



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
For the third quarter and nine months ended 30 September 2015				
<i>(The figures have not been audited)</i>				
	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	132,168	157,702	397,417	469,861
Cost of sales	(118,224)	(122,747)	(351,801)	(354,723)
Gross profit	13,944	34,955	45,616	115,138
Other operating income	8,790	6,623	12,628	13,051
Selling and promotional expenses	(3,099)	(3,673)	(9,455)	(8,187)
Administration expenses	(8,892)	(11,294)	(26,083)	(40,908)
Other expenses	29	-	-	(7)
Results from operating activities	10,772	26,611	22,706	79,087
Other non-operating income	-	-	-	61,682
Finance income	2,424	2,042	6,003	4,959
Finance costs	(4,113)	(3,759)	(10,922)	(14,169)
Net finance costs	(1,689)	(1,717)	(4,919)	(9,210)
Share of results (net of tax) of equity-accounted:				
- associates	25,415	19,607	46,896	51,040
- joint ventures	(616)	3,772	302	4,751
Profit before tax	33,882	48,273	64,985	187,350
	Note 20			
Tax expense	(2,636)	(8,882)	(7,172)	(23,839)
	Note 19			
Profit for the period	31,246	39,391	57,813	163,511
Other comprehensive income/(loss), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(2,241)	660	(2,959)	517
Share of other comprehensive loss/(income) of an associate	-	774	4,409	(165)
Other comprehensive (loss)/income for the period	(2,241)	1,434	1,450	352
Total comprehensive income for the period	29,005	40,825	59,263	163,863
Profit/(Loss) attributable to:				
Owners of the Company	31,526	39,279	57,544	163,857
Non-controlling interests	(280)	112	269	(346)
Profit for the period	31,246	39,391	57,813	163,511
Total comprehensive income/(loss) attributable to:				
Owners of the Company	29,285	40,713	58,994	164,209
Non-controlling interests	(280)	112	269	(346)
Total comprehensive income for the period	29,005	40,825	59,263	163,863
Basic/Diluted earnings per ordinary share attributable to owners of the Company (sen)				
	Note 9			
	13.31	16.58	24.29	69.15

The notes set out on pages 5 to 23 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 2014.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
For the third quarter and nine months ended 30 September 2015		
<i>(The figures have not been audited)</i>		
	Unaudited	Audited
	30 September	31 December
	2015	2014
	RM'000	RM'000
ASSETS		
Property, plant and equipment	43,418	43,001
Prepaid lease payments	2,408	2,427
Interests in associates	365,193	329,176
Interests in joint ventures	1,566	17,085
Land held for property development	404,876	404,876
Investment properties	93,962	66,447
Intangible assets	6,407	6,917
Deferred tax assets	19,929	20,626
Other investments	2,974	2,974
Trade and other receivables	78,695	65,875
Total non-current assets	1,019,428	959,404
Inventories	30,502	24,172
Property development costs	447,320	367,922
Trade and other receivables	454,694	320,615
Deposits and prepayments	14,552	7,637
Current tax recoverable	10,901	11,304
Cash and cash equivalents	83,961	160,969
	1,041,930	892,619
Assets classified as held for sale	2,327	10,940
Total current assets	1,044,257	903,559
Total assets	2,063,685	1,862,963
EQUITY		
Share capital	250,000	250,000
Share premium	86,092	86,092
Treasury shares	(34,748)	(34,748)
Reserves	1,003,837	959,684
Total equity attributable to owners of the Company	1,305,181	1,261,028
Non-controlling interests	14,433	13,770
Total equity	1,319,614	1,274,798
LIABILITIES		
Loans and borrowings	112,818	121,982
Deferred tax liabilities	27,027	27,069
Total non-current liabilities	139,845	149,051
Loans and borrowings	272,283	136,263
Trade and other payables	331,943	290,815
Current tax payable	-	5,487
	604,226	432,565
Liabilities classified as held for sale	-	6,549
Total current liabilities	604,226	439,114
Total liabilities	744,071	588,165
Total equity and liabilities	2,063,685	1,862,963
Net assets per ordinary share attributable to owners of the Company (RM)	5.22	5.04

The notes set out on pages 5 to 23 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 2014.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY											
For the third quarter and nine months ended 30 September 2015											
<i>(The figures have not been audited)</i>											
	Note	Total equity attributable to owners of the Company									
		Non-Distributable					Distributable				
		Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Treasury shares RM'000	Other reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000
For the 9 months ended 30 September 2014 (Unaudited)											
At 1 January 2014											
<i>Foreign currency translation differences for foreign operations</i>											
<i>Share of other comprehensive income/(loss) of an associate</i>											
Total other comprehensive income for the period											
Profit for the period											
Total comprehensive income for the period											
Changes in ownership interests in a subsidiary											
Share of bonus issue expense by an associate											
Disposal of a subsidiary											
Transaction with non-controlling interests											
<i>- Issue of shares by a subsidiary</i>											
At 30 September 2014											
For the 9 months ended 30 September 2015 (Unaudited)											
At 1 January 2015											
<i>Foreign currency translation differences for foreign operations</i>											
<i>Share of other comprehensive (loss)/income of an associate</i>											
Total other comprehensive profit for the period											
Profit for the period											
Total comprehensive income for the period											
Changes in ownership interests in a subsidiary											
Reclassification of foreign currency translation reserve to profit or loss											
Transactions with owners of the Company											
<i>- Dividends</i>											
Transaction with non-controlling interests											
<i>- Issue of shares by a subsidiary</i>											
At 30 September 2015											

The notes set out on pages 5 to 23 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 2014.



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended 30 September 2015

(The figures have not been audited)

	Unaudited 30 September 2015 RM'000	Unaudited 30 September 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	64,985	187,350
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	510	510
- investment properties	946	1,286
- prepaid lease payments	19	21
Depreciation of property, plant and equipment	5,361	9,145
Finance income	(6,003)	(4,959)
Finance costs	10,922	14,169
Gain on disposal of:		
- property, plant and equipment	(116)	(2,685)
- associate	-	(61,682)
- subsidiary	-	672
Property, plant and equipment written off	22	68
Share of results of equity accounted:		
- associates	(46,896)	(51,040)
- joint ventures	(302)	(4,751)
Unrealised foreign exchange (gain)/loss	(11,149)	1,822
Operating profit before changes in working capital	18,299	89,926
Changes in working capital :		
Inventories	(10,385)	(2,466)
Property development costs	(75,303)	(107,526)
Trade and other receivables, deposits and prepayments	(141,182)	(43,733)
Trade and other payables	39,456	(1,466)
Cash used in operations	(169,115)	(65,265)
Net income taxes paid	(10,914)	(26,239)
Net cash used in operating activities	(180,029)	(91,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(6,178)	(7,033)
- investment property	(28,156)	(2,564)
Proceeds from disposal of :		
- property, plant and equipment	233	5,939
- an associate	-	82,072
- subsidiary	-	6,503
Decrease in deposits pledged to licensed banks	41	420
Distribution of profit received from joint ventures	15,300	31,199
Dividends received from an associate	8,922	17,845
Interest received	562	3,527
Net cash (used in)/from investing activities	(9,276)	137,908
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other loans and borrowings	126,803	196,803
Repayment of finance lease liabilities	(10)	(7)
Repayment of Islamic Bond	-	(300,000)
Proceeds from issuance of shares to non-controlling interest	400	100
Dividends paid to:		
- owners of the Company	(8,293)	(7,108)
Interest paid	(9,277)	(17,689)
Net cash from/(used in) financing activities	109,623	(127,901)
Net decrease in cash and cash equivalents	(79,682)	(81,497)
Effects of exchange rate changes on cash and cash equivalents	1,875	(31)
Cash and cash equivalents at beginning of period	161,378	258,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD	83,571	177,322
<i>Representing by:</i>		
Deposits with licensed banks with maturities less than 3 months, net of deposits pledged	28,912	97,722
Short term cash funds	-	10,000
Cash in hand and at banks	54,659	69,600
Total cash and cash equivalents as shown in statement of cash flows	83,571	177,322

The notes set out on pages 5 to 23 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 2014.



NAIM HOLDINGS BERHAD (585467-M)

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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 nine months ended 30 September 2015 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 2014. 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 2014.

The annual financial statements of the Group as at and for the year ended 31 December 2014 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 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* and 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 FRS as their financial reporting framework to prepare their financial statements for three consecutive annual periods ending 31 December 2015 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 2014.



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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 July 2014:

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 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 2016***

Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

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*

Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

Amendments to FRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

FRS 14, *Regulatory Deferral Accounts*



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Standards, amendments and interpretations yet to be effective (continued)

- **Effective for annual periods beginning on or after 1 January 2016** (continued)

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 2012-2014 Cycle)*

Amendments to FRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*

Amendment to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

2.2 Migration to new accounting framework

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

In the interim, two new MFRS standards namely MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments (2014)* will be effective for adoption for annual periods beginning 1 January 2018.

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

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 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. 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 2014.

There were no material changes in the estimates of amounts reported in the prior financial year that have a material effect in the current period.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 September 2015 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 RM6.2 million (30.09.2014: RM7.0 million), of which RM0.06 million (30.09.2014: Nil) was in the form of finance lease assets.

Property, plant and equipment with a carrying amount of about RM0.1 million (30.09.2014: RM3.3 million) were disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

i) Additional investments arising from new shares issued by an existing subsidiaries

In January 2015, Bina Hartamas Sdn. Bhd. ("BHSB") which was previously a 100% owned subsidiary, issued 999,998 new ordinary shares of RM1.00 each, out of which 599,998 shares were issued to Naim Land Sdn. Bhd. ("NLSB") and 400,000 shares to third parties. The resultant equity interest held by NLSB in BHSB decreased from 100% to 60%.

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.

In June 2015, Naim Assets Sdn. Bhd. subscribed for additional 99,998 ordinary shares of RM1.00 each in Naim Hotel Sdn. Bhd. ("NHSB") (formerly known as Bright Sungreen Sdn. Bhd.), settled in cash.

The new subscription does not have any impact to the Group as there is no change in the Group's equity interest in NHSB.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Changes in the composition of the Group (continued)

ii) Deregistration of foreign subsidiaries

In January and March 2015 respectively, two foreign subsidiaries, namely Naimcendera Engineering & Construction Sendirian Berhad and Naim Vanua Levu (Fiji) Limited, had been struck off from the respective Registrar of Companies. The strike off of these subsidiaries (deemed as disposal to the Group) has no material impact to the Group due to their dormancy.

iii) Acquisition of new subsidiary

On 13 July 2015, a direct subsidiary, Naim Engineering Sdn. Bhd. subscribed for the entire equity interest of Equaflo Sdn. Bhd. (a newly incorporated company), comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2. The effect of the acquisition on the Group's assets and liabilities has no material impact due to dormancy.

8. Loans and borrowings

		30 September 2015 RM'000	31 December 2014 RM'000
Non-current			
Secured	- Term loans	112,785	121,982
	- Finance lease	33	-
		112,818	121,982
Current			
Unsecured	- Revolving credit	260,000	130,000
Secured	- Term loans	12,262	6,263
	- Finance lease	21	-
		272,283	136,263
Total		385,101	258,245
		=====	=====



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Earnings per ordinary share (“EPS”)

Basic/Diluted EPS

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

	9 months ended 30 September	
	2015	2014
Profit attributable to owners of the Company (RM'000)	57,544	163,857
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic/Diluted EPS (sen)	24.29	69.15

10. Dividend

The following dividend was paid by the Company during the current period under review:

Type of dividend	Sen per share	For the year end	Payment date	RM'000
First interim single-tier tax exempt	3.50	31 December 2014	24 April 2015	8,293 =====



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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 unit, the Group Managing Director (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. 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 Group Managing Director reviews the statements of financial position of subsidiaries for resources 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.



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
For the 9 months ended 30 September										
Revenue from external customers	118,390	178,558	249,368	257,966	29,659	33,337	-	-	397,417	469,861
Inter segment revenue	-	-	-	-	10,019	47,588	(10,019)	(47,588)	-	-
Total segment revenue	118,390	178,558	249,368	257,966	39,678	80,925	(10,019)	(47,588)	397,417	469,861
Segment profit/(loss)	13,862	55,256	8,555	12,312	(66)	(1,404)	(461)	725	21,890	66,889
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	-	-	1,187	5,359	-	35	-	-	1,187	5,394
- joint ventures	-	-	302	4,751	-	-	-	-	302	4,751
	13,862	55,256	10,044	22,422	(66)	(1,369)	(461)	725	23,379	77,034
Unallocated (expense)/income									(4,103)	2,988
Gain on disposal of interests in an associate									-	61,682
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									45,709	45,646
Tax expense									(7,172)	(23,839)
Profit for the period									57,813	163,511
Other comprehensive profit, net of tax									1,450	352
Total comprehensive income for the period									59,263	163,863
Non-controlling interests									(269)	346
Total comprehensive income attributable to the owners of the Company									58,994	164,209



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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 2014 till the date of this quarterly report.

14. Capital expenditure commitments

	30 September 2015 RM'000	31 December 2014 RM'000
<i>Authorised but not contracted for</i>		
Property, plant and equipment	4,312 =====	18,136 =====
<i>Joint venture</i>		
Share of capital commitment of the joint venture	19,000 =====	- =====

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 2014.



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QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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:

	9 months ended 30 September	
	2015 RM'000	2014 RM'000
Directors of the Company	6,311	6,766
Other key management personnel	4,847	4,522
	11,158	11,288
	=====	=====

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Transaction with associates</u>				
Construction contract cost	18,032	11,829	(4,209)	(6,087)
Dividend income receivable	(8,922)	(17,845)	-	-
Purchase of construction raw materials	-	5,742	-	-
Rental expense on machinery	4,581	6,611	(1,268)	(261)
Sale of construction materials	(915)	-	581	-
	=====	=====	=====	=====



NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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

The Group recorded lower revenue of RM397.42 million for the nine-month period under review, as compared to RM469.86 million reported in the corresponding period of 2014, due to lower contributions from the property and construction divisions.

At the same time, the Group profit before tax for the period was RM65.0 million against RM187.4 million achieved in the corresponding period in 2014. The fluctuation was mainly due to the following:

- Slower progress of works from certain property and construction projects that had substantially been completed during 2014, leading to lower contributions in the year 2015.
- Lower units of properties sold.
- Downwards adjustments in the contract sums of certain construction projects due to negative variation orders
- Higher selling and promotional expense incurred to improve sales activities.
- Higher unrealised foreign exchange gain due to depreciation in Ringgit Malaysia against other foreign currencies.
- Share of extraordinary gain of about RM23.9 million (included as part of the share of profit from associates) arising from remeasurement of the investment in Perdana Petroleum Berhad (PPB) by Dayang Enterprise Holdings Bhd. upon the acquisition of a controlling stake in PPB.

A substantial gain of RM61.7 million arising from the disposal of a partial equity interest in an associate during 2014 had led to higher profit before tax of RM187.4 million reported in corresponding the period of 2014.

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

17.1 Review of performance of operating segments and current year prospects

a) *Property*

Current 9-month vs corresponding preceding 9-month review (September 2015 vs September 2014)

For the current nine-month period under review, Property segment achieved revenue of RM118.4 million, being 34% lower than the RM178.6 million achieved in the same period of 2014. At the same time, Property profit also declined from RM55.3 million in September 2014 to RM13.9 million in September 2015. The decrease was partly due to lower contributions from substantially completed projects. The Group also reported lower level of new sales of about RM77 million, compared to that achieved in 2014 of about RM135 million, leading to the drop in the segment revenue and profit.



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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 immediate preceding 3-month review (September 2015 vs June 2015) vs Compared to the immediate preceding quarter (April to June 2015), Property revenue decreased from RM38.6 million to RM28.5 million. The segment profit also declined from RM2.0 million to a loss of RM19,000 during the current three-month period. The decrease was mainly due to lower units of property sold and lower progress of works achieved during the period.

Prospects



Bandar Baru Permyjaya – Steady contributor to Naim



Proposed Bintulu Paragon – future contributor to Naim



Proposed Kuching Paragon – future contributor to Naim

Property market continues to experience some slowdown, exacerbated by weaker buyers' sentiment and the effect of the various property cooling measures initiated by the government since 2013.

We have adopted a cautious attitude/approach especially on product launches and product types, to be more selective depending much on the buyers' demand and market conditions. Product planning and pricing as well as tightening of costs control are amongst the key measures being implemented in order to sustain the performance in our Property segment in near term.



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17. Review of Group performance (continued)

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

b) Construction

Current 9-month vs corresponding preceding 9-month review (September 2015 vs September 2014)

Construction segment recorded lower revenue of RM249.0 million for the current nine-month period, against RM258.0 million achieved in the corresponding period of 2014. The Segment profit for the nine-month period also declined from RM12.3 million in September 2014 to RM8.6 million in September 2015. The drop was mainly due to lower contributions from certain projects that had been substantially completed during 2014.

Current 3-month vs immediate preceding 3-month review (September 2015 vs June 2015)

Compared to the immediate preceding quarter, the Construction revenue remained at around RM92 million. On the other hand, the Segment reported a profit of RM9.3 million, against a loss of RM0.2 million reported in April to June 2015, mainly due to recovery of costs from a construction client as well as unrealised foreign exchange gain.



LNG Train 9 with JGC



MRT projects



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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 and improve construction margin. At the same time, strict monitoring of the progress of projects is implemented to ensure they are on schedule. We are also in the process of improving risk management and tightening internal controls for the construction segment.

A number of sizeable construction tenders has been submitted and we are cautiously optimistic to secure some contracts to replenish our order book which currently stands above RM1 billion.

c) Other segment

Current 9-month vs corresponding preceding 9-month review (September 2015 vs September 2014)

During the current nine-month period, Other segment reported a revenue of RM29.7 million (January to September 2014: RM33.3 million). At the same time, the Segment registered a modest loss of RM0.07 million in the current period, against a loss of RM1.4 million in corresponding period in 2014. The improvement was mainly due to higher trading and premix sales achieved with improved margin.

Current 3-month vs immediate preceding 3-month review (September 2015 vs June 2015)

Other segment recorded an increase in revenue from RM8.0 million in the immediate preceding quarter to RM11.3 million in the current period under review. The Segment also reported a profit of RM1.5 million (April to June 2015: a loss of RM 0.7 million), mainly contributed by the trading and premix sales as explained above.



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17. Review of Group performance (continued)

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

c) *Other segment* (continued)

Prospects



*Permy Mall, Miri –
recurring income*

In the near term, we expect the property investment and trading operations to continue to contribute positively to the income of the Group.

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.

17.2 Review of performance of major associate



*DEHB – major contributor
to group profit*

Our associate, Dayang Enterprise Holdings Bhd. (“DEHB”), registered a profit after tax attributable to owner of about RM155.7 million for the nine months ended 30 September 2015, an increase of 6% over the RM147.4 million achieved in the corresponding period in 2014.

Based on the share price of DEHB of RM1.47 as at 27 November 2015 (closing price), the estimated market value of the Group’s investment in DEHB, based on current shareholding of 29.06%, is approximately RM375 million.



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18. Profit guarantee

The Group did not issue any profit guarantee.

19. Tax expense

	9 months ended 30 September	
	2015 RM'000	2014 RM'000
Current tax expense		
- current period	7,668	30,881
- prior periods	(1,245)	898
	6,423	31,779
Deferred tax expense		
- current period	1,072	(6,300)
- prior periods	(323)	(1,640)
	749	(7,940)
Total tax expense	7,172	23,839
Share of tax of associates and joint ventures	9,411	12,007
	16,583	35,846
Profit excluding tax	64,985	187,350
Add: Share of tax of associates and joint ventures	9,411	12,007
	74,396	199,357
Effective tax rate (%)	22.3	18.0

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

The Group's effective tax rate for the corresponding period of 2014 was similarly lower than the prima facie tax rate, mainly due to substantial capital gain (non-taxable) arising from the disposal of a partial interest in an associate.



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20. Profit before tax

	9 months ended 30 September	
	2015 RM'000	2014 RM'000
Profit before tax is arrived at after (crediting)/charging:		
Gain on disposal of:		
- property, plant and equipment	(116)	(2,685)
- associate	-	(61,682)
- subsidiary	-	672
Interest income from fixed deposits and cash funds	(470)	(4,477)
Other interest income	(4,105)	-
Allowance for impairment loss on receivables	1,001	-
Amortisation of:		
- intangible assets	510	510
- investment property	946	1,286
- prepaid lease payments	19	21
Depreciation of property, plant and equipment	5,361	9,145
Unrealised foreign exchange (gain)/loss	(11,149)	1,822
Interest expense on loans and borrowings	9,277	13,044
Property, plant and equipment written off	22	68

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 September 2015.

22. Status of corporate proposals

On 14 April 2015, the Company announced its proposal to establish and implement a Long Term Incentive Plan ("LTIP") of up to 10% of its issued and paid-up capital (excluding treasury shares) for eligible employees and directors of the Group who fulfill the eligibility criteria. The proposed LTIP comprises restricted share plan and performance share plan and shall be in force for a period of 10 years commencing from the effective date of implementation, which is yet to be determined.

As at to-date, the Company has obtained all necessary approvals from Bursa Securities and the shareholders for the LTIP.

Saved as disclosed above, there are no other corporate proposals announced at the date of this quarterly report.



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23. Material litigation

On 10 January 2012, Naim Land Sdn. Bhd. (“NLSB”) received a Writ of Summons and Statement of Claim from a contractor seeking for, inter alia, a refund of liquidated and ascertained damages of RM55,849 and additional cost allegedly incurred by the contractor for additional work in the sum of RM963,411 arising from the execution and completion of the site clearance and earthworks for a housing project in Kuching. Full trial was completed on 26 July 2013. On 21 January 2014, the High Court decided in favour of the contractor. NLSB appealed against the High Court’s decision. On 19 August 2015, the Court of Appeal dismissed NLSB’s appeal with cost of RM10,000.

24. Breakdown of realised and unrealised profits or losses

	30 September 2015	31 December 2014
	RM’000	RM’000
Total retained earnings of the Company and its subsidiaries		
- realised	868,770	876,272
- unrealised	29,843	20,744
	898,613	897,016
Share of retained earnings from:		
- associates	201,065	130,443
- joint ventures	1,566	15,285
	1,101,244	1,042,744
Less: Consolidation adjustments	(94,048)	(84,805)
	1,007,196	957,939
	=====	=====

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.



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25. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2014 was not qualified.

26. 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 30 November 2015.