	15	14
Depreciation of property, plant and equipment	3,864	3,339
Finance income	(4,860)	(3,579)
Finance costs	11,636	6,809
Loss/(Gain) on disposal of:		
- property, plant and equipment	54	(353)
Property, plant and equipment written off	80	18
Share of results of equity-accounted:		
- associates	6,942	(21,481)
- joint ventures	432	(918)
Unrealised foreign exchange loss/(gain)	1,668	(2,431)
Operating profit before changes in working capital	16,883	13,432
Changes in working capital:		
Inventories	3,130	(7,330)
Property development costs	(29,587)	(52,135)
Trade and other receivables, deposits and prepayments	12,478	(85,579)
Trade and other payables	(14,689)	5,263
Cash used in operations	(11,785)	(126,349)
Net income taxes paid	(6,998)	(1,760)
<b>Net cash used in operating activities</b>	<b>(18,783)</b>	<b>(128,109)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of:		
- property, plant and equipment	(5,544)	(5,841)
Proceeds from disposal of:		
- property, plant and equipment	245	1,429
Decrease in deposits pledged to licensed banks	-	41
Increase in investment in an existing subsidiary	(400)	-
Distribution of profit received from joint ventures	-	15,300
Dividends received from an associate	-	8,922
Interest received	271	353
<b>Net cash (used in)/from investing activities</b>	<b>(5,428)</b>	<b>20,204</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from other loans and borrowings	37,869	77,869
Net proceeds from finance lease liabilities	85	59
Proceeds from issuance of shares to non-controlling interest	-	400
Dividends paid to:		
- owners of the Company	-	(8,293)
Other interest paid	(10,238)	(5,758)
<b>Net cash from financing activities</b>	<b>27,716</b>	<b>64,277</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,505</b>	<b>(43,628)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(281)</b>	<b>575</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>52,561</b>	<b>161,378</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>55,785</b>	<b>118,325</b>
<b>Representing by:</b>		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	22,218	41,559
Cash in hand and at banks	33,567	75,824
Total cash and cash equivalents	55,785	117,383
Add: Cash included as held for sale	-	942
<b>Total cash and cash equivalents as shown in statement of cash flows</b>	<b>55,785</b>	<b>118,325</b>

The notes set out on pages 5 to 20 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 2015.



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 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 six months ended 30 June 2016 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 requirements of FRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 2015. 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 2015.

The annual financial statements of the Group as at and for the year ended 31 December 2015 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 applied the Financial Reporting Standards (FRSs) as its financial reporting framework in preparing the condensed consolidated interim financial statements for the current quarter/period under review.

#### 2. Significant accounting policies

Given that certain Group entities are transitioning entities (being entities subject to the application of IC Interpretation 15, *Agreements for the Construction of Real Estate* or the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities), the Group is currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) Framework until 1 January 2018 as mandated by the Malaysian Accounting Standards Board (“MASB”).

As a result, the Group (including the transitioning entities) will continue to apply FRSs as their financial reporting framework to prepare their financial statements for two further annual periods ending 31 December 2016 to 31 December 2017.

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 2015.



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 2. Significant accounting policies (continued)

During the current period under review, the Group has adopted the following revised accounting standards and amendments which are effective for annual periods beginning on and after 1 January 2016:

- Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements - Accounting for Acquisitions of Interest in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendment to FRS 119, *Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendment to FRS 134, *Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)*

The initial application of the abovementioned standards and amendments does not have any material financial impacts on the financial statements of the Group.

##### 2.1 Standards, amendments and interpretations yet to be effective

The Group has not applied the following new/revised FRSs accounting standards and amendments that have been issued by the MASB but are neither yet effective nor early adopted by the Group:

- ***Effective for annual periods beginning on or after 1 January 2017***

Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*  
Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

- ***Effective for a date yet to be determined***

Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 2.2 Migration to new accounting framework

The Group's financial statements for the annual period beginning on 1 January 2018 and the subsequent annual periods will be prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards.

In the interim, the following accounting standards that have been issued by the MASB will be effective for adoption for annual periods beginning on or after 1 January 2018:

- ***Effective for annual periods beginning on or after 1 January 2018***

MFRS 15, *Revenue from Contracts with Customers*  
MFRS 9, *Financial Instruments (2014)*

- ***Effective for annual periods beginning on or after 1 January 2019***

MFRS 16, *Leases*

The Group is currently assessing the financial impact that may arise from the migration to MFRS, including the adoption of MFRS 1, MFRS 15, MFRS 9 and MFRS 16.

##### 3. Seasonality or cyclicity of operations

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

##### 4. Estimates

The preparation of the condensed consolidated interim financial statements in conformity with FRSs 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 were the same as those disclosed in the annual financial statements as at and for the year ended 31 December 2015.

##### 5. Debt and equity securities

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

There was no share buy-back during the period under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 June 2016 is 13,056,000 shares.





## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

During the current period, the Group acquired property, plant and equipment costing about RM5.5 million (30.6.2015: RM5.8 million), of which RM105,000 (30.6.2015: RM90,000) was in the form of finance lease assets.

Property, plant and equipment with a carrying amount of about RM0.4 million (30.6.2015: RM1.1 million) were disposed of and/or written off during the period under review.

##### 7. Changes in the composition of the Group

###### *i) Increase in investment in an existing subsidiary*

In January 2016, Naim Land Sdn. Bhd. acquired the remaining equity interest of 40% in Bina Hartamas Sdn. Bhd. ("BHSB") which it did not own from minority shareholders for a consideration of RM400,000. The resultant equity interest held by the Group in BHSB increased from 60% to 100%.

This change in the ownership interest was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of the net assets in BHSB, which was immaterial, was adjusted against the Group's reserves.

###### *ii) Additional investments arising from new shares issued by existing subsidiaries*

On 1 April 2016, Naim Capital Sdn. Bhd. subscribed for additional 4,998 ordinary shares of RM1.00 each in Naim Capital Housing Sdn. Bhd. ("NCHSB"), settled in cash. The new subscription in NCHSB did not have any material impact to the Group as there is no change in the Group's equity interest in NCHSB.

###### *iii) Increase in investment in an existing associate*

On 1 April 2016, Miri Specialist Hospital Sdn. Bhd. ("MSHSB") which is a 30% owned associate of the Group, issued 19,666,667 ordinary shares of RM1.00 each to Naim Land Sdn. Bhd. ("NLSB") and a third party, where 5,900,000 ordinary shares of RM1.00 each were subscribed by NLSB for a consideration of RM5,900,000, satisfied by way of settlement of the amount due from MSHSB. The new subscription in MSHSB did not have any impact to the Group as there is no change in the Group's equity interest in MSHSB.





**NAIM HOLDINGS BERHAD (585467-M)**

**QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**8. Loans and borrowings**

		30 June 2016 RM'000	31 December 2015 RM'000
<b>Non-current</b>			
Secured	- Term loans	103,589	109,720
	- Finance lease	93	27
		103,682	109,747
<b>Current</b>			
Unsecured	- Revolving credit	328,000	284,000
Secured	- Term loans	12,262	12,262
	- Finance lease	40	21
		340,302	296,283
Total		443,984	406,030

**9. Earnings per ordinary share ("EPS")**

**Basic EPS**

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

	6 months ended 30 June	
	2016	2015
(Loss)/Profit attributable to owners of the Company (RM'000)	(9,774)	26,018
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	(4.13)	10.98

**Diluted EPS**

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



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 10. Dividend

No dividend was declared/or paid during the current 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 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.



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>For the 6 months ended</b>										
<b>30 June</b>										
Revenue from external customers	91,447	89,912	122,013	156,955	21,624	18,382	-	-	235,084	265,249
Inter segment revenue	-	-	-	-	7,884	6,800	( 7,884)	( 6,800)	-	-
Total segment revenue	<u>91,447</u>	<u>89,912</u>	<u>122,013</u>	<u>156,955</u>	<u>29,508</u>	<u>25,182</u>	<u>( 7,884)</u>	<u>( 6,800)</u>	<u>235,084</u>	<u>265,249</u>
Segment profit/(loss)	14,384	13,882	( 6,872)	( 726)	1,315	( 1,551)	( 1,267)	( 313)	7,560	11,292
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	967	-	194	753	-	-	-	-	1,161	753
- joint ventures	-	-	( 432)	918	-	-	-	-	( 432)	918
	<u>15,351</u>	<u>13,882</u>	<u>( 7,110)</u>	<u>945</u>	<u>1,315</u>	<u>( 1,551)</u>	<u>( 1,267)</u>	<u>( 313)</u>	<u>8,289</u>	<u>12,963</u>
Unallocated expense									( 4,185)	( 2,588)
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									( 8,103)	20,728
Tax expense									( 5,159)	( 4,536)
(Loss)/Profit for the period									( 9,158)	26,567
Other comprehensive (loss)/income, net of tax									( 11,600)	3,691
Total comprehensive (loss)/income for the period									( 20,758)	30,258
Non-controlling interests									( 616)	( 549)
Total comprehensive (loss)/income attributable to the owners of the Company									<u>( 21,374)</u>	<u>29,709</u>



## NAIM HOLDINGS BERHAD (585467-M)

### QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 12. Subsequent events

On 18 August 2016, a direct subsidiary, Naim Engineering Sdn. Bhd. subscribed for 7,000,000 ordinary shares of RM1.00 each in NAIM GAMUDA (NAGA) JV SDN. BHD. (formerly known as *Barisan Sehati Sdn. Bhd.*), representing 70% of the equity interest therein, for a cash consideration of RM7,000,000. The acquisition did not have material impact on the Group's assets and liabilities due to the dormancy of the investee company.

Save from the above, 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 2015 till the date of this quarterly report.

##### 14. Capital expenditure commitments

	30 June 2016 RM'000	31 December 2015 RM'000
<b><i>Authorised but not contracted for</i></b>		
- Authorised but not contracted for	1,360	41,721
- Contracted but not provided for	35,809	36,971
	<u>37,169</u>	<u>78,692</u>
	=====	=====

##### 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 2015.



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**QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**16. Related parties**

***i) Transactions with key management personnel***

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

	6 months ended 30 June	
	2016 RM'000	2015 RM'000
Directors of the Company	2,862	2,446
Other key management personnel	5,213	4,703
	8,075	7,149
	8,075	7,149

***ii) Other related party transactions***

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Transaction with associates</u>				
Construction contract cost	4,365	6,847	( 1,378)	( 4,427)
Rental expense on machinery	1,591	2,669	( 1,528)	( 211)
Sale of construction raw materials	( 3,102)	-	3,254	-
Purchase of construction raw materials	-	425	-	-
	8,075	6,847	( 1,378)	( 4,427)
	8,075	6,847	( 1,378)	( 4,427)

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

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental of premises	324	108	( 324)	-
	324	108	( 324)	-
	324	108	( 324)	-



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

#### 17. Review of Group performance

The Group recorded lower revenue of RM235.1 million for the six months period under review, as compared to RM265.2 million reported in the corresponding period of 2015, mainly contributed by the Construction division (see Note 17.1 (b) for details).

The Group performance (before tax) declined substantially from a profit of RM31.1 million in June 2015 to a loss of RM4.0 million in June 2016. The loss was mainly attributed to our major associate, Dayang Enterprise Holdings Bhd. The share of results from this associate decreased significantly from a profit of RM21.5 million in June 2015 to a loss of RM8.1 million in the current period under review (see Note 17.2 for details).

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 6-month vs corresponding preceding 6-month review (June 2016 vs June 2015)*

For the current 6 months under review, Property segment achieved revenue of RM91.4 million, being 2% higher than the RM89.9 million achieved in the corresponding period in 2015. At the same time, Property profit has improved slightly from RM13.9 million in 2015 to RM14.4 million in 2016. The increase was partly due to improved work progress of development projects. The Group also managed to achieve a similar level of new sales of about RM72 million for the current 6 months, same as that reported in the corresponding period of 2015.

*Current 3-month vs immediate preceding 3-month review (June 2016 vs March 2016)*

Compared to the immediate preceding quarter (January to March 2016), Property revenue decreased from RM54.2 million to RM37.2 million in the current quarter. The segment profit also declined from RM9.6 million in the previous quarter to RM4.8 million in the current quarter. The decrease was mainly due to lower progress of development works achieved and lower new sales reported during the current quarter.



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

#### 17. Review of Group performance (continued)

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

##### a) Property (continued)

###### *Prospects*



*On-going project - Bandar  
Baru Permyjaya*



*On-going project - Bintulu  
Paragon*



*On-going project - Kuching  
Paragon*

The property market continues to experience slow down and remain challenging due to factors such as rising costs of doing business, increased competition, tighter monetary policy and weaker buyers' sentiment as well as the effect of various property cooling measures initiated by the government since 2013 etc.

In near term, we will continue to focus on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching by putting in aggressive marketing efforts to sell off the remaining products.

We have adopted a cautious attitude / approach especially on product launches and product types, to be more selective and sensitive to the buyers' demand and market conditions. We believe that continuous in-depth study and monitoring of the buying sentiments will enable us to tailor better product development to suit the market.

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.





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

#### 17. Review of Group performance (continued)

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

###### b) Construction

*Current 6-month vs corresponding preceding 6-month review (June 2016 vs June 2015)*



*Substantially completed project - MRT stations*



*On-going projects - housing construction*

*Current 3-month vs immediate preceding 3-month review (June 2016 vs March 2016)*

Construction segment recorded lower revenue of RM122.0 million, against RM157.0 million achieved in the corresponding period of 2015. At the same time, the Segment also registered higher loss of RM6.9 million, compared to that achieved in 2015 of RM0.7 million. The decline in the performance of this Division was partly due to lower contributions from certain construction projects being substantially completed during 2015.

At the same time, the performance of the Construction Division was also affected by the delay in the commencement of certain newly secured projects due to late finalisation of contract details with the clients. This has led to lower contributions from these newly secured projects, by more than 50% from what was initially expected.

Increased operational costs incurred as well as adjustments to the contract sums (in particular the provisional items) arising from the completion of some projects has also led to higher loss incurred during the current period.

Compared to the immediate preceding quarter, the Construction revenue decreased from RM74.7 million to RM47.3 million in the current quarter, mainly attributable to lower contributions from certain projects being substantially completed during the quarter. The Segment also registered a loss of RM14.0 million, against a profit of RM7.1 million in January to March 2016 due to increased operational costs incurred and adjustments to contract sums arising from the completion of some projects.



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

#### 17. Review of Group performance (continued)

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

##### b) *Construction* (continued)

###### *Prospects*

Various proactive efforts and measures have been put in place to improve efficiency and to closely monitor operational costs. Meanwhile, strict monitoring of the progress of projects is implemented to ensure they are on schedule. Apart from that, we are also continuously educating the project team that they are empowered and responsible to implement, manage and account for each of the projects to ensure it is completed and delivered within budget and on schedule.

We will continue to improve existing risk management system and process, and embark on tightening of internal controls for this segment. Appropriate right sizing and cost cutting are to be carried out as part of the process to better manage the costs.

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. Meanwhile, we have participated in a number of sizeable construction tenders and we are cautiously optimistic to secure some contracts to replenish our order book which currently stands above RM2 billion.

##### c) *Other segment*

###### *Current 6-month vs corresponding preceding 6-month review (June 2016 vs June 2015)*

During the current 6 months period, Other segment reported revenue of RM21.6 million (January to June 2015: RM18.4 million). At the same time, the Segment also showed an improvement in its performance, from a loss of RM1.6 million in the June 2015, to a profit of RM1.3 million in June 2016. The improvement was mainly due to higher trading and premix sales achieved with improved margin.



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

#### 17. Review of Group performance (continued)

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

##### c) Other segment (continued)

*Current 3-month vs immediate preceding 3-month review (June 2016 vs March 2016)*

Other segment recorded a slight increase in revenue from RM10.1 million in the immediate preceding quarter to RM11.5 million in the current quarter. The Segment also reported a profit of RM1.9 million (January to March 2016: a loss of RM0.6 million), mainly contributed by the trading and premix operations as explained above.

##### *Prospects*



*Permy Mall, Miri – recurring income*

In the near term, we will continue to improve the quarry and premix operations by putting various measures to market and sell the products to achieve economies of scale and improve their performance. In addition, the rolling out of Pan Borneo Highway is expected to have a positive impact to these operations.

The property investment and trading operations will continue to contribute positively to the Group results.



*Proposed Bintulu hotel*

In addition to retail property, we will be embarking on other types of commercial properties, for example hotel in Bintulu Paragon, for recurring income.

##### 17.2 Review of performance of major associate



*DEHB*

Our associate, Dayang Enterprise Holdings Bhd. (“DEHB”), registered a loss after tax attributable to owners of about RM28.3 million, against a profit after tax of RM69.7 million achieved in the corresponding period in 2015. The loss was mainly due to higher finance costs, one off break fund costs arising from early loan settlements, lower profit margin contributions from current work orders and lower utilization rate of offshore support vessels.



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#### 18. Profit guarantee

The Group did not issue any profit guarantee.

#### 19. Tax expense

The Group's effective tax rate for the current period under review is slightly higher than the prima facie tax rate of 25%, mainly due to higher non-deductible expenses.

#### 20. Loss/Profit before tax

	6 months ended 30 June	
	2016 RM'000	2015 RM'000
<b>(Loss)/Profit before tax is arrived at after (crediting)/charging:</b>		
Loss/(Gain) on disposal of:		
- property, plant and equipment	54	( 353)
Interest income from fixed deposits and cash funds	( 278)	( 693)
Other interest income	( 3,750)	( 2,360)
Amortisation of:		
- intangible assets	340	340
- investment property	711	571
- prepaid lease payments	15	14
Depreciation of property, plant and equipment	3,864	3,339
Write back of provision for liquidated and ascertained damages	( 10,322)	-
Foreign exchange loss/(gain)		
- unrealised	1,668	( 2,431)
- realised	6	-
Interest expense on loans and borrowings	10,857	5,578
Property, plant and equipment written off	80	18

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 30 June 2016.

#### 22. Status of corporate proposals

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



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

#### 23. Breakdown of realised and unrealised profits or losses

	30 June 2016 RM'000	31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	852,348	849,083
- unrealised	21,596	28,297
	873,944	877,380
Share of retained earnings from:		
- associates	166,457	174,383
- joint ventures	1,364	1,924
	1,041,765	1,053,687
Less: Consolidation adjustments	( 67,568)	( 69,707)
Total group retained earnings as per consolidated statement of changes in equity	974,197	983,980

The determination of realised and unrealised profits or losses is based on Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

#### 24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 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 26 August 2016.