



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the second quarter and six months ended 30 June 2019

(The figures have not been audited)

	CURRENT QUARTER		CUMULATIVE QUARTER		
	3 months ended 30 June		6 months ended 30 June		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	
Revenue	159,183	116,196	300,816	260,189	
Cost of sales	(151,145)	(102,827)	(268,997)	(235,436)	
Gross profit	8,038	13,369	31,819	24,753	
Other operating income	675	650	1,962	2,016	
Selling and promotional expenses	(2,018)	(2,746)	(4,226)	(4,018)	
Administrative expenses	(5,207)	(5,467)	(11,493)	(10,754)	
Other operating expenses	(1,809)	(1,323)	(2,828)	(2,210)	
Results from operating activities	(321)	4,483	15,234	9,787	
Finance income	3,790	2,032	6,142	4,262	
Finance costs	(6,734)	(6,822)	(13,387)	(14,582)	
Net finance costs	(2,944)	(4,790)	(7,245)	(10,320)	
Share of results (net of tax) of equity-accounted:					
- associates	14,201	10,533	8,911	(2,726)	
- joint ventures	41	16	(211)	522	
Profit/(Loss) before tax	10,977	10,242	16,689	(2,737)	
Tax expense	(101)	(592)	(3,617)	(3,288)	
Profit/(Loss) for the period	10,876	9,650	13,072	(6,025)	
Other comprehensive income/(loss), net of tax					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	-	(202)	23	360	
Share of other comprehensive income/(loss) of associates	4,152	4,976	(27)	(914)	
Other comprehensive income/(loss) for the period	4,152	4,774	(4)	(554)	
Total comprehensive income/(loss) for the period	15,028	14,424	13,068	(6,579)	
Profit/(Loss) attributable to:					
Owners of the Company	10,177	9,158	11,875	(6,925)	
Non-controlling interests	699	492	1,197	900	
Profit/(Loss) for the period	10,876	9,650	13,072	(6,025)	
Total comprehensive income/(loss) attributable to:					
Owners of the Company	14,329	13,932	11,871	(7,479)	
Non-controlling interests	699	492	1,197	900	
Total comprehensive income/(loss) for the period	15,028	14,424	13,068	(6,579)	
Basic earning/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)					
	Note 9	2.03	3.87	2.37	(2.92)

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.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
As at 30 June 2019 <i>(The figures have not been audited)</i>		
	Unaudited	Audited
	30 June 2019 RM'000	31 December 2018 RM'000
ASSETS		
Property, plant and equipment	138,189	130,931
Interests in associates	416,897	408,428
Interests in joint ventures	4,109	4,387
Inventory - Land held for property development	373,407	373,407
Investment properties	84,105	85,161
Intangible assets	3,856	4,196
Deferred tax assets	12,119	12,081
Other investments	3,100	3,100
Trade and other receivables	61,545	65,563
Total non-current assets	1,097,327	1,087,254
Inventories	608,485	653,186
Contract costs	6,094	5,516
Contract assets	213,974	192,626
Trade and other receivables	139,130	157,525
Deposits and prepayments	11,996	9,154
Current tax recoverable	9,801	10,714
Cash and cash equivalents	310,255	148,070
	1,299,735	1,176,791
Assets classified as held for sale	81	595
Total current assets	1,299,816	1,177,386
Total assets	2,397,143	2,264,640
EQUITY		
Share capital	454,802	336,092
Treasury shares	(34,748)	(34,748)
Reserves	885,633	873,762
Total equity attributable to owners of the Company	1,305,687	1,175,106
Non-controlling interests	17,990	17,993
Total equity	1,323,677	1,193,099
LIABILITIES		
Loans and borrowings	158,922	171,881
Trade and other payables	3,524	3,524
Deferred tax liabilities	24,371	24,890
Total non-current liabilities	186,817	200,295
Loans and borrowings	366,024	385,858
Trade and other payables	482,067	445,577
Contract liabilities	27,896	26,805
Provisions	7,669	7,994
Current tax payable	2,993	5,012
Total current liabilities	886,649	871,246
Total liabilities	1,073,466	1,071,541
Total equity and liabilities	2,397,143	2,264,640
Net assets (NA) per ordinary share attributable to owners of the Company (RM)	2.54 [#]	4.70
# Derived based on the enlarged issued and paid up capital of approximately 513.80 million ordinary shares, upon the completion of rights issue in January 2019.		
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.		



QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the second quarter and six months ended 30 June 2019 (The figures have not been audited)									
		Total equity attributable to owners of the Company							
		Non-Distributable			Distributable				
		Share capital	Foreign currency translation reserve	Treasury shares	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
For the 6 months ended 30 June 2018 (Unaudited)									
At 1 January 2018		336,092	10,917	(34,748)	129	795,406	1,107,796	19,553	1,127,349
<i>Foreign currency translation differences for foreign operations</i>		-	360	-	-	-	360	-	360
<i>Share of other comprehensive loss of associates</i>		-	(901)	-	(13)	-	(914)	-	(914)
Total other comprehensive loss for the period		-	(541)	-	(13)	-	(554)	-	(554)
(Loss)/Profit for the period		-	-	-	-	(6,925)	(6,925)	900	(6,025)
Total comprehensive (loss)/income for the period		-	(541)	-	(13)	(6,925)	(7,479)	900	(6,579)
At 30 June 2018		336,092	10,376	(34,748)	116	788,481	1,100,317	20,453	1,120,770
For the 6 months ended 30 June 2019 (Unaudited)									
At 1 January 2019		336,092	13,158	(34,748)	215	860,389	1,175,106	17,993	1,193,099
<i>Foreign currency translation differences for foreign operations</i>		-	23	-	-	-	23	-	23
<i>Share of other comprehensive loss of associates</i>		-	(7)	-	(20)	-	(27)	-	(27)
Total other comprehensive income/(loss) for the period		-	16	-	(20)	-	(4)	-	(4)
Profit for the period		-	-	-	-	11,875	11,875	1,197	13,072
Total comprehensive income/(loss) for the period		-	16	-	(20)	11,875	11,871	1,197	13,068
Contribution by owners of the Company									
- Issue of ordinary shares via Rights Issue		118,710	-	-	-	-	118,710	-	118,710
Transaction with non-controlling interests									
- Dividends payable by a subsidiary		-	-	-	-	-	-	(1,200)	(1,200)
At 30 June 2019		454,802	13,174	(34,748)	195	872,264	1,305,687	17,990	1,323,677

Note 5

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.



QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the second quarter and six months ended 30 June 2019		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	30 June	30 June
	2019	2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	16,689	(2,737)
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	340	340
- investment properties	1,056	1,100
- prepaid lease payments	14	14
Depreciation of property, plant and equipment	2,770	3,854
Dividend income from unquoted shares	(4)	(4)
Finance income	(6,142)	(4,262)
Finance costs	13,387	14,582
Gain on disposal of:		
- property, plant and equipment	(106)	(221)
- assets held for sale	(236)	-
Property, plant and equipment written off	3	40
Share of results of equity-accounted:		
- associates	(8,911)	2,726
- joint ventures	211	(522)
Unrealised foreign exchange loss	142	550
Operating profit before changes in working capital	19,213	15,460
Changes in working capital:		
Inventories	45,188	4,981
Contract cost	(578)	-
Trade and other receivables, deposits and prepayments (including contract assets/liabilities)	(216)	(24,832)
Trade and other payables	35,367	24,718
Cash generated from operations	98,974	20,327
Net income taxes paid	(5,213)	(3,210)
Net cash from operating activities	93,761	17,117
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10,707)	(15,278)
Proceeds from disposal of:		
- property, plant and equipment	169	268
- assets held for sale	750	-
Changes in pledged deposits	(537)	(900)
Dividends received	4	4
Interest received	6,201	4,106
Net cash used in investing activities	(4,120)	(11,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	118,710	-
Net (repayments of)/proceeds from loans and borrowings	(32,783)	14,274
Repayment of finance lease liabilities	(11)	(15)
Interest paid	(13,907)	(14,900)
Net cash from/(used in) financing activities	72,009	(641)
Net increase in cash and cash equivalents	161,650	4,676
Effects of exchange rate changes on cash and cash equivalents	(2)	(12)
Cash and cash equivalents at beginning of period	133,453	63,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	295,101	67,958
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	205,680	25,891
Cash in hand and at banks	89,421	42,067
Total cash and cash equivalents as shown in statement of cash flows	295,101	67,958

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.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements of the Group as at and for the period ended 30 June 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, except as explained below.

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*



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, interpretations and associated 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.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.1 Standards, amendments and interpretations yet to be effective

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

- ***MFRSs effective for annual periods beginning on or after 1 January 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*

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

3. Seasonality or cyclicity of operations

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


NAIM HOLDINGS BERHAD (585467-M)
QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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 30 June 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 RM10.7 million (30.6.2018: RM15.3 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM66,000 (30.6.2018: RM87,000) 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

		30 June 2019 RM'000	31 December 2018 RM'000
<i>Non-current</i>			
Secured	- Term loans	158,905	171,853
	- Finance lease	17	28
		158,922	171,881
<i>Current</i>			
Unsecured	- Revolving credits	319,000	342,000
Secured	- Term loans	47,003	43,837
	- Finance lease	21	21
		366,024	385,858
Total		524,946	557,739
		=====	=====



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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:

	6 months ended 30 June	
	2019	2018
Profit/(Loss) attributable to owners of the Company (RM'000)	11,875	(6,925)
	-----	-----
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	236,944
	-----	-----
Basic EPS (sen)	2.37	(2.92)
	-----	-----

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.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 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 6 months ended 30 June										
Revenue from external customers	96,503	70,409	193,456	177,646	10,857	12,134	-	-	300,816	260,189
Inter segment revenue	-	-	-	-	1,739	1,888	(1,739)	(1,888)	-	-
Total segment revenue	<u>96,503</u>	<u>70,409</u>	<u>193,456</u>	<u>177,646</u>	<u>12,596</u>	<u>14,022</u>	<u>(1,739)</u>	<u>(1,888)</u>	<u>300,816</u>	<u>260,189</u>
Segment profit/(loss)	2,245	969	10,384	6,157	(967)	(544)	(841)	(801)	10,821	5,781
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(911)	(1,534)	1,231	583	-	-	-	-	320	(951)
- joint ventures	-	-	(211)	522	-	-	-	-	(211)	522
	<u>1,334</u>	<u>(565)</u>	<u>11,404</u>	<u>7,262</u>	<u>(967)</u>	<u>(544)</u>	<u>(841)</u>	<u>(801)</u>	<u>10,930</u>	<u>5,352</u>
Unallocated expense									(2,832)	(6,314)
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									8,591	(1,775)
Tax expense									(3,617)	(3,288)
Profit/(Loss) for the period									<u>13,072</u>	<u>(6,025)</u>
Other comprehensive loss, net of tax									(4)	(554)
Total comprehensive profit/(loss) for the period									<u>13,068</u>	<u>(6,579)</u>
Non-controlling interests									(1,197)	(900)
Total comprehensive profit/(loss) attributable to the owners of the Company									<u>11,871</u>	<u>(7,479)</u>

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



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	30 June 2019 RM'000	31 December 2018 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	2,000	2,435
- Contracted but not provided for	14,522	24,100
	<u>16,522</u>	<u>26,535</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 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:

	6 months ended 30 June	
	2019 RM'000	2018 RM'000
Directors of the Company	2,592	2,467
Other key management personnel	2,999	4,219
	<u>5,591</u>	<u>6,686</u>
	=====	=====



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Transactions with associates</u>				
Construction contract cost	72,033	78,553	(12,830)	969
Construction contract sum billed	(6,132)	(14,276)	4,806	6,713
Fee charged on management services rendered	-	(540)	-	-
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 6 months ended 30 June		Balance outstanding as at 30 June	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental expense on properties	-	324	(380)	(1,003)
	=====	=====	=====	=====

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

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Consultant fee paid	120	111	-	-
	=====	=====	=====	=====


NAIM HOLDINGS BERHAD (585467-M)
QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019
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 6-month vs corresponding preceding 6-month review
(June 2019 vs June 2018)***

	Cumulative quarters	
	6 months ended 30 June	
	2019	2018
	RM'000	RM'000
Revenue	300,816	260,189
Operating profit	15,234	9,787
Profit/(Loss) before tax	16,689	(2,737)

The Group recorded higher revenue of RM300.8 million for the period under review, as compared to RM260.2 million reported in the corresponding period of 2018. The increase was contributed by both Property and Construction divisions, which recorded a 17% increase 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 RM2.7 million reported in June 2018 to a profit before tax of RM16.7 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 of development and construction projects as well as higher new property sales achieved during the period [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 RM1.8 million in June 2018 to a profit of RM8.6 million in the current quarter under review.

***Current 3-month vs immediate preceding 3-month review
(June 2019 vs March 2019)***

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2019	31 March 2019
	RM'000	RM'000
Revenue	159,183	141,633
Operating (loss)/profit	(321)	15,555
Profit before tax	10,977	5,712

When compared to the immediate preceding quarter (January to March 2019), the increase in both group revenue and profit were partly due to higher work progress achieved at site as well as higher new property sales secured during this 3-month period.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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) (June 2019 vs March 2019)

At the same time, the share of results from the associate, DEHB, had also improved from a loss after tax of RM5.4 million in the immediate preceding 3-month period to a profit after tax of RM14.0 million in the current 3-month period.

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1 below.

17.1 Review of performance of operating segments and current year prospects

a) *Property*

Current 6-month vs corresponding preceding 6-month review (June 2019 vs June 2018)

	Cumulative quarters	
	6 months ended 30 June	
	2019	2018
	RM'000	RM'000
Revenue	96,503	70,409
Segment profit	2,245	969

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

New Property sales of about RM119.1 million, against that of RM67.9 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.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 (June 2019 vs March 2019)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2019	31 March 2019
	RM'000	RM'000
Revenue	47,469	49,034
Segment (loss)/profit	(6,305)	8,550

Despite the increased development work progress, the decline in Property revenue and profit in the current 3-month period was mainly due to the changes in product mix sold where more residential units were sold.

Nevertheless, the Group managed to secure additional new sales of RM62.1 million during the current 3-month period, against the new property sales of RM57.0 million achieved in the immediate preceding quarter.

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.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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)

b) Construction

***Current 6-month vs corresponding preceding 6-month review
(June 2019 vs June 2018)***

	Cumulative quarters	
	6 months ended 30 June	
	2019	2018
	RM'000	RM'000
Revenue	193,456	177,646
Segment profit	10,384	6,157

Higher Construction revenue of RM193.5 million was reported, a 9% increase from that reported in June 2018, due to higher work progress achieved from existing on-going projects.

At the same time, the Construction Segment showed an improvement, from RM6.2 million reported in June 2018 to RM10.4 million, mainly due to some cost savings from certain substantially completed projects.

***Current 3-month vs immediate preceding 3-month review
(June 2019 vs March 2019)***

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2019	31 March 2019
	RM'000	RM'000
Revenue	106,135	87,321
Segment profit	5,362	5,022

When compared to the immediate preceding quarter (January to March 2019), higher Construction revenue and profit were partly due to increased work progress from existing projects during the 3-month period and additional cost savings from certain substantially completed projects.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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)

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 6-month vs corresponding preceding 6-month review (June 2019 vs June 2018)

	Cumulative quarters	
	6 months ended 30 June	
	2019	2018
	RM'000	RM'000
Revenue	10,857	12,134
Segment loss	(967)	(544)

The drop in Other segment revenue was mainly due to lower trading sales, about 38% lower than that reported in the corresponding period of 2018. At the same time, Other segment also registered higher loss of RM1.0 million, compared to the loss of RM0.5 million reported in June 2018, contributed by fixed overheads and financing costs incurred particularly from the quarry operations.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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)

c) Other Segment (continued)

***Current 3-month vs immediate preceding 3-month review
(June 2019 vs March 2019)***

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2019	31 March 2019
	RM'000	RM'000
Revenue	5,579	5,278
Segment (loss)/profit	(1,127)	160

When compared to the immediate preceding quarter, Other segment showed a slight increase in revenue during the current 3 months, mainly attributable to higher quarry sales during the quarter.

Other segment registered a loss of RM1.1 million, against a profit of RM160,000 reported in the immediate preceding quarter, due to the changes in product mix of quarry sold as well as the incurring of fixed overheads and financing costs.

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 physically completed) 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

For the current period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM51.0 million (30.6.2018: profit after tax of RM17.7 million). The improvement in the DEHB performance was mainly due to higher maintenance work orders performed with improved margin, lower foreign exchange losses as well as reversal of impairment of assets during the period under review.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 RM8.0 million for the period under review (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM3.6 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

	6 months ended 30 June	
	2019 RM'000	2018 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Gain on disposal of:		
- property, plant and equipment	(106)	(221)
- assets held for sale	(236)	-
Interest income from fixed deposits and cash funds	(3,061)	(511)
Other interest income	(3,081)	(3,751)
Amortisation of:		
- intangible assets	340	340
- investment properties	1,056	1,100
- prepaid lease payments	14	14
Depreciation of property, plant and equipment	2,770	3,854
Foreign exchange loss:		
- unrealised	142	550
- realised	1	33
Interest expense on loans and borrowings	13,387	14,582
Property, plant and equipment written off	3	40

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 30 June 2019.

**NAIM HOLDINGS BERHAD (585467-M)****QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2019****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 and/or not completed at the date of this quarterly report. The rights issue exercise as disclosed in Note 5 was completed in January 2019.

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 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.

There are no changes in the litigation status during the period under review.

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 29 August 2019.