



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

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
For the third quarter and nine months ended 30 September 2020					
<i>(The figures have not been audited)</i>					
	CURRENT QUARTER		CUMULATIVE QUARTER		
	<i>3 months ended</i>		<i>9 months ended</i>		
	<i>30 September</i>		<i>30 September</i>		
	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	
Revenue	87,943	30,188	186,395	331,004	
Cost of sales	(82,213)	(13,726)	(176,375)	(282,723)	
Gross profit	5,730	16,462	10,020	48,281	
Other operating income	10,639	1,592	19,288	3,554	
Selling and promotional expenses	(1,040)	(2,006)	(3,547)	(6,232)	
Administrative expenses	(8,329)	(5,791)	(20,850)	(17,284)	
Other operating expenses	(1,625)	(727)	(5,340)	(3,555)	
Results from operating activities	5,375	9,530	(429)	24,764	
Finance income	1,956	3,457	6,432	9,599	
Finance costs	(5,180)	(6,144)	(16,594)	(19,531)	
Net finance costs	(3,224)	(2,687)	(10,162)	(9,932)	
Other non-operating expense	(452)	-	(7,600)	-	
Share of results (net of tax) of equity-accounted:					
- associates	5,990	30,316	5,104	39,227	
- joint ventures	262	5	567	(206)	
Profit/(Loss) before tax	7,951	37,164	(12,520)	53,853	
	Note 19				
Tax expense	(2,578)	(798)	(4,235)	(4,415)	
	Note 18				
Profit/(Loss) for the period	5,373	36,366	(16,755)	49,438	
Other comprehensive (loss)/income, net of tax					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	8	24	(22)	47	
Share of other comprehensive (loss)/income of associates	(6,500)	2,909	3,746	2,882	
Other comprehensive (loss)/income for the period	(6,492)	2,933	3,724	2,929	
Total comprehensive (loss)/income for the period	(1,119)	39,299	(13,031)	52,367	
Profit/(Loss) attributable to:					
Owners of the Company	5,356	36,285	(16,566)	48,160	
Non-controlling interests	17	81	(189)	1,278	
Profit/(Loss) for the period	5,373	36,366	(16,755)	49,438	
Total comprehensive (loss)/income attributable to:					
Owners of the Company	(1,136)	39,218	(12,842)	51,089	
Non-controlling interests	17	81	(189)	1,278	
Total comprehensive (loss)/income for the period	(1,119)	39,299	(13,031)	52,367	
Basic earnings/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)					
	Note 9	1.07	7.25	(3.31)	9.62

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 2019.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
As at 30 September 2020 <i>(The figures have not been audited)</i>			
		Unaudited	Audited
		30 September 2020	31 December 2019
		RM'000	RM'000
ASSETS			
Property, plant and equipment		138,379	152,050
Interests in associates		484,596	483,346
Interests in joint ventures		2,009	2,283
Inventory - Land held for property development		172,242	367,833
Investment properties		78,750	80,343
Intangible assets		3,006	3,516
Deferred tax assets		9,563	12,148
Other investments		3,079	3,079
Trade and other receivables		65,588	56,835
Total non-current assets		957,212	1,161,433
Inventories		812,188	621,548
Contract costs		5,194	4,514
Contract assets		96,436	111,687
Trade and other receivables		103,658	108,158
Deposits and prepayments		12,668	6,065
Current tax recoverable		2,357	999
Cash and cash equivalents		190,583	226,583
		1,223,084	1,079,554
Assets classified as held for sale		81	2,823
Total current assets		1,223,165	1,082,377
Total assets		2,180,377	2,243,810
EQUITY			
Share capital		454,802	454,802
Treasury shares		(34,748)	(34,748)
Reserves		915,647	928,489
Total equity attributable to owners of the Company		1,335,701	1,348,543
Non-controlling interests		19,633	19,822
Total equity		1,355,334	1,368,365
LIABILITIES			
Loans and borrowings	Note 8	108,546	139,954
Deferred tax liabilities		23,479	23,977
Total non-current liabilities		132,025	163,931
Loans and borrowings	Note 8	333,084	343,555
Trade and other payables		340,615	342,307
Contract liabilities		15,138	21,772
Provisions		3,601	3,614
Current tax payable		580	266
Total current liabilities		693,018	711,514
Total liabilities		825,043	875,445
Total equity and liabilities		2,180,377	2,243,810
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital		2.60	2.62

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 2019.

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY								
For the third quarter and nine months ended 30 September 2020								
<i>(The figures have not been audited)</i>								
	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
<u>For the 9 months ended 30 September 2019 (Unaudited)</u>								
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>	-	47	-	-	-	47	-	47
<i>Share of other comprehensive income/(loss) of associates</i>	-	2,902	-	(20)	-	2,882	-	2,882
Total other comprehensive income/(loss) for the period	-	2,949	-	(20)	-	2,929	-	2,929
Profit for the period	-	-	-	-	48,160	48,160	1,278	49,438
Total comprehensive income/(loss) for the period	-	2,949	-	(20)	48,160	51,089	1,278	52,367
Contribution by owners of the Company								
- <i>Issue of ordinary shares via Rights Issue</i>	118,710	-	-	-	-	118,710	-	118,710
Transaction with non-controlling interests								
- <i>Dividends paid by a subsidiary</i>	-	-	-	-	-	-	(1,200)	(1,200)
At 30 September 2019	454,802	16,107	(34,748)	195	908,549	1,344,905	18,071	1,362,976
<u>For the 9 months ended 30 September 2020 (Unaudited)</u>								
At 1 January 2020	454,802	9,936	(34,748)	174	918,379	1,348,543	19,822	1,368,365
<i>Foreign currency translation differences for foreign operations</i>	-	(22)	-	-	-	(22)	-	(22)
<i>Share of other comprehensive income of associates</i>	-	3,746	-	-	-	3,746	-	3,746
Total other comprehensive income for the period	-	3,724	-	-	-	3,724	-	3,724
Loss for the period	-	-	-	-	(16,566)	(16,566)	(189)	(16,755)
Total comprehensive income/(loss) for the period	-	3,724	-	-	(16,566)	(12,842)	(189)	(13,031)
At 30 September 2020	454,802	13,660	(34,748)	174	901,813	1,335,701	19,633	1,355,334

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 2019.



QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the third quarter and nine months ended 30 September 2020		
<i>(The figures have not been audited)</i>		
	Unaudited	Unaudited
	30 September	30 September
	2020	2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(12,520)	53,853
<i>Adjustments for:</i>		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,593	1,565
Depreciation of property, plant and equipment	6,815	4,246
Dividend income from unquoted shares	(84)	(4)
Finance income	(6,432)	(9,599)
Finance costs	16,594	19,531
(Gain)/Loss on disposal of:		
- property, plant and equipment	(4,098)	(105)
- assets held for sale	(10,623)	(236)
- an associate	7,600	-
Property, plant and equipment written off	32	5
Net change in impairment loss on financial assets and contract assets	(567)	-
Share of results of equity-accounted:		
- associates	(5,104)	(39,227)
- joint ventures	(567)	206
Unrealised foreign exchange (gain)/loss	(187)	85
Operating (loss)/profit before changes in working capital	(7,038)	30,830
Changes in working capital:		
Inventories	(4,551)	37,061
Contract assets/liabilities	8,616	107,342
Contract cost	(618)	(372)
Trade and other receivables, deposits and prepayments	18,529	39,707
Trade and other payables	4,091	(99,441)
Cash generated from operations	19,029	115,127
Net income taxes paid	(3,370)	(9,756)
Net cash from operating activities	15,659	105,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,812)	(27,603)
Proceeds from disposal of:		
- property, plant and equipment	1,014	169
- assets held for sale	401	750
Changes in pledged deposits	(143)	(490)
Distribution of profit received from a joint venture	1,020	-
Dividends received	84	4
Interest received	7,055	9,621
Net cash from/(used in) investing activities	7,619	(17,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	-	118,710
Net repayments of loans and borrowings	(41,869)	(47,898)
Repayment of finance lease liabilities	(10)	(16)
Interest paid	(17,607)	(20,372)
Net cash (used in)/from financing activities	(59,486)	50,424
Net (decrease)/increase in cash and cash equivalents	(36,208)	138,246
Effects of exchange rate changes on cash and cash equivalents	65	58
Cash and cash equivalents at beginning of year	211,396	133,453
CASH AND CASH EQUIVALENTS AT END OF PERIOD	175,253	271,757
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	137,683	189,349
Cash in hand and at banks	37,570	82,408
Total cash and cash equivalents as shown in statement of cash flows	175,253	271,757

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 2019.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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 September 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*.

The 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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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 June 2020**
 - Amendments to MFRS 16, *Leases - Covid-19-Related Rent Concessions*
- **MFRSs effective for annual periods beginning on or after 1 January 2021**
 - Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform - Phase 2*
- **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 Illustrative Examples accompanying MFRS 16, *Leases (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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Seasonality or cyclicity of operations

The business operations of the Group are not materially affected by any seasonal or cyclical fluctuations during the period 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 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 September 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 RM1.8 million (30.9.2019: RM27.6 million), of which RM0.1 million (30.9.2019: Nil) was in the form of finance lease assets.

Property, plant and equipment with a carrying amount of about RM3.6 million (30.9.2019: RM69,000) were either disposed of and/or written off during the period under review.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 1.44 billion redeemable convertible preference shares ("RCPS") into ordinary shares in PPB by the RCPS holders during the period under review, 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 about RM7.6 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 September 2020 RM'000	31 December 2019 RM'000
Non-current			
Secured	- Term loans	108,494	139,949
	- Finance lease	52	5
		108,546	139,954
Current			
Unsecured	- Revolving credits	282,000	294,000
Secured	- Term loans	51,048	49,533
	- Finance lease	36	22
		333,084	343,555
Total		441,630	483,509
		=====	=====



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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 (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	9 months ended 30 September	
	2020	2019
(Loss)/Profit attributable to owners of the Company (RM'000)	(16,566)	48,160
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic EPS (sen)	(3.31)	9.62

Diluted EPS

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

10. Dividend

No dividend was declared/paid during the nine months ended 30 September 2020.

On 23 October 2020, the Board declared an interim single-tier tax exempt dividend in the aggregate amount of RM50 million, being an interim dividend of RM0.099 per ordinary share, in respect of the financial year ending 31 December 2020. The dividend was subsequently paid to the shareholders on 20 November 2020. The said dividend payment was made using the proceeds from the proposed land disposal as mentioned in Note 12(a) which was completed on 21 October 2020.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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 - 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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 9 months ended 30 September										
Revenue from external customers	62,749	119,956	111,557	194,526	12,089	16,522	-	-	186,395	331,004
Inter segment revenue	-	-	-	-	5,999	3,553	(5,999)	(3,553)	-	-
Total segment revenue	<u>62,749</u>	<u>119,956</u>	<u>111,557</u>	<u>194,526</u>	<u>18,088</u>	<u>20,075</u>	<u>(5,999)</u>	<u>(3,553)</u>	<u>186,395</u>	<u>331,004</u>
Segment profit/(loss)	9,355	4,256	(4,384)	16,894	(9,107)	(1,801)	(1,350)	(1,080)	(5,486)	18,269
Share of results (net of tax) of:										
- associates, other than										
Dayang Enterprise										
Holdings Bhd. ("DEHB group") (486)	(1,231)	(1,503)	1,933	(1,585)	-	-	-	(3,574)	702
- joint ventures	-	-	567	(206)	-	-	-	-	567	(206)
	<u>8,869</u>	<u>3,025</u>	<u>(5,320)</u>	<u>18,621</u>	<u>(10,692)</u>	<u>(1,801)</u>	<u>(1,350)</u>	<u>(1,080)</u>	<u>(8,493)</u>	<u>18,765</u>
Unallocated expense									(5,105)	(3,437)
Loss on deemed disposal of interests in an associate, PPB									(7,600)	-
Share of results (net of tax) of associates, DEHB group ¹ (in oil and gas segment)									8,678	38,525
Tax expense									(4,235)	(4,415)
(Loss)/Profit for the period									(16,755)	49,438
Other comprehensive income, net of tax									3,724	2,929
Total comprehensive (loss)/income for the period									(13,031)	52,367
Non-controlling interests									189	(1,278)
Total comprehensive (loss)/income attributable to the owners of the Company									<u>(12,842)</u>	<u>51,089</u>

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



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Subsequent events

(a) Proposed land disposal

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 shareholders had subsequently approved the Proposed Disposal at the Extraordinary General Meeting convened on 6 October 2020.

On 21 October 2020, the Proposed Disposal was completed upon the receipt of the balance of the disposal consideration amounting to RM306.00 million. The proceeds arising from the Proposed Disposal will be utilised for paring down bank borrowings, dividend payments as well as for working capital purpose.

(b) Contract litigation suit against one of the subsidiaries, Naim Engineering Sdn. Bhd. amounting to about RM32.93 million, as disclosed in Note 22(a).

(c) Proposed single-tier interim dividend amounting to RM50.00 million as disclosed in Note 10.

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 September 2020 RM'000	31 December 2019 RM'000
<i>Property, plant and equipment</i>		
- Authorised but not contracted for	800 =====	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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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	
	2020 RM'000	2019 RM'000
Directors of the Company	3,395	3,846
Other key management personnel	3,497	4,346
	6,892	8,192
	6,892	8,192

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Transactions with associates</u>				
Construction contract cost	84,971	115,058	(7,333)	(18,260)
Construction contract sum billed	(260)	(8,198)	2,612	3,878
Sale of construction raw materials	-	-	223	223
	-	-	223	223
	-	-	223	223

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

Consultant fee paid	5	45	-	-
	5	45	-	-
	5	45	-	-

Transaction with key management personnel

Consultant fee paid	75	135	-	-
	75	135	-	-
	75	135	-	-



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 9-month vs corresponding preceding 9-month review (September 2020 vs September 2019)

	Cumulative quarters	
	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
Revenue	186,395	331,004
(Loss)/Profit before tax	(12,520)	53,853

The Group recorded a lower revenue of RM186.4 million for the period under review, against RM331.0 million in the corresponding quarter of 2019. The decrease was mainly attributable to the Property and Construction divisions, which recorded a 45% 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 RM12.5 million, compared to a profit before tax of RM53.9 million reported in September 2019. The fluctuation in net results is explained as follows:

- loss reported from its core business segments of RM5.5 million, against a segment profit achieved in September 2019 of RM18.3 million (see Note 11).
- an accounting loss of RM7.6 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 RM39.2 million in September 2019 to RM5.1 million in the current period.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2020	30 June 2020
	RM'000	RM'000
Revenue	87,943	30,033
Profit/(Loss) before tax	7,951	(6,228)

When compared to the immediate preceding quarter (April to June 2020), group revenue had increased, mainly attributable to higher work progress achieved at site and higher new property sales secured during this 3-month period. Lower revenue was reported in the immediate preceding quarter as site works were affected as a result of the Movement Control Order (MCO) imposed by the Government from mid March 2020 to about mid May 2020 as a result of the COVID-19 pandemic.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (continued)

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

At the same time, the net share of results from the associate, DEHB, had also improved from a loss of RM0.4 million in the immediate preceding 3-month period to a profit of RM8.5 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 9-month vs corresponding preceding 9-month review (September 2020 vs September 2019)

	Cumulative quarters	
	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
Revenue	62,749	119,956
Segment profit	9,355	4,256

Property Segment recorded a drop in revenue for the current period, mainly due to lower new property sales achieved of RM61.2 million (30.9.2019: RM134.9 million). Sales activities were substantially lower during the 2nd quarter of 2020, resulted from the closure of operations following the implementation of MCO. The improvement in the performance was mainly due to the gain arising from disposal of some assets amounting to about RM18.7 million but moderated by the incurrence of fixed overhead costs and interest costs.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2020	30 June 2020
	RM'000	RM'000
Revenue	31,996	10,931
Segment profit	8,595	1,750

**NAIM HOLDINGS BERHAD**

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (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 (September 2020 vs June 2020) (continued)***

The increase in Property revenue in the current 3-month period was mainly due to higher work progress achieved and higher property sales transacted during the period. The Group managed to secure new property sales of about RM29.9 million during the current 3-month period, against that achieved in the immediate preceding quarter of RM16.0 million.

During the current 3-month period, the Group also recognised a land disposal of about RM23.2 million following the fulfilment of condition precedent as stated in the sale and purchase agreement. The land disposal had recorded a profit of about RM13.7 million.

This had led to the increase in the segment profit by RM6.8 million, from RM1.8 million in the immediate preceding 3-month to RM8.6 million in the current 3-month period.

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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (continued)

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

a) *Property (continued)*

Prospects (continued)

Some work progress at site may be lower than expected due to shortage of workers as well as short term disruptions to the materials supply resulted from the delay in shipments. 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.

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 the 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 9-month vs corresponding preceding 9-month review (September 2020 vs September 2019)

	Cumulative quarters	
	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
Revenue	111,557	194,526
Segment (loss)/profit	(4,384)	16,894

Despite the increased work progress from the existing on-going projects, both Construction revenue and performance had declined by more than 40%, mainly due to a diminishing number of projects on hand. The performance for this segment is expected to be low compared to last financial year resulted from the contribution from the low-margin projects as well as the incurrence of fixed overheads costs and interest expense.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (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 2020 vs September 2019)

Higher segment profit of RM16.9 million reported in the period ended September 2019 was mainly due to recovery of some cost savings from certain substantially completed projects.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2020	30 June 2020
	RM'000	RM'000
Revenue	51,487	15,747
Segment loss	2,110	1,461

Higher Construction revenue of RM51.5 million was reported in the current 3-month, against RM15.7 million reported in the immediate preceding 3-month (April to June 2020), mainly due to higher work progress achieved from the on-going projects.

Despite the increased work progress, the segment incurred a loss of RM2.1 million, mainly due to the incurrence of fixed overheads and interest expense.

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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (continued)

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

c) Other Segment

Current 9-month vs corresponding preceding 9-month review (September 2020 vs September 2019)

	Cumulative quarters	
	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
Revenue	12,089	16,522
Segment loss	9,107	1,801

The drop in Other segment revenue and performance was partly due to lower trading and quarry sales. Loss reported from the hotel operation of about RM9.6 million resulted from the substantially low than expected occupancy rates since the MCO periods also contributed to the overall segment loss during the period under review.

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

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2020	30 June 2020
	RM'000	RM'000
Revenue	4,460	3,355
Segment loss	2,138	3,360

When compared to the immediate preceding quarter, Other segment showed a slight improvement in revenue during the current 3 months, mainly attributable to higher trading and quarry sales. However, this segment continued to register a loss due to the loss reported from hotel operation as well as the incurrence of fixed overheads and interest expense.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 (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 bring 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 RM44.4 million, against a profit of RM158.1 million registered in the nine months ended September 2019. The decline in DEHB’s performance was mainly due to lower vessel utilisation resulted from delayed work orders and increased operational costs during the period under review.

18. Tax expense

Despite the group loss before tax being RM10.6 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 RM4.2 million, mainly due to higher non-deductible expenses, realisation of deferred tax arising from assets disposal as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

19. Additional disclosures on profit before tax

	9 months ended 30 September	
	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	(4,098)	(105)
- assets held for sale	(10,623)	(236)
- an associate	7,600	-
Interest income from fixed deposits and cash funds	(2,262)	(5,097)
Other interest income	(4,170)	(4,502)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,593	1,565
Depreciation of property, plant and equipment	6,815	4,246
Foreign exchange (gain)/loss:		
- unrealised	(187)	85
- realised	2	79
Interest expense on loans and borrowings	16,594	19,531
Property, plant and equipment written off	32	5
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 September 2020.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Update of material litigations status

(a) *Contract litigation*

On 12 November 2020, Naim Engineering Sdn. Bhd. (“NESB”) received a Writ of Summons together with a Statement of Claim from a subcontractor in respect of two completed works package projects. The claims against NESB is for damages and/or compensation in the sum of about RM32.93 million, or alternatively a sum of about RM29.60 million, costs of engaging an expert and/or the continuous costs until the completion of the suit, judgement interest and costs.

Based on our records, the Group is of the view that the claim by the subcontractor is frivolous. As such, the Group does not expect the claim to succeed and is of the view that the claim does not have material financial and/or operational impact on the Group’s results for the financial year ending 31 December 2020. Notwithstanding, in the event that the claim is allowed by the Court, the financial impact is limited to what is claimed by the subcontractor in the Statement of Claim. The Group has instructed our solicitors to vigorously contest the claim.

The Group noted that the subcontractor had on 25 April 2017 issued three (3) separate Payment Claims, totalling some RM29.60 million, under the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”) against NESB; the subject matter of which is similar to that as contained in the Statement of Claim. The subcontractor however failed to and/or did not pursue the matter then after NESB responded with its Payment Response dated 11 May 2017.

(b) *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.



NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Update of material litigations status (continued)

b) Land issue

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 26 November 2020.