NAIM HOLDINGS BERHAD *(585467-M)*

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the quarter and six months ended 30 June 2013
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 June		*6 months ended 30 June*	
		2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Revenue		184,861	120,592	313,765	214,747
Cost of sales		(176,531)	(90,966)	(268,452)	(162,678)
Gross profit		8,330	29,626	45,313	52,069
Other income		1,888	5,859	7,464	6,602
Selling and distribution expenses		(2,683)	(1,249)	(4,102)	(2,212)
Administration expenses		(14,796)	(9,922)	(27,900)	(20,201)
Other expenses		(162)	(980)	(162)	(1,037)
Results from operating activities		(7,423)	23,334	20,613	35,221
Finance income		1,431	1,558	2,963	3,413
Finance costs		(4,632)	(4,789)	(9,048)	(9,001)
Net finance costs		(3,201)	(3,231)	(6,085)	(5,588)
Share of results of associates *		15,752	13,292	38,467	21,411
Share of results of joint ventures		6,409	3,360	9,937	8,694
Profit before tax	Note 20	11,537	36,755	62,932	59,738
Income tax expense	Note 19	(2,283)	(3,910)	(11,777)	(10,035)
Profit for the period		9,254	32,845	51,155	49,703
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		449	144	289	100
Share of fair value changes of available-for-sale financial assets of an associate		-	81	622	(2,943)
Other comprehensive income for the period		449	225	911	(2,843)
Total comprehensive income for the period		9,703	33,070	52,066	46,860
Profit attributable to:					
Owners of the Company		9,084	31,242	50,244	47,320
Non-controlling interests		170	1,603	911	2,383
Profit for the period		9,254	32,845	51,155	49,703
Total comprehensive income attributable to:					
Owners of the Company		9,533	31,467	51,155	44,477
Non-controlling interests		170	1,603	911	2,383
Total comprehensive income for the period		9,703	33,070	52,066	46,860
Basic/Diluted earnings per ordinary share attributable to owners of the Company (sen)	Note 9	3.83	13.19	21.21	19.97

** This includes RM10,995,000 being share of the reclassification of available-for-sale revaluation reserve of RM32,799,000 to profit or loss on remeasurement of an available-for-sale investment as an equity accounted investment by an associate.*

The notes set out on pages 5 to 25 form an integral part of, and should be read in conjunction with, these condensed 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 2012.

NAIM HOLDINGS BERHAD *(585467-M)*

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013
(The figures have not been audited)

		Unaudited 30 June 2013 RM'000	Audited 31 December 2012 RM'000
ASSETS			
Property, plant and equipment		102,213	102,396
Prepaid lease payments		2,469	2,483
Interests in associates		270,531	246,173
Interests in joint ventures		29,725	19,789
Land held for property development		111,806	111,806
Investment property		70,455	64,044
Intangible assets		7,938	8,279
Deferred tax assets		4,028	6,991
Other investments		48	48
Total non-current assets		**599,213**	**562,009**
Inventories		28,258	30,936
Property development costs		234,025	233,430
Trade and other receivables		374,268	337,126
Deposits and prepayments		5,803	5,676
Current tax assets		13,295	18,783
Cash and bank balances		228,330	209,493
Total current assets		**883,979**	**835,444**
Total assets		**1,483,192**	**1,397,453**
EQUITY			
Share capital		250,000	250,000
Share premium		86,092	86,092
Treasury shares		(34,748)	(34,748)
Reserves		558,932	530,619
Total equity attributable to owners of the Company		**860,276**	**831,963**
Non-controlling interests		22,569	21,658
Total equity		**882,845**	**853,621**
LIABILITIES			
Loans and borrowings	Note 8	353,714	345,644
Deferred tax liabilities		42,928	43,741
Total non-current liabilities		**396,642**	**389,385**
Loans and borrowings	Note 8	3,045	6,491
Trade and other payables		199,156	146,503
Current tax payable		1,504	1,453
Total current liabilities		**203,705**	**154,447**
Total liabilities		**600,347**	**543,832**
Total equity and liabilities		**1,483,192**	**1,397,453**
Net assets per ordinary share attributable to owners of the Company (RM)		**3.44**	**3.33**

The notes set out on pages 5 to 25 form an integral part of, and should be read in conjunction with, these condensed 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 2012.

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NAIM HOLDINGS BERHAD *(585467-M)*

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter and six months ended 30 June 2013

(The figures have not been audited)

		Total equity attributable to owners of the Company									
		Non Distributable						Distributable			
	Note	Share capital RM' 000	Share premium RM' 000	Capital reserve RM' 000	Translation reserve RM' 000	Fair value reserve RM' 000	Treasury shares RM' 000	Retained earnings RM' 000	Sub-total RM' 000	Non-controlling Interests RM' 000	Total Equity RM' 000
<u>**6 months ended 30 June 2012 (Unaudited)**</u>											
At 1 January 2012		250,000	86,092	25,756	20	962	(34,748)	419,100	747,182	16,316	763,498
Foreign currency translation differences for foreign operations		-	-	-	100	-	-	-	100	-	100
Share of fair value changes of available-for-sale financial assets of an associate		-	-	-	-	(2,943)	-		(2,943)	-	(2,943)
Total other comprehensive income for the period		-	-	-	100	(2,943)	-	-	(2,843)	-	(2,843)
Profit for the period		-	-	-	-	-	-	47,320	47,320	2,383	49,703
Total comprehensive income for the period		-	-	-	100	(2,943)	-	47,320	44,477	2,383	46,860
Total distributions to owners											
- Dividends to owners of the Company		-	-	-	-	-	-	(7,108)	(7,108)	-	(7,108)
Total transactions with non-controlling interests											
- Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(368)	(368)
At 30 June 2012		250,000	86,092	25,756	120	(1,981)	(34,748)	459,312	784,551	18,331	802,882
<u>**6 months ended 30 June 2013 (Unaudited)**</u>											
At 1 January 2013		250,000	86,092	25,756	116	10,373	(34,748)	494,374	831,963	21,658	853,621
Foreign currency translation differences for foreign operations		-	-	-	289	-	-	-	289	-	289
Share of fair value changes of available-for-sale financial assets of an associate		-	-	-	-	622	-	-	622	-	622
Total other comprehensive income for the period		-	-	-	289	622	-	-	911	-	911
Profit for the period		-	-	-	-		-	50,244	50,244	911	51,155
Total comprehensive income for the period		-	-	-	289	622	-	50,244	51,155	911	52,066
Share of gain on remeasurement of an investment by an associate		-	-	-	-	(10,995)	-	-	(10,995)	-	(10,995)
Total distributions to owners											
- Dividends to owners of the Company	Note 10	-	-	-	-	-	-	(11,847)	(11,847)	-	(11,847)
At 30 June 2013		250,000	86,092	25,756	405	-	(34,748)	532,771	860,276	22,569	882,845

The notes set out on pages 5 to 25 form an integral part of, and should be read in conjunction with, these condensed 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 2012.

NAIM HOLDINGS BERHAD *(585467-M)*

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter and six months ended 30 June 2013
(The figures have not been audited)

		30 June 2013 RM'000	30 June 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		62,932	59,738
Adjustments for:			
Amortisation of:			
- intangible assets		340	340
- investment property		815	586
- prepaid lease payments		13	13
Depreciation of property, plant and equipment		6,139	6,327
Finance income		(2,963)	(3,413)
Finance costs		9,048	9,001
Gain on partial disposal of associate		-	(2,801)
Gain on disposal of property, plant and equipment		(99)	(113)
Property, plant and equipment written off		15	37
Share of results of equity accounted:			
- associates		(38,467)	(21,411)
- joint ventures		(9,937)	(8,694)
Unrealised foreign exchange loss		3,638	1,610
Operating profit before changes in working capital		31,474	41,220
Changes in working capital :			
Inventories		2,678	4,617
Land held for property development		-	(1,668)
Property development costs		(439)	(261)
Trade and other receivables, deposits and prepayments		(36,452)	(53,368)
Trade and other payables		49,058	14,544
Cash generated from operations		46,319	5,084
Net income taxes paid		(4,090)	(13,220)
Net cash from/(used in) operating activities		42,229	(8,136)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
- property, plant and equipment		(10,492)	(7,466)
- investment property		(7,225)	(76)
- associate		(3,423)	-
Proceeds from partial disposal of associate		-	5,984
Proceeds from disposal of property, plant and equipment		1,192	157
(Increase)/Decrease in deposits pledged to licensed banks		(135)	257
Increase in investment in associate		(200)	
Distribution of profit received from joint ventures		-	13,120
Dividends received from associates		9,731	9,397
Interest received		2,721	2,712
Net cash (used in)/from investing activities		(7,831)	24,085
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from other loans and borrowings		6,666	8,629
Repayment of finance lease liabilities		(2,042)	(1,458)
Dividends paid to:			
- owners of the Company	Note 10	(11,847)	(7,108)
- non-controlling interests		-	(368)
Interest paid		(8,496)	(8,349)
Net cash used in financing activities		(15,719)	(8,654)
Net increase in cash and cash equivalents		18,679	7,295
Effects of exchange rate changes on cash and cash equivalents		24	(6)
Cash and cash equivalents at beginning of period		208,993	212,776
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**227,696**	**220,065**
Representing by:			
Deposits with licensed banks with maturities less than 3 months, net of deposits pledged		161,766	158,068
Short term cash funds		20,000	23,500
Cash in hand and at banks		45,930	38,497
Total cash and cash equivalents as shown in statement of cash flows		**227,696**	**220,065**

The notes set out on pages 5 to 25 form an integral part of, and should be read in conjunction with, these condensed 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 2012.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT – FOR THE QUARTER ENDED 30 JUNE 2013

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 the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

1. Basis of preparation

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.

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 full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2012. 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 financial position and performance of the Group since the year ended 31 December 2012.

The audited financial statements of the Group as at and for the year ended 31 December 2012 are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

2. Significant accounting policies

The accounting policies adopted by the Group in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2012.

During the current period under review, the Group has adopted the following new/revised standards, interpretations and amendments which are effective for annual periods beginning on and before 1 January 2013:

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*

2. Significant accounting policies (continued)

- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements*: *Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements*: *Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

The effect of adoption is summarised as follows:

(i) FRS 10, *Consolidated Financial Statements*

FRS 10 introduces a new single control model to determine which investees should be consolidated. FRS 10 supersedes FRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation - Special Purpose Entities*. There are three elements to the definition of control in FRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

(ii) FRS 11, *Joint Arrangements*

FRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes FRS 131, *Interests in Joint Ventures*. Under FRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable FRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

2. Significant accounting policies (continued)

(iii) Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

The Amendments to FRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

The adoption of the above FRS standards, interpretations and amendments does not have any material impact on the financial performance or position of the Group.

2.1 Standards, amendments and interpretations yet to be effective

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are only effective for annual periods beginning on or after the respective dates indicated herein:

- ***Effective for annual periods beginning on or after 1 January 2014***
  Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
  Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
  Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
  Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*

- ***Effective for annual periods beginning on or after 1 January 2015***
  FRS 9, *Financial Instruments (2009)*
  FRS 9, *Financial Instruments (2010)*
  Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

On 7 August 2013, MASB announced its decision to allow transitioning entities (being entities subject to the application of MFRS141, *Agriculture* and/or IC15, *Agreements for the Construction of Real Estates* and the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities) to defer the adoption of Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards for yet another year. While non-transitioning entities would have migrated to the MFRS framework from annual periods beginning on 1 January 2013, transitioning entities continue to have the option to either apply the MFRS framework or the FRS framework for annual periods beginning on a date before 1 January 2015.

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

Given that certain group entities are transitioning entities, the financial statements of the Group will continue to be prepared in compliance with FRS for the years ending 31 December 2013 and 2014. They will be prepared in compliance with MFRS from the year beginning on 1 January 2015. As a result, the Group will not be adopting the FRS standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2015 listed in the preceding page. The Group is nevertheless assessing the impact on the financial statements if any of the FRS standards, interpretations or amendments, is adopted, as these are equivalent standards, interpretations and amendments under the MFRS framework.

The adoption of the amendments to FRS standards which are effective for annual periods beginning on or after 1 January 2014 is not expected to have a material 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 cyclicality fluctuations during the period under review.

4. Estimates

The preparation of 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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those disclosed in the financial statements as at and for the year ended 31 December 2012.

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

5. Debt and equity securities

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

There was no share buy-back during the period. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 June 2013 is 13,056,000 shares.

6. Property, plant and equipment – *acquisitions and disposals*

During the current period, the Group acquired property, plant and equipment costing about RM10.5 million (30.06.2012: RM7.5 million), satisfied in cash.

Property, plant and equipment with a carrying amount of about RM1.1 million (30.06.2012: RM80,000) were disposed of and/or written off during the quarter under review.

7. Changes in the composition of the Group

Acquisition of new associate

In May 2013, a direct subsidiary of the Company, Naim Engineering Sdn. Bhd. acquired an equity interest of 40% in Kempas Sentosa Sdn. Bhd., for a consideration of RM6,458,000, satisfied by way of cash and injection of plant and machinery.

8. Loans and borrowings

				As at 30 June	
			Currency	2013 RM'000	2012 RM'000
Current					
Secured	-	Finance leases	RM	914	1,937
	-	Term loans	RM	2,131	2,131
				3,045	4,068
Non-current					
Secured	-	Finance leases	RM	1,207	3,692
	-	Term loans	RM	52,507	46,372
Unsecured	-	Islamic Bonds	RM	300,000	300,000
				353,714	350,064
Total				356,759	354,132

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.

	6 months ended 30 June	
	2013	**2012**
Profit attributable to owners of the Company (RM'000)	50,244	47,320
Weighted average number of ordinary shares, net of treasury shares bought back ('000)	236,944	236,944
Basic/Diluted EPS (sen)	21.21	19.97

10. Dividends

The following dividend was declared and/or paid by the Company during the current quarter under review:

Type of dividend	**Rate** (sen)	**For the year end**	**Payment date**	**RM'000**
Second interim single-tier dividend	5.0	31 December 2012	18 April 2013	11,847

11. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director (being the Chief Operating Decision Maker), reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's reportable 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 & gas related construction projects).
Others	- Manufacture and sale of buildings and construction materials, hiring of equipment, provision of sand extraction and land filling services, property investment holdings 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.

For decision making and resources allocation, the Group Managing Director reviews the statements of financial position of respective subsidiaries. As such, information on segment assets and segment liabilities is not presented.

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT – FOR THE QUARTER ENDED 30 JUNE 2013

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
For the 6 months ended 30 June										
Revenue from external customers	148,431	97,257	143,130	98,101	22,204	19,389	-	-	313,765	214,747
Inter segment revenue	-	-	-	-	35,045	14,901	(35,045)	(14,901)	-	-
Total segment revenue	148,431	97,257	143,130	98,101	57,249	34,290	(35,045)	(14,901)	313,765	214,747
Segment profit/(loss)	37,441	19,937	(25,567)	11,253	1,997	(2,505)	(2,985)	1,707	10,886	30,392
Share of results of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	-	-	6,406	-	881	5,400	-	-	7,287	5,400
- joint ventures	-	-	9,937	8,694	-	-		-	9,937	8,694
	37,441	19,937	(9,224)	19,947	2,878	2,895	(2,985)	1,707	28,110	44,486
Unallocated income/(expense)									3,642	(759)
Share of results of an associate, DEHB (in oil and gas segment)									31,180	16,011
Income tax expense									(11,777)	(10,035)
Profit for the year									51,155	49,703
Other comprehensive income/(loss)									911	(2,843)
Total comprehensive income for the year									52,066	46,860
Non-controlling interests									(911)	(2,383)
Total comprehensive income attributable to the owners of the Company									51,155	44,477

12. Subsequent events

On 25 July 2013, Naim Engineering Sdn. Bhd. subscribed for the entire equity interest of Success Teamtrade Sdn. Bhd., comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2. On the same day, another subsidiary, Naim Assets Sdn. Bhd. subscribed for the entire interest of Orient Paradigm Sdn. Bhd., comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2. The acquisition of these two subsidiaries has no material impact on the results of the Group due to their dormancy.

Save as disclosed above, there are no material events subsequent to the end of the period reported on, that has not been reflected in the 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 2012 till the date of this quarterly report.

14. Capital commitments

	As at 30 June	
	2013	**2012**
	RM'000	**RM'000**
Authorised but not contracted for		
Property, plant and equipment	7,850	4,307

15. Financial risk management

The Group's financial risk management objectives and policies and risk profile are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

16. Related parties

Transactions with key management personnel

Total compensations payable/paid to key management personnel during the year under review are as follows:

	6 months ended 30 June	
	2013 RM'000	2012 RM'000
Directors of the Company	4,729	3,879
Other key management personnel	2,832	2,882
	7,561	6,761

Other related party transactions

	Transaction value 6 months ended 30 June		Balance outstanding as at 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Transactions with associates				
Dividend income received	(9,731)	(9,397)	-	-
Purchase of raw materials	1,728	573	(391)	(1,763)
Rental expense on machinery	2,195	-	(624)	-
	======	======	======	======
Transactions with joint venture				
Construction contract revenue	-	1,084	(6,469)	(5,397)
	======	======	======	======
Transactions with Directors of the Company and its subsidiaries and with companies connected to them				
Advisory fee	39	-	-	-
Donation to Tabung Amanah Naim	1,600	-	287	812
Rental expense on premises	9	9	-	-
	======	======	======	======

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

17. Review of Group performance

The Group recorded commendable revenue of RM314 million for the six-month period under review, as compared to RM215 million reported in the corresponding period in 2012. The increase was contributed by the property and construction segments, on account of higher progress of construction works and higher units of property sold during the current period [see Note 17.1 for further details]. Group profit before tax for the six-month period increased from RM60 million in 2012 to RM63 million in 2013. The fluctuation in profit before tax was mainly due to the following:

- Higher progress of construction of development properties sold and construction projects.
- Downward revision in contract sum for an overseas construction project due to changes in the scope of works by client following technical and contractual disagreement. On-going negotiation on global settlement is proceeding well.
- Increase in operational costs for certain local construction projects including cost of rescuing non-performing sub-contractors, leading to reduction in construction margin.
- Improvement in the performance of associates.
- Effect of share of reclassification of available-for-sale ("AFS") revaluation reserve to profit or loss on remeasurement of an AFS investment as an equity accounted investment by an associate.
- Higher foreign exchange loss in our overseas project and other general administrative expenses, staff related costs etc.

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 vs corresponding preceding cumulative quarter review (June 2013 vs June 2012)

For the current quarter under review, the Property segment achieved revenue of RM148.4 million, 52.5% higher than the RM97.3 million achieved in the same quarter of 2012. At the same time, the property profit increased from RM19.9 million in the second quarter of 2012 to RM37.4 million in the current quarter. This was mainly contributed by faster progress in construction of development properties. The segment also reported additional new property sales of more than RM190 million in the current quarter, compared to about RM143 million for the corresponding quarter of 2012. These new sales are expected to contribute positively to the Group results in the next two years.

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

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

a) Property (continued)

Current vs immediate preceding quarter review (June 2013 vs March 2013)

Compared to the immediate preceding quarter of 2013, Property revenue increased by 16.6% from RM68.5 million to RM79.9 million, mainly attributed by increased sales from partially completed units during the current quarter.

Prospects

Bandar Baru Permyjaya – Steady contributor to Naim

Proposed Bintulu Paragon - future contributor to Naim

The Group's strong sales performance in the Property segment continues to be supported by solid market demand for its new launches located at its existing established townships in Miri and Kuching, which registered good take-up rates for new project launches. Miri, in particular, Bandar Baru Permyjaya has consistently been the top performer in term of sales and gross profit contribution. Since listing of Naim, our projects in this mature township of approximately 60,000 population have generated consistently 70% of group property profit and 50% of group gross profit.

Response to our first commercial project, namely Bintulu Paragon in Bintulu comprising street mall and sovo continues to be very encouraging. With estimated sales to-date topping about RM87 million (including booking units), the current piling works of this project are projected to complete by November 2013 which will be followed by execution of substructure works. Phase 1 of this development when completed is expected to generate an estimated GDV of RM1 billion. We expect this project to contribute positively to our Group results in the next two years when the progress of the construction activity is accelerated.

In addition, we will continue to seek actively potential opportunities to acquire strategic land banks to further strengthen the growth of the Property segment in terms of sales and market share.

NAIM

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

a) Property (continued)

Prospects – cont'd

Despite our aggressive plans to venture, expand and diversify our product range across various market segments and geographic regions, the Board remains cautious going forward in view of uncertainties over increasing costs of materials and labour, interest rate fluctuations, competition from other local developers and lower purchasing power of property buyers partly due to stricter bank lending criteria.

b) Construction

Current vs corresponding preceding cumulative quarter review (June 2013 vs June 2012)

The Construction segment recorded higher revenue of RM143.1 million against RM98.1 million achieved in the same quarter in 2012, resulting from higher progress of works achieved. However, this segment registered a loss of RM25.6 million in the current quarter, compared against a profit of RM11.3 million in the corresponding quarter of 2012, mainly due to downward revision in the profit margins for the Fiji Road Rehabilitation project and resettlement projects.

Waito-Wailotua Road – Best Road in Fiji

The Fiji Road Rehabilitation project contributed a loss of RM19.40 million to the half year under review, following a revision in the contract value arising from changes in the scope of works by client following technical and contractual disagreement, higher than anticipated operational costs and lower productivity due to adverse weather etc. Foreign exchange loss of about RM4.6 million also contributed to the loss.

The balance of the loss was mainly contributed by the resettlement projects due to higher than anticipated logistics, material and labour costs on account of the project sites being located in the interior of Sarawak, lower productivity due to inclement weather and cost of "rescuing" non-performing sub-contractors.

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

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

b) Construction (continued)

Current vs immediate preceding quarter review (June 2013 vs March 2013)

Higher Construction revenue of RM93.6 million was achieved for the current quarter, compared to RM49.5 million reported in the immediate preceding quarter, due to higher progress of works achieved. However, the performance of Construction segment declined from a profit of RM4.1 million in the immediate preceding quarter to a loss of RM29.6 million in this current quarter. This was mainly attributable to the loss suffered in Fiji as well as rising operational costs in certain local construction projects as explained above.

Prospects

Despite the setback in the Fiji operation as mentioned above, we still forecast a minimal operational profit for the Fiji project upon completion, as on-going negotiation on global settlement is proceeding well. We also anticipate some gain to be realised from disposing of idling assets and from existing profitable quarry and premix operations in Fiji.

For local on-going projects including resettlement projects as mentioned in the preceding page, we foresee overall positive profit contribution upon completion of the projects.

LNG Train 9 with JGC

On a positive note, we would like to report that there is an increase of about RM560 million in our order book since December 2012 from the successful bids of projects namely LNG Train 9, port extension projects etc. For LNG Train 9, we are the preferred contractor for Japan Gas Corporation (JGC) (the biggest oil & gas contractor, who has been awarded the LNG Train 9 project for about RM6 billion). We expect these projects to contribute positively to the group results in the years to come.

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

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

b) Construction (continued)

Prospects

At the same time, proactive efforts and measures have been put in place to tighten cost controls and improve efficiency to monitor operational costs and improve construction margin. In addition, a number of sizeable construction tenders has been submitted and we are optimistic to secure some to replenish our order book.

c) Other segment

Current vs corresponding preceding cumulative quarter review (June 2013 vs June 2012)

Other segment reported a revenue of RM22.2 million for the current quarter, compared to RM19.4 million reported in the same quarter in 2012. The performance of Other segment improved from a loss of RM2.5 million in the corresponding quarter in 2012 to a profit of RM2.0 million in the current quarter. The improvement for the current period was mainly due to higher trading sales achieved with improved margin.

Current vs immediate preceding quarter review (June 2013 vs March 2013)

Revenue increased from RM10.9 million in the immediate preceding quarter in 2013 to RM11.3 million in the current quarter. The performance for Other segment declined from a profit of RM2.2 million reported in the immediate preceding quarter to a loss of RM0.2 million in this quarter. This is mainly contributed by the quarry and premix operations which are running below capacity.

Prospects

For the near term, the property investment and trading operations are expected to continue to contribute positively to the income of the Group.

At the same time, we will continue to improve the quarry and premix operations by putting various measures to market and sell all products to achieve economies of scale and improve their performance.

Permy Mall, Miri – recurring income

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

17.2 Review of performance of major associates

DEHB – major contributor to group profit

Our associate, Dayang Enterprise Holdings Berhad (DEHB), performed very well in the period under review, registering a profit after tax of RM93.7 million, an increase of 60% over the RM58.4 million achieved in the immediate preceding quarter.

Included in the profit after tax of DEHB was a gain of about RM32.8 million arising from remeasurement of an available-for-sale investment as an equity accounted investment.

Based on share price of DEHB of RM4.46 as at 27 August 2013 (closing price), the estimated market value of the Group's investment in DEHB is approximately RM825 million.

18. Profit guarantee

The Group did not issue any profit guarantee.

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

19. Income tax expense

	6 months ended 30 June	
	2013	**2012**
	RM'000	**RM'000**
Current tax expense		
Malaysian - current year	9,627	10,051
- prior years	-	-
	9,627	10,051
Deferred tax expense		
Malaysian - current year	2,150	(16)
- prior years	-	-
	2,150	(16)
Total income tax expense recognised in statements of profit or loss and other comprehensive income	11,777	10,035
Share of tax of associates and joint ventures	12,083	8,483
Pro-forma group tax expense	23,860	18,518
Profit before tax	62,932	59,738
Add: Share of tax of associates and joint ventures	12,083	8,483
	75,015	68,221
Effective tax rate (%)	31.8	27.1

The Group's effective tax rate for the period under review is higher than the prima facie tax rate of 25%, mainly due to the effect of deferred tax assets not recognised for certain loss making subsidiaries.

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

20. Profit before tax

	6 months ended 30 June	
	2013 RM'000	2012 RM'000
Profit before tax is arrived at after (crediting)/charging:		
Gain on disposal of property, plant and equipment	99	113
Gain on partial disposal of associate	-	(2,801)
Interest income from fixed deposits and cash funds	(2,606)	(2,712)
Amortisation of:		
- intangible assets	340	340
- investment property	815	586
- prepaid lease payments	13	13
Depreciation of property, plant and equipment	6,139	6,327
Unrealised foreign exchange loss	3,638	1,610
Interest expense on loans and borrowings	8,428	8,320
Property, plant and equipment written off	15	37

No impairment of assets, provision for and write off of inventories, gain or loss arising from disposal of quoted investments or financial derivatives or other material exceptional items are included in the profit of the Group for the period under review.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 June 2013.

22. Status of corporate proposals

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

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

23. Material litigations

Update of Legal Suits

a. In March 2005, Naim Cendera Tujuh Sdn. Bhd. ("NC7"), an indirect subsidiary, received a Writ of Summons from 5 persons suing on behalf of themselves and 79 others, claiming to have Native Customary Rights ("NCR") over part of NC7's leasehold land known as Lot 30, Block 34, Kemena Land District, Bintulu. The High Court has struck out the matter with no order as to costs and no liberty to file afresh.

b. On 26 October 2009, Naim Land Sdn. Bhd. ("NLSB") received a Writ of Summons and Statement of Claim from 6 persons suing on behalf of themselves and 25 other families against NLSB, the Superintendent of Lands & Surveys Kuching Division, the State Government of Sarawak and the Government of Malaysia claiming to have NCR over an area over which NLSB has been awarded a contract to design and construct the proposed Bengoh Dam. The High Court has fixed 12th September 2013 for further mention.

c. On 5 August 2010, Khidmat Mantap Sdn. Bhd. ("KMSB") received a Writ of Summons and Statement of Claim from 2 persons claiming to have NCR over a parcel of land measuring approximately 12.141 hectares on part of Lot 533, Block 14, Muara Tuang Land District, the title to which has been issued to KMSB pursuant to the provisions of the Sarawak Land Code Chapter 81. The High Court has fixed the matter for trial on 25 to 29 November 2013.

d. On 10 January 2012, 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 for the execution and completion of the proposed site clearance and earthworks for a new housing project in Kuching. Full trial has been completed on 26th July 2013 and the decision is reserved to be announced on 4th October 2013.

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

24. Breakdown of realised and unrealised profits or losses

	Unaudited For the quarter ended 30 June 2013 RM'000	Unaudited For the quarter ended 30 June 2012 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	545,190	493,983
- unrealised	79	2,151
	545,269	496,134
The share of retained earnings from associates		
- realised	88,093	55,876
	633,362	552,010
The share of retained earnings from joint ventures		
- realised	24,417	14,806
	657,779	566,816
Less: Consolidation adjustments	(125,008)	(107,504)
Total group retained earnings as stated in consolidated statement of changes in equity	532,771	459,312

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

25. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2012 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 28 August 2013.