BUILDING VALUE IN EVERY WAY

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

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the second quarter and six months ended 30 June 2020
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 June		*6 months ended 30 June*	
		2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue		30,033	159,183	98,452	300,816
Cost of sales		(29,052)	(151,145)	(94,162)	(268,997)
Gross profit		981	8,038	4,290	31,819
Other operating income		6,770	675	8,649	1,962
Selling and promotional expenses		(995)	(2,018)	(2,507)	(4,226)
Administrative expenses		(6,496)	(5,207)	(12,521)	(11,493)
Other operating expenses		(2,313)	(1,809)	(3,715)	(2,828)
Results from operating activities		(2,053)	(321)	(5,804)	15,234
Finance income		2,234	3,790	4,476	6,142
Finance costs		(5,430)	(6,734)	(11,414)	(13,387)
Net finance costs		(3,196)	(2,944)	(6,938)	(7,245)
Other non-operating expense		(493)	-	(7,148)	-
Share of results (net of tax) of equity-accounted:					
- associates		(575)	14,201	(886)	8,911
- joint ventures		89	41	305	(211)
(Loss)/Profit before tax	Note 19	(6,228)	10,977	(20,471)	16,689
Tax expense	Note 18	(426)	(101)	(1,657)	(3,617)
(Loss)/Profit for the period		(6,654)	10,876	(22,128)	13,072
Other comprehensive (loss)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(47)	-	(30)	23
Share of other comprehensive (loss)/income of associates		(1,115)	4,152	10,246	(27)
Other comprehensive (loss)/income for the period		(1,162)	4,152	10,216	(4)
Total comprehensive (loss)/income for the period		(7,816)	15,028	(11,912)	13,068
(Loss)/Profit attributable to:					
Owners of the Company		(6,412)	10,177	(21,922)	11,875
Non-controlling interests		(242)	699	(206)	1,197
(Loss)/Profit for the period		(6,654)	10,876	(22,128)	13,072
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(7,574)	14,329	(11,706)	11,871
Non-controlling interests		(242)	699	(206)	1,197
Total comprehensive (loss)/income for the period		(7,816)	15,028	(11,912)	13,068
Basic (loss)/earning per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	(1.28)	2.03	(4.38)	2.37

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 2019.

B U I L D I N G   V A L U E   I N   E V E R Y   W A Y

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

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020
(The figures have not been audited)

		Unaudited 30 June 2020 RM'000	Audited 31 December 2019 RM'000
ASSETS			
Property, plant and equipment		143,958	152,050
Interests in associates		485,558	483,346
Interests in joint ventures		2,684	2,283
Inventory - Land held for property development		178,250	367,833
Investment properties		79,280	80,343
Intangible assets		3,176	3,516
Deferred tax assets		12,142	12,148
Other investments		3,078	3,079
Trade and other receivables		51,783	56,835
Total non-current assets		**959,909**	**1,161,433**
Inventories		820,251	621,548
Contract costs		4,564	4,514
Contract assets		87,979	111,687
Trade and other receivables		101,254	108,158
Deposits and prepayments		8,347	6,065
Current tax recoverable		1,560	999
Cash and cash equivalents		181,200	226,583
		1,205,155	1,079,554
Assets classified as held for sale		2,825	2,823
Total current assets		**1,207,980**	**1,082,377**
Total assets		**2,167,889**	**2,243,810**
EQUITY			
Share capital		454,802	454,802
Treasury shares		(34,748)	(34,748)
Reserves		916,783	928,489
Total equity attributable to owners of the Company		**1,336,837**	**1,348,543**
Non-controlling interests		19,616	19,822
Total equity		**1,356,453**	**1,368,365**
LIABILITIES			
Loans and borrowings	Note 8	121,268	139,954
Deferred tax liabilities		23,723	23,977
Total non-current liabilities		**144,991**	**163,931**
Loans and borrowings	Note 8	335,261	343,555
Trade and other payables		309,168	342,307
Contract liabilities		17,959	21,772
Provisions		3,601	3,614
Current tax payable		456	266
Total current liabilities		**666,445**	**711,514**
Total liabilities		**811,436**	**875,445**
Total equity and liabilities		**2,167,889**	**2,243,810**
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital shares		**2.60**	**2.62**

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 2019.

BUILDING VALUE IN EVERY WAY

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

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the second quarter and six months ended 30 June 2020
(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 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
Foreign currency translation differences for foreign operations	-	23	-	-	-	23	-	23
Share of other comprehensive loss of associates	-	(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 paid 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
For the 6 months ended 30 June 2020 (Unaudited)								
At 1 January 2020	454,802	9,936	(34,748)	174	918,379	1,348,543	19,822	1,368,365
Foreign currency translation differences for foreign operations	-	(30)	-	-	-	(30)	-	(30)
Share of other comprehensive income of associates	-	10,246	-	-	-	10,246	-	10,246
Total other comprehensive income for the period	-	10,216	-	-	-	10,216	-	10,216
Loss for the period	-	-	-	-	(21,922)	(21,922)	(206)	(22,128)
Total comprehensive income/(loss) for the period	-	10,216	-	-	(21,922)	(11,706)	(206)	(11,912)
At 30 June 2020	454,802	20,152	(34,748)	174	896,457	1,336,837	19,616	1,356,453

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 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the second quarter and six months ended 30 June 2020

(The figures have not been audited)

	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(20,471)	16,689
Adjustments for:		
Amortisation of:		
- intangible asset	340	340
- investment properties	1,063	1,056
Depreciation of property, plant and equipment	5,208	2,784
Dividend income from unquoted shares	(83)	(4)
Finance income	(4,476)	(6,142)
Finance costs	11,414	13,387
(Gain)/Loss on disposal of:		
- property, plant and equipment	(5,088)	(106)
- assets held for sale	-	(236)
- an associate	7,148	-
Property, plant and equipment written off	31	3
Net change in impairment loss on financial assets and contract assets	(567)	-
Share of results of equity-accounted:		
- associates	886	(8,911)
- joint ventures	(305)	211
Unrealised foreign exchange (gain)/loss	(363)	142
Operating (loss)/profit before changes in working capital	(5,263)	19,213
Changes in working capital:		
Inventories	(8,883)	45,188
Contract assets/liabilities	19,895	(20,257)
Contract cost	(50)	(578)
Trade and other receivables, deposits and prepayments	18,295	20,041
Trade and other payables	(32,359)	35,367
Cash (used in)/generated from operations	(8,365)	98,974
Net income taxes paid	(2,372)	(5,213)
Net cash (used in)/from operating activities	(10,737)	93,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(983)	(10,707)
Proceeds from disposal of:		
- property, plant and equipment	54	169
- assets held for sale	-	750
Changes in pledged deposits	(114)	(537)
Dividends received	83	4
Interest received	5,055	6,201
Net cash from/(used in) investing activities	4,095	(4,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	118,710
Net repayments of loans and borrowings	(26,975)	(32,783)
Repayment of finance lease liabilities	(5)	(11)
Interest paid	(12,078)	(13,907)
Net cash (used in)/from financing activities	(39,058)	72,009
Net (decrease)/increase in cash and cash equivalents	(45,700)	161,650
Effects of exchange rate changes on cash and cash equivalents	202	(2)
Cash and cash equivalents at beginning of year	211,396	133,453
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**165,898**	**295,101**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	122,455	205,680
Cash in hand and at banks	43,443	89,421
Total cash and cash equivalents as shown in statement of cash flows	165,898	295,101

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 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 2020 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 2019. 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 2019.

The annual financial statements of the Group as at and for the year ended 31 December 2019 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 2019, except as explained below.

During the current period under review, the Group has adopted the following accounting standards and amendments which are effective for annual periods beginning on and after 1 January 2020:

- Amendment to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

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 June 2020***
  - Amendments to MFRS 16, *Leases - Covid-19-Related Rent Concessions*
- ***MFRSs effective for annual periods beginning on or after 1 January 2022***
  - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* (*Annual Improvements to MFRS Standards 2018−2020)*
  - Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
  - Amendments to MFRS 9, *Financial Instruments* (*Annual Improvements to MFRS Standards 2018−2020)*
  - Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
  - Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts − Cost of Fulfilling a Contract*
  - Amendment to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*
- ***MFRSs effective for annual periods beginning on or after 1 January 2023***
  - Amendments to MFRS 17, *Insurance Contracts*
  - Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- ***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 cyclicality of operations

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2019.

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 2020 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 RM1.0 million (30.6.2019: RM10.7 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM3.6 million (30.6.2019: RM66,000) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

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

Following the conversion of some 1.43 billion redeemable convertible preference shares ("RCPS") into ordinary shares in PPB by the RCPS holders during the period under period, the Group's resultant equity interest in PPB had decreased from 9.89% to 3.48%. The dilution in the equity interest in PPB, after considering both direct and indirect interests held therein, was accounted for as a deemed disposal and a loss of RM7.1 million was recognised as other non-operating expense in the profit or loss.

The full impact of the dilution of the Company's equity interests in PPB can only be determined at a later stage when the conversion of the RCPS into ordinary shares in PPB is complete and the relevant information has been obtained to facilitate the calculation of the impact. The Group's equity interest in PPB, after the full conversion of RCPS, is expected to be 3.43%.

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

8. Loans and borrowings

			30 June 2020 RM'000	31 December 2019 RM'000
Non-current				
Secured	-	Term loans	121,268	139,949
	-	Finance lease	-	5
			121,268	139,954
Current				
Unsecured	-	Revolving credits	284,000	294,000
Secured	-	Term loans	51,239	49,533
	-	Finance lease	22	22
			335,261	343,555
Total			456,529	483,509

9. Earnings per ordinary share ("EPS")

Basic EPS

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

	6 months ended 30 June 2020	2019
(Loss)/Profit attributable to owners of the Company (RM'000)	(21,922)	11,875
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic EPS (sen)	(4.38)	2.37

Diluted EPS

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

10. Dividend

No dividend was declared/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	- All other business segments with profit contributions less than 10%. This includes 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.

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
For the 6 months ended 30 June										
Revenue from external customers	30,753	96,503	60,070	193,456	7,629	10,857	-	-	98,452	300,816
Inter segment revenue	-	-	-	-	2,838	1,739	(2,838)	(1,739)	-	-
Total segment revenue	30,753	96,503	60,070	193,456	10,467	12,596	(2,838)	(1,739)	98,452	300,816
Segment profit/(loss)	760	2,245	(2,274)	10,384	(6,969)	(967)	(796)	(841)	(9,279)	10,821
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(310)	(911)	803	1,231	(1,585)	-	-	-	(1,092)	320
- joint ventures	-	-	305	(211)	-	-	-	-	305	(211)
	450	1,334	(1,166)	11,404	(8,554)	(967)	(796)	(841)	(10,066)	10,930
Unallocated expense									(3,463)	(2,832)
Loss on deemed disposal of interests in an associate, PPB									(7,148)	-
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									206	8,591
Tax expense									(1,657)	(3,617)
(Loss)/Profit for the period									(22,128)	13,072
Other comprehensive income/(loss), net of tax									10,216	(4)
Total comprehensive (loss)/income for the period									(11,912)	13,068
Non-controlling interests									206	(1,197)
Total comprehensive (loss)/income attributable to the owners of the Company									(11,706)	11,871

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

12. Subsequent event

In mid-July 2020, one of the subsidiaries, Petrochemical Hub Sdn. Bhd. entered into a sale and purchase agreement with a third party to dispose of approximately 405.6 hectares of land in Bintulu for a total cash consideration of RM340.00 million ("Proposed Disposal"). The completion of the Proposed Disposal is subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened in due course. The Proposed Disposal is expected to be completed by the 4th quarter of 2020. The proceeds arising from the Proposed Disposal will be utilised for paring down bank borrowings, dividend payments as well as for working capital purpose.

Saved as disclosed above, there are no other 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 2019 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	30 June 2020 RM'000	31 December 2019 RM'000
Property, plant and equipment		
- Authorised but not contracted for	1,200	2,967
	=======	=======

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 2019.

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 2020 RM'000	6 months ended 30 June 2019 RM'000
Directors of the Company	2,374	2,592
Other key management personnel	2,490	2,999
	4,864	5,591

ii) *Other related party transactions*

	Transaction value 6 months ended 30 June 2020 RM'000	Transaction value 6 months ended 30 June 2019 RM'000	Balance outstanding as at 30 June 2020 RM'000	Balance outstanding as at 30 June 2019 RM'000
Transactions with associates				
Construction contract cost	72,100	72,033	(19,956)	(12,830)
Construction contract sum billed	(260)	(6,132)	3,897	4,806
Sale of construction raw materials	-	-	223	223
Transaction with certain members of the key management personnel of the Group				
Consultant fee paid	5	30	-	-
Transaction with key management personnel				
Consultant fee paid	75	90	-	-

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2020 vs June 2019)

	Cumulative quarters	
	6 months ended 30 June	
	2020	2019
	RM'000	RM'000
Revenue	98,452	300,816
(Loss)/Profit before tax	(20,471)	16,689

The Group recorded a lower revenue of RM98.5 million for the period under review, against RM300.8 million in the corresponding quarter of 2019. The decrease was mainly attributable to the Property and Construction divisions, which recorded a 69% decrease in revenue when compared against that achieved in the corresponding period of 2019.

At the same time, the Group reported a loss before tax of RM20.5 million, compared to a profit before tax of RM16.7 million reported in June 2019. The fluctuation in net results was explained as follows:

- loss reported from its core business segments of RM9.3 million, against a segment profit achieved in June 2019 of RM10.8 million (see Note 11).
- an accounting loss of RM7.1 million arising from the deemed disposal of equity interest in an associate, Perdana Petroleum Bhd. ("PPB"), as explained in Note 7.
- lower contributions from its associates, from a share of profit after tax of RM8.9 million in June 2019 to a share of loss after tax of RM886,000 in the current period.

Current 3-month vs immediate preceding 3-month review (June 2020 vs March 2020)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2020	31 March 2020
	RM'000	RM'000
Revenue	30,033	68,419
Loss before tax	6,228	14,243

When compared to the immediate preceding quarter (January to March 2020), group revenue had declined, mainly attributable to lower work progress achieved at site and lower new property sales secured during this 3-month period, due to the Movement Control Order imposed by the Government from mid March 2020 to about mid May 2020 as a result of the COVID-19 pandemic. The Group had registered a loss of RM6.2 million during the current 3-month period as a consequence.

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 (June 2020 vs March 2020)* (continued)**

Higher loss was reported in the immediate preceding 3-month period (January to March 2020), mainly due to an accounting loss of RM6.7 million arising from the deemed disposal of some equity interest in PPB.

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 2020 vs June 2019)

	Cumulative quarters	
	6 months ended 30 June	
	2020	2019
	RM'000	RM'000
Revenue	30,753	96,503
Segment profit	760	2,245

Property Segment recorded a drop in its revenue and performance for the current period, mainly due to lower new property sales achieved of RM31.3 million (30.6.2019: RM119.1 million). Sales activities were substantially low during the 2nd quarter of 2020, resulted from the closure of operations following the implementation of Movement Control Order (MCO) in mid-March 2020 until May 2020. Changes in property mix sold and incurrence of fixed overhead costs also contributed partly to the overall drop in this segment performance.

Current 3-month vs immediate preceding 3-month review (June 2020 vs March 2020)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2020	31 March 2020
	RM'000	RM'000
Revenue	10,931	19,822
Segment profit/(loss)	1,750	(990)

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 2020 vs March 2020) (continued)

The decrease in Property revenue in the current 3-month period was mainly due to lower work progress achieved and low sales transacted during the period, following the implementation of MCO since mid-March 2020. Although the Group managed to secure similar level of new property sales of about RM16 million, as of that achieved in the immediate preceding 3-month (January to March 2020), the overall new sales dropped substantially when compared to that achieved in the previous corresponding 3-month in 2019 of about RM62.1 million.

Nevertheless, the segment managed to achieve a profit of RM1.8 million in the current 3-month period, against a loss of RM1.0 million in the immediate preceding 3-month. The improvement in the performance was mainly due to gain arising from some assets disposal amounting to RM5.0 million.

Prospects

The outbreak of coronavirus (COVID-19) pandemic since January 2020 has severe negative impacts on the global economy, causing widespread disruptions to businesses that are driven by a fall in demand. The various industries across Malaysia have been similarly impacted by the pandemic.

Following the implementation of the MCO by the government since mid-March 2020, the business activities of the Group had declined – substantially lower revenue due to the closure of operations, virtually no construction works at site, delay in execution of sales and tightening liquidity position with low level debts collections. Despite various business segments having progressively resumed their operations since May 2020 after the announcement of the Conditional MCO, the Group anticipates the weaker buying sentiments in the property market to continue as consumers remain cautious in view of the uncertainties expected post COVID-19, coupled with the ongoing huge overhang in the property market, increased competitions and job insecurity due to rising corporate retrenchments and pay cuts. Some work progress at site may be lower than expected due to short term disruptions to the supply chain of building/construction materials as a result of delay in shipments/deliveries. Project monitoring and costs controls measures are put in place to make sure the projects are completed on time and to minimise the possibility of costs overrun. Appropriate right sizing and cost cutting exercises are being carried out across all operations as part of the process to better manage costs.

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 (continued)

Nevertheless, our main focus remains on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching. We have adopted a cautious approach towards new product launches (e.g. timing and size of launches) and product types, to be more selective and sensitive to buyers' demand and market conditions in near term. Various initiatives will be introduced along the way to sell off the existing property stocks to improve the performance of this segment and reduce associated holding costs.

b) Construction

Current 6-month vs corresponding preceding 6-month review (June 2020 vs June 2019)

	Cumulative quarters 6 months ended 30 June	
	2020	**2019**
	RM'000	**RM'000**
Revenue	60,070	193,456
Segment (loss)/profit	(2,274)	10,384

Despite the increased work progress from the existing on-going project, both Construction revenue and performance had declined more than 60%, mainly due to a diminishing number of projects on hand.

Higher segment profit of RM10.4 million reported in the last June 2019 was mainly due to recovery of some cost savings from certain substantially completed projects.

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)

Current 3-month vs immediate preceding 3-month review (June 2020 vs March 2020)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2020	31 March 2020
	RM'000	RM'000
Revenue	15,747	44,323
Segment loss	1,461	813

Lower Construction revenue of RM15.7 million was reported in the current 3-month, against RM44.3 million reported in the immediate preceding 3-month (January to March 2020), mainly due to lower work progress achieved from the on-going project. As a result, the segment registered a loss of RM1.5 million (January to March 2020: a loss of RM0.8 million).

Prospects

As explained in Note 17.1(a) under Prospects of Property segment on the anticipated impact of COVID 19 to the Group's business activities, the Group has progressively resumed its construction activities since mid-May 2020. Tightened project planning, execution and monitoring are in place to catch up on the work progress that has been delayed particularly during the period of the MCO. This is to make sure the projects are completed within the targeted schedule and to achieve the expected margin.

To sustain the performance of this Segment, we will continuously build up and replenish our order book. Nonetheless, we are cautious and selective in project tendering and focus particularly on those projects where we have proven records and experiences, supported by current project management resources.

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

Current 6-month vs corresponding preceding 6-month review (June 2020 vs June 2019)

	Cumulative quarters 6 months ended 30 June	
	2020	**2019**
	RM'000	**RM'000**
Revenue	7,629	10,857
Segment loss	6,969	967

The drop in Other segment revenue was mainly due to lower trading and quarry sales. In addition, loss reported from the hotel operation resulted from the substantially low occupancy rates during the MCO periods also contributed to the overall segment loss during the period.

Current 3-month vs immediate preceding 3-month review (June 2020 vs March 2020)

	Current	**Immediate preceding**
	3 months ended	**3 months ended**
	30 June 2020	**31 March 2020**
	RM'000	**RM'000**
Revenue	3,355	4,274
Segment loss	3,360	3,609

When compared to the immediate preceding quarter, Other segment showed a decline in both of revenue and performance during the current 3 months, mainly attributable to lower trading and quarry sales as well as incurrence of fixed overheads.

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)

Prospects

The Group expects lower contributions from this segment in the near term. Various cost controls measures will be implemented to cut down overheads costs. We are also looking into possible options to sell off or divest some non-performing operations to minimise further loss and realise some cash.

Our first business hotel under the trade name of “Fairfield by Marriott Bintulu Paragon” had commenced its operation in December 2019. Despite facing huge challenges in the hospitality industry in view of COVID-19, we anticipate the hotel performance to be slowly built up and improve over time, depending on local market demand, competitive room rates and occupancy rates.

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 RM8.3 million, against a profit of RM51.0 million registered in June 2019. The decline in DEHB’s performance was mainly due to lower maintenance work orders performed and higher foreign exchange loss during the period under review.

18. Tax expense

Despite the group loss before tax being only RM12.7 million for the period under review (excluding other non-operating expense and the share of results from the associates and joint ventures), the Group incurred tax expense of RM1.7 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

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19. Additional disclosures on profit before tax

	6 months ended 30 June	
	2020 RM'000	2019 RM'000
Loss/Profit before tax is arrived at after (crediting)/charging:		
(Gain)/Loss on disposal of:		
- property, plant and equipment	(5,088)	(106)
- assets held for sale	-	(236)
- an associate	7,148	-
Interest income from fixed deposits and cash funds	(1,526)	(3,061)
Other interest income	(2,950)	(3,081)
Amortisation of:		
- intangible assets	340	340
- investment properties	1,063	1,056
Depreciation of property, plant and equipment	5,208	2,784
Foreign exchange (gain)/loss:		
- unrealised	(363)	142
- realised	2	1
Interest expense on loans and borrowings	11,414	13,387
Property, plant and equipment written off	31	3
Reversal of allowance of impairment loss on receivables	(567)	-

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.

20. Profit guarantee

The Group did not issue any profit guarantee.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 June 2020.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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22. 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.

In mid-July 2020, NLSB and the Plaintiffs respectively agreed to withdraw its appeal to the Court of Appeal and their claim in the High Court against each other. In pursuance thereof, at the High Court on 24 July 2020, the Plaintiffs' action against NLSB was discontinued and struck out with no liberty to file afresh and no order as to costs.

23. Status of corporate proposals

There are no corporate proposals announced and/or not completed at the date of this quarterly report.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2019 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 27 August 2020.