

## Our Awards And Accolades



### 2002

- CIDB Builders Building Works Category Awards: **Institutional Building Project**

### 2003

- The Malaysian Construction Industry Excellence Project Awards: **Medium Building Category**
- SCCI Annual Corporate Report Awards: **Best Annual Report Award**

### 2004

- Malaysia Canada Business Council Excellence Awards: **Industry Excellence for Construction Award**
- The Malaysian Construction Industry Excellence Project Awards: **Medium Scale Project Engineering Category**
- The Malaysian Construction Industry Excellence Awards: **Builder of The Year Award**
- KPMG Shareholder Value Awards

### 2005

- 17th International Construction Awards: **New Millennium Award Spain, Madrid**
- Malaysia Corporate & Social Environment Responsibility Award

### 2007

- The Malaysian Construction Industry Excellence Awards: **Contractor Award Grade7**

### 2008

- FIABCI Malaysia Property Award: **Property Man of The Year**

### 2009

- SHEDA Excellence Awards: **Top Developer In Residential Development**

### 2010

- The Sarawak CMEA Award: **Large Enterprise Category (Construction)**
- The BrandLaureate Best Brands Awards 2011-2012: **The BrandLaureate Conglomerate Awards 2011-2012**

### 2012

- The Sarawak CMEA Award: **Large Enterprise Category (Construction)**

### 2013

- APEA **Outstanding Entrepreneurship Category**

### 2014

- AREA **Social Empowerment Category**
- Readers' Choice **Malaysian Reserve Property Press Awards Best Commercial Development - Bintulu Paragon**
- **Malaysian Reserve Property Press Awards Most Prestigious Integrated Lifestyle Residential Development - Southlake Permyjaya**
- **Malaysian Reserve Property Press Awards Most Prestigious Integrated Development - Bintulu Paragon**
- The Sarawak CMEA Award: **Large Industries (Services and Other Sectors - Construction)**
- One of Malaysia's **Top 20 Property Developers (The Edge Malaysia's Top Property Developers Awards 2014) & the ONLY East Malaysia-based developer award recipient**

### 2015

- Malaysia Property Insight **Prestigious Developer Awards: Outstanding Developer East Malaysia**
- Award For PLWS Practitioners
- One of Malaysia's **Top 20 Property Developers (The Edge Malaysia's Top Property Developers Awards 2015) & the ONLY East Malaysia-based developer award recipient**

### 2016

- **The Best Classic Achievement Non-Residential (Large) Category**
- SHEDA Excellence Awards: **Property Man of The Year**
- **Sarawak State Outstanding Entrepreneurship Award**
- The Sarawak CMEA Award: **Large Enterprise (Construction)**

### 2017

- **Gold Award 2017 13th Moshpa OSH Excellence Award 2017**
- SHEDA Property Expo **Best Booth Award**

### 2018

- SHEDA Property Expo: **Best Booth Award**
- **Malaysia's Best Employer Brand Award 2018 (World HRD Congress)**

### 2019

- StarProperty.my Awards: **The Borneo Star Award (Honours) Naim Sapphire Condominium Homes**
- StarProperty.my Awards: **The Borneo Star Award (Merit) Naim "The Peak" Condominium Homes**





Naim Sapphire Condominium Homes



starproperty.my  
**AWARDS 2019**  
**HONOURS**

THE BORNEO STAR AWARD  
(BEST EAST MALAYSIA DEVELOPMENT)



The completed Naim Sapphire Condominium Homes' first tower called "the Classic" tower



Created by Pressfoto - Freepik.com

## *Part 3*

### **Business Review**

- 30 Letter To Our Shareholders
- 37 Review Of Performance  
And Operations
- 44 Sustainability Statement





## Letter To Our Shareholders

Dear Shareholders,

2018 was a year of reflection, re-strategising, perseverance and follow-through, amidst a challenging operating environment domestically. The fruits of our labour, being a net profit after tax of some RM63.4mil as compared with a net loss after tax of RM180.5mil in 2017 have once again proven that with hard work and team work, nothing is impossible.

# Letter To Our Shareholders (continued)

## Key contributors to performance

This achievement was primarily due to the following:

- Increased work progress from existing housing and construction projects;
- Higher property sales of about RM133mil achieved during the year, which was 26% higher than that achieved in 2017;
- Recovery of additional claims of about RM27mil for a completed project, which was higher than the initial expected sum;
- Improvement in the share of results from Dayang Enterprise Holdings Bhd. (DEHB) and its subsidiary, Perdana Petroleum Berhad (PPB), from a loss of RM40.6mil in 2017 to a profit of RM38.7mil in the year under review.

## Sustaining the performance

Although there is no way of looking into the ‘crystal ball’, we believe we have built the right foundation in moving forward, as follows:

- Continued focus on medium affordable properties;
- Enhancement of the service value chain for properties;
- Completion of order book on time, with quality and within budget;
- Realignment of operating structure to be regionally-focused to facilitate better execution of responsibilities, and faster decision making and problem solving;
- Constant improvement in cost management;
- Continued efforts in talent development and management creating a positive work culture and environment for our workforce.

Besides the above, our recent fund raising exercise (i.e. rights issue) which managed to raise funds of up to RM118.7mil will further support our property development activities and par down our borrowings.

## Looking ahead in 2019

We expect the outlook, operating environment and challenges for 2019 and the immediate term to be as follows:



Naim Primrose (Single-Storey Terrace House) @ Naim SouthLake Permyjaya, Miri



Good response to Naim Primrose’s launch in Miri



Naim SouthLake Permyjaya township, Miri



Naim Sapphire Deluxe Show Unit (Type A):  
A TOUCH OF HIP AND TRENDY

### Property

The property market remains challenging due to factors such as hike in costs of borrowing, huge property overhang, strict lending policy and persistent lukewarm buying sentiment.

It has also been observed that the housing affordability threshold of the average urban household in Sarawak generally remains below RM350,000, a factor which may drive the demand for affordable properties, but could also adversely affect the demand for higher-priced properties. While the Government has implemented various policies to drive home ownership such as stamp duty waivers and other incentives, the outcome of these policies remains to be seen amidst the strict lending policies which may result in intending purchasers failing to obtain loans to purchase residential properties.

Taking stock of the above, we expect the demand for our medium affordable properties to be sustained and at the same time, continue to face challenges in terms of take-up of our high-end



## Letter To Our Shareholders (continued)



Recent site photo of Naim Bintulu Paragon integrated development

properties. Nevertheless, despite these challenges, our Group will embark on various sales and marketing initiatives to sell existing, on-going and completed units, while adopting a cautious approach towards news project launches moving forward. Our Group expects to launch more affordable and medium-range properties as we strive to tailor our products in meeting the changing customer demands due to the existing economic sentiment. We will also schedule our launches based on market dynamics. In addition, various easy and flexible property ownership schemes have been introduced to help sustain demand for these properties.

Besides property sales, we will continue to strengthen our leasing functional unit in an effort to secure tenants for our unsold commercial and residential properties for temporary recurring income. Ultimately, units on lease present better value proposition for property investors, which can help drive the sale of these units.

We remain hopeful on the Sarawak Corridor of Renewable Energy (SCORE), a long term development plan designed to accelerate Sarawak's economic growth by attracting some RM300billion worth of investments by 2030 (Source: Borneo Post, 25 August 2018) in continuing to create a bustling business environment to help sustain market demand in the State, including property and construction segments. Some of SCORE's upcoming mega projects such as the estimated RM8.4bil and RM12.65bil methanol and steel plant respectively are

also something to look forward to. (Sources: <https://www.thestar.com.my/business/business-news/2018/01/24/rm84bil-> and <https://www.thestar.com.my/metro/metro-news/2017/10/12/china-firm-to-invest-rm1265bil-in-bintulu-proposed-steel-plant-offers-plenty-of-jobs-and-economic-sp/>)

Besides SCORE, the 342 Sarawak-centric projects initiated by the State Government which include infrastructure projects such as coastal roads, bridges and utilities will augur well for the local economy by presenting opportunities in the construction sector and increasing employment opportunities, adding value to the creation of a vibrant business environment. (Source: <http://www.theborneopost.com/2019/01/14/rm6-2-bln-worth-of-sarawak-centric-projects-on-track/>)

Another welcomed initiative is the State Government's intention in spearheading a digital economy initiative that aims to revolutionise the State's economy and industries, and spur socioeconomic growth and advancement – the State has committed to a fund of RM2bil towards boosting internet connectivity and capacity throughout Sarawak by setting up the necessary infrastructure. (Source: <http://www.theborneopost.com/2019/01/13/the-rise-of-sarawaks-digital-economy/>). With the anticipated greater global outreach, job creation and increase in business opportunities, it is hoped that such economic enhancement will accelerate growth and increase wealth, leading to a vibrant business environment generally.



Pan Borneo Highway  
(Pantu Junction to Batang Skrang section)

As part of our long term plans, we will continue to increase the size of our land bank by acquiring land at strategic locations in Sarawak, Sabah and Peninsular Malaysia, which will further strengthen our property segment. The slowdown in the economy, which is expected to continue in the next few years, could also give rise to the opportunity in acquiring land at bargain price.

### Construction

We are encouraged by the allocation of RM11bil worth of projects by the State Government for the construction of road-related and utility infrastructure throughout Sarawak within the next 2 years, namely the RM6bil coastal highway project, RM2.8bil water supplies project and RM2.3bil electricity supplies project.\* As an experienced contractor in such infrastructure projects, our Group sees the potential to leverage on these opportunities, which can boost our short-term and long-term earnings. (\*Sources: <https://www.theedgemarkets.com/article/advancecon-plans-big-strides-sarawak> and <https://www.malaymail.com/news/malaysia/2018/10/23/cm-sarawak-to-spend-rm11b-on-infrastructure/1685756>)

Operationally, we remain focused on project implementation and monitoring to facilitate the completion of works on time and within budget, namely the Pan Borneo Highway (Pantu Junction to Batang Skrang section), SPNB affordable housing projects in Miri and Kuching, KPJ Miri Specialist Hospital, Tanjung Manis housing project, and UCTS Phase 2 project, our joint-venture project with Hock Peng.



Naim Permy Mall @ Naim Bandar Baru Permyjaya, Miri

Our total outstanding construction order book in the sum of about RM1.4bil is expected to contribute to our short term and medium term earnings.

### Other Segment

We will push on with our efforts to maintain our existing tenants and attract new tenants in order to create a good tenant mix for our retail properties, such as Naim Permy Mall, Miri and part of Naim Street Mall, Bintulu. Some of these efforts include the introduction of exciting leasing packages and organising of interesting community-related events on a continuous basis to boost traffic to our retail properties.

Besides the above, the upcoming launch of the Fairfield by Marriott upscale business hotel at Naim Bintulu Paragon in Q4 2019 is expected to enhance the value of our development in time to come.

We may also look into divesting non-performing businesses to realise some funds.

## Letter To Our Shareholders (continued)



Dayang Enterprise Holdings Bhd.

### Associate Company – Dayang Enterprise Holdings Bhd.

Premised on Dayang's order book replenishment of more than RM1bil for the next five years due to the award of maintenance, construction and modification (PM-MCM) contracts by Keabangan Petroleum Operating Company Sdn Bhd and Murphy Sarawak Oil Co Ltd and Murphy Sabah Oil Co Ltd, bringing its total order book to more than RM3bil which are call out orders to last until 2023, we expect this to contribute positively to its financial performance. (Source: <https://www.thestar.com.my/business/business-news/2018/08/28/dayang-order-book-crosses-rm3bil-mark/>).

Now that we set in motion our recovery plan, we would like to assure all shareholders of our continued commitment to see things through. We are honoured for your confidence and support in us and we greatly hope for your continued support in time to come.

### ACKNOWLEDGEMENTS

Finally, we would like to record our appreciation to all our stakeholders: our shareholders, customers, clients, team members and their families, Directors, joint venture partners, subcontractors, consultants, financiers and associates for their dedication, concerted effort and faith in us.

Our heartfelt gratitude also goes to Ministries, Departments, Statutory Bodies and Regulatory Agencies for the support extended to our Group.

We value and look forward to your continued support and dedication as we undertake new challenges and opportunities ahead.

Once again, thank you and our warmest regards.

**Datuk Amar Abdul Hamed Bin Haji Sepawi**  
Chairman

**Datuk Hasmi Bin Hasnan**  
Managing Director

## Review Of Performance And Operations

2018 was an extremely challenging year for us amidst the changes in the country's political climate and the seemingly persistent unfavourable market sentiment for most part of the year. However at Naim, when the going gets tough, the tough gets going: we bravely fought our battles to be back on track.

# Review Of Performance And Operations (continued)



Perspective of Naim Sapphire Condominium Homes

## Financial Review

For the year under review, we achieved a higher revenue of RM605.4mil, as compared with RM374.2mil recorded in 2017. On the profit front, we achieved profit before tax of RM79.4mil, against a loss before tax of RM159.7mil.

## Property

The segment recorded an improvement in performance, achieving RM162.2mil in revenue and RM12.2mil in profit for 2018, as compared with RM113.1mil in revenue and RM2.6mil in profit for 2017. With this performance, the segment contributed 26.8% to overall revenue. The segment also achieved higher new sales of RM133.0mil (254 units) in 2018, as compared with RM105.7mil (174 units) in 2017.

Increased work progress for existing projects also led to higher revenue and profit for 2018.

## Construction

The segment also achieved a higher revenue of RM417.5mil in 2018 as compared with RM227.0mil in 2017, contributing about 69% to group revenue.

The segment also recorded a marked improvement in its performance, with a profit of RM53.2mil in 2018 as compared with a loss of RM102.2mil in 2017.

This achievement was primarily due to increase in work progress for existing construction projects throughout the year and the positive outcome of the claims with



One of the elevated MRT stations built by Naim in Peninsular Malaysia

the clients for our 6 stations' MRT project as aforesaid mentioned.

## Other Segment

This segment recorded revenue of about RM25.7mil in 2018, a decline from that of 2017 which recorded RM34.1mil, and accounted for some 4.2% contribution to overall group revenue. At the same time, the segment also reported higher loss, from RM1mil loss in 2017 to RM11.5mil loss in 2018.

The performance was mainly due to lower trading sales, which was about 54% lower than that of 2017, and the impact of loss allowance of RM10.1mil made against some trade receivables following the adoption of MFRS 9.



Naim Sapphire Deluxe Show Unit (Type B):  
CONTEMPORARILY LUXURIOUS

**Associate Company – Dayang Enterprise Holdings Bhd. (Dayang)**

Dayang reported an unaudited net profit of about RM164.2mil in 2018, as compared with a loss of RM144.9mil in 2017. The improvement in performance was mainly due to higher maintenance work orders performed during the year\*. (Source: Latest Quarterly Result as published in [http://www.desb.net/financial\\_information.html](http://www.desb.net/financial_information.html))

**OPERATIONS REVIEW**

**Property**

Leveraging on the market demand for affordable residential properties, we continued to launch various affordable landed homes within our beautiful lakeside development in Miri called Naim SouthLake Permyjaya. These homes, namely the Naim Eden Villa single storey semi-detached home, Naim Primrose single storey terraces homes and Naim Pine Ville single storey terrace homes have achieved more than 90% take-up as at end of 2018.

Meanwhile, our Naim Sapphire Condominium Homes located within our flagship Naim Kuching Paragon integrated development continued to garner attention despite softer buying interest for upper-mid properties. We have also attained the occupation permit for Naim Sapphire’s first tower, the Classic tower during the year. We have achieved more than 85% take-up for that tower, with sales ongoing for the Deluxe tower.



Naim Eden Villa single storey semi-detached home



Naim Pine Ville single storey terrace home

# Review Of Performance And Operations (continued)



Over in Bintulu, works for Naim 'The Peak' Condominium Homes, Sarawak's tallest condominium tower located within our flagship Naim Bintulu Paragon integrated development were also progressing, with works reaching level 32 as at end of 2018. We also unveiled the development's new show units, themed 'Rustic Charms' and 'Nordic Home'. The show units received encouraging response from the local community.

On the sales and marketing front, our major Naim 'Rewards Campaign' promotion continued to receive good response. Some of our other initiatives to drive sales during the year included targeted roadshows and expos, previews for banks' high net-worth customers, private investment talks and many more.

## Construction

Our key ongoing projects were:

- Pan Borneo Highway (Pantu Junction to Batang Skrang section)
- KPJ Miri Specialist Hospital
- Tanjung Manis Housing project
- SPNB Desa Bahagia housing project
- UCTS Phase 2 project

Due to the great effort of our Pan Borneo Highway project team, our works package was adjudged the 'Best Overall Performing Works Package' by the Lebuhraya Borneo Utara's (LBU) project assessment system (PROJAS)



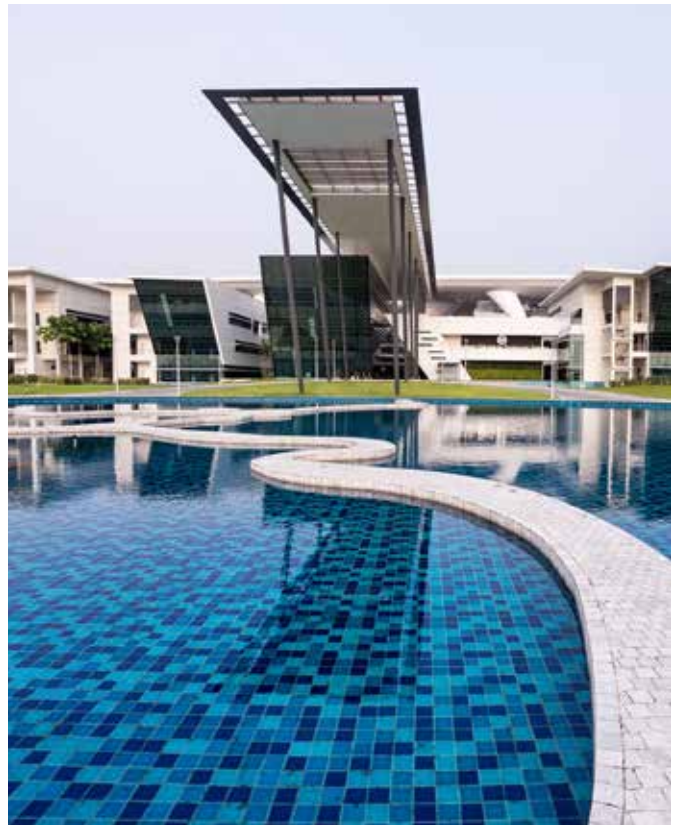
Naim "The Peak" Show Unit (Type D): A NORDIC HOME



Naim "The Peak" Show Unit (Type B): RUSTIC CHARMS



SPNB Desa Bahagia housing project



UCTS Phase 2 project



Tanjung Manis Housing project



Datuk Hasmi Hasnan receiving the PROJAS award from The Right Honourable Chief Minister of Sarawak

award. PROJAS is a tool to measure and evaluate the works package contractors (WPCs) on their construction management comprising 10 assessment components which include among others, works planning, risk, contracts and health, safety and environment and quality.

During the year, continuous measures to improve efficiency and cost control, project monitoring and risk management system were also carried out to ensure projects were on track.



Recent site progress photo of KPJ Miri Specialist Hospital



## Review Of Performance And Operations (continued)



Perspective of Fairfield by Marriott Hotel @ Naim Bintulu Paragon - Presidential Suite Room (Living room)



Perspective of Fairfield by Marriott Hotel @ Naim Bintulu Paragon - Presidential Suite Room (Bedroom)

### Other segment

Works for our first hotel, Fairfield by Marriott upscale hotel at Naim Bintulu Paragon were progressing, with the hotel's commencement of operations expected to be in Q4 2019. The hotel is expected to be the first international hotel in Bintulu and one of the pioneer hotels under the Fairfield by Marriott brand in Malaysia.

Over in Miri, our Naim Permy Mall has achieved close to 80% tenancy and yielding reasonable return on investment. Additionally, more focus was accorded to brand the Mall as a fun place to be through the organizing of interesting family-related events and other events. More activities were also held to increase engagement with the Mall's tenants towards relationship building.



Giant Hypermarket, Naim Permy Mall's anchor tenant



RHB Bank, Petronas Office & Public Bank @ Naim Bintulu Paragon



Naim Bintulu Tanglung Festival @ Naim Street Mall

2018 also saw the influx of gourmet food and beverage tenants to Naim Bintulu Paragon's Street Mall such as Bintulu's popular F&B operator, Eve Garden and 'Lada Merah', a F&B outlet operated by Malaysia's renowned F&B chain, Asian Taste. Other operators establishing their presence within the street mall also include a popular childcare centre 'Little Averroes'. Besides these tenants, Naim Bintulu Paragon also welcomed RHB Bank which commenced operations in November 2018, adding value to the footfall to Naim Bintulu Paragon.



Naim Christmas Bazaar @ Naim Street Mall

# Sustainability Statement



Sustainability is defined as focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. The concept of sustainability is composed of three pillars: economic, environmental and social - also known informally as profits, planet and people. Sustainability emerged as a component of corporate ethics in response to perceived public discontent over the long-term damage caused by a focus on short-term profits.\*

The Board recognizes that it has a unique role to play to integrate sustainability and Environment, Social and Governance (“ESG”) issues to the forefront of corporate strategy.

Being a property developer and contractor, sustainable developments are implemented during the planning system and the themes shall cut across every aspect of the design and construction activities.

**POLICY**

**1. Mission Statement for Sustainable Property Developer and Construction Contractor**

“We aim to be the industry leader in responsible property development and construction, contributing to a sustainable world and better financial future for our customers”

In this connection, the Board acknowledges that some of the 17 global goals for sustainable development as set by the United Nations Assembly in 2015 are applicable to our business activities. The said global goals are as follows:



\* Source: *Investopedia*

**2. Scope**

This Policy applies to all operations in which Naim Group operates and holds its assets.

**3. Commitment**

Naim Group commits to:

- Supporting the well-being of the communities;
- Reducing the greenhouse gas, energy, water and waste footprint and conserving biodiversity;
- Applying a sustainable development approach to our development projects;
- Providing employment conditions that help attract and develop its employees and supports their wellbeing;
- Ensuring a health and safety in our corporate offices and shopping malls.

**KEY FOCUS AREAS**

Naim Group’s Key Focus areas are as follows:



Naim Group will take a practical, measurable and accountable approach including:

- a. Actively identifying potential environmental, social and governance risks and affiliates;
- b. Engaging its key stakeholders to understand relevant ESG issues;
- c. Integrating sustainability into its day-to-day operations and culture while continuously improving on this.










# Sustainability Statement (continued)

## KEY SUSTAINABILITY MATTERS

Naim Group embeds sustainability considerations in its business strategy and leverages sustainability to reduce risks, at the same time take advantage of the business opportunities. The Economic, Environment and Social (“EES”) risks and opportunities are wide-ranging.

The Company is increasingly recognizing that sustainability is an issue which it has to be addressed and to include in the initial planning about the proposed development schemes.

The following sustainability considerations have always been the key considerations of the Company when planning a new development:

Sustainability material matters	Key Indicators/Considerations	Relevant Sustainability Development Goals
Urban Sustainable Development	<ul style="list-style-type: none"> <li>• Availability of approximately 2,500 acres of land bank</li> <li>• Availability of funding</li> <li>• Availability of manpower and resources to implement the project</li> <li>• Development of affordable housing to meet the needs of the community</li> </ul>	 
Climate Change	<ul style="list-style-type: none"> <li>• Flooding</li> <li>• Site infrastructure</li> <li>• Process improvements to review business processes and to remove duplications/redundancies and ultimately to reduce the amount of paperwork</li> </ul>	 
Green Design & Habitat Conservation	<ul style="list-style-type: none"> <li>• Taking into consideration other amenities that could be lost or gained by the development</li> <li>• The layout and orientation to maximize the use of natural resources</li> <li>• Protection and preservation of natural watercourses, lakes and buffer zones wetland so that they can continue to provide habitat for many aquatic plants and animals examples of our development at along the river bank of Sarawak River, the Naim Riveria apartments in Kuching, Sarawak and Naim South Lake Clubhouse in Miri, Sarawak</li> <li>• Facilities such as walking, jogging track, park and greeneries as oxygen hubs and other recreational facilities</li> <li>• Roads and traffic infrastructure to improve the flow of traffic thereby reducing greenhouse gas emission and energy wastage</li> <li>• Designs - Use of natural ventilation and enhance penetration of daylight to interior spaces to reduce need for artificial lighting</li> </ul>	   
Community Development	<ul style="list-style-type: none"> <li>• Donations and financial aid</li> <li>• Corporate social responsibility activities contributing to social developments such as :               <ol style="list-style-type: none"> <li>i. community hall and church in Bengoh Re-settlement Scheme, Kuching</li> <li>ii. mosque in Naim Bandar Baru Permyjaya, Miri</li> <li>iii. schools and training centres in Naim Bandar Baru Permyjaya Miri,</li> <li>iv. KPJ hospital in Naim Bandar Baru Permyjaya, Miri</li> </ol> </li> </ul>	  

Sustainability material matters	Key Indicators/Considerations	Relevant Sustainability Development Goals
Customer satisfaction and brand reputation	<ul style="list-style-type: none"> <li>Customer Satisfaction Survey</li> <li>Customers' feedbacks</li> <li>Engaging buyers</li> </ul>	
Ethics and integrity	<ul style="list-style-type: none"> <li>Anti-Fraud Policy</li> <li>Code of Conduct and Business Ethics</li> </ul>	
Occupational Health & Safety	<ul style="list-style-type: none"> <li>Compliance to Occupational Safety &amp; Health Act ("OSHA") 1996</li> <li>Lost-Time Injury ("LTI"),</li> <li>Lost-Time Accident ("LTA")</li> </ul>	 
Jobs and business for the local community	<ul style="list-style-type: none"> <li>Create job opportunities for the community</li> <li>Create business opportunities for the local community</li> </ul>	  
Talent Retention	<ul style="list-style-type: none"> <li>Employee KPI</li> <li>Employee benefits and welfare</li> <li>Employee retention plan</li> </ul>	
Training & Development	<ul style="list-style-type: none"> <li>Talent development and skill enhancement training</li> <li>Employee diversity</li> </ul>	
Gender diversity	<ul style="list-style-type: none"> <li>Equal pay regardless of gender</li> <li>Health and well-being programmes</li> </ul>	

## Sustainability Statement (continued)



### NAIM'S CONTRIBUTION TO THE COMMUNITIES AND NATION'S ECONOMY

At Naim, we strongly believe that building a strong business and a better world are essential for long-term success, as businesses cannot succeed if the world fails. As such, be it our operations or our corporate responsibility initiatives, our efforts are driven by a sincere passion to make a difference in people's lives – we stay firm in our stand that this passion is the only 'investment' that never fails.

Armed with this belief and for more than 20 years, Naim Group has evolved from a low cost housing developer into one of the leading property developer and construction companies in Sarawak. The Group has developed a wide portfolio, comprising low, affordable and prime residential and commercial developments in Sarawak. The Group is also no stranger to philanthropy and corporate social responsibility efforts, via its charitable arm, Tabung Amanah Naim established in 2004.

Due to our perseverance and efforts, we have been humbled and honoured by the 34 awards and accolades received over the years, comprising industry, occupational health and safety, environment, corporate responsibility, quality and shareholder value awards, the latest being the prestigious Star Property Awards 2019, in the category of 'Borneo Star Development' award, for its Naim Sapphire Condominium Homes (Kuching) and Naim 'The Peak' Condominium Homes (Bintulu). We were also a 5-time winner of the coveted Sarawak Chief Minister's Environmental Award (CMEA) in the 'Large Enterprise (Construction)' category, including the award's 2018 edition, a testament of our commitment towards environmental conservation.



Datuk Amar Hamed accompanied by Naim staff receiving the award for Naim Sapphire Condominium Homes



Datuk Hasmi Hasnan receiving the award for Naim "The Peak" Condominium Homes



Naim's Leong Su Min receiving the award from YB Datu Haji Len Talif Salleh, Assistant Minister for Urban Planning, Land Administration & Environment Sarawak

The Group will continue to strengthen its business fundamentals, operationally and financially, and to continue to deliver a steady and sustainable performance over the long term.

The Group also seeks to play an increased role in the building of affordable homes to facilitate greater home ownership, in line with the Government's efforts regarding the same.

### **SUSTAINABLE LAND BANK**

Naim Group has approximately 2,500 acres of remaining land bank strategically located throughout Sarawak which will sustain the Group's property development activities over the period of medium to long term.

### **SUSTAINABLE PLANNING AND DEVELOPMENT**

The planning and development activities are regulated by a broad range of policies. Sustainable considerations are essential to balance our economic, environmental and social needs and at the same time, help prevent the over consumption of key natural resources.

While our planning team and feasibility study team shall ensure that the development is economically viable, we acknowledge that the design of our products will have both direct and indirect impacts on the environment and society as a whole.

As such, our sustainable considerations include the following:

- Using natural resources efficiently;
- Arising from the outcome of customers' feedbacks and customers satisfaction surveys, efforts will be undertaken to further improve customers' satisfaction;
- Engaging potential buyers;
- Enhance property value from investment in our properties.

As we believe that a sustainable site plan can still meet the Group's projects goals at the same time having the least environmental impact, we strive to integrate green initiatives in our project implementation. Our green initiatives are as follows:

- Prevent and control erosion caused by construction such as clearing and grading;
- Preserve, protect and plant trees and vegetation;
- Avoid disruption along stream corridor; and
- Provide vegetative buffers for bodies of water.

### **SUSTAINABLE SUPPLY CHAIN**

We are committed to supporting business operation and capacity building in relation to a diverse group of suppliers.

Our commitment to our S.P.I.R.I.T.E.D cultural core values of "Service, Professionalism, Integrity, Respect, Innovation, Teamwork, Empowerment and Determination" extends beyond our own operations.

We also practise fair and ethical relationships with our suppliers and contractors. The suppliers and contractors are required to align to these values to ensure operational efficiency in our principles of sustainability. Our principles of Sustainable Supply Chain are as follows:

- Respect for human rights;
- Compliance with applicable International and Local laws including all environmental, health and safety and labour laws;
- No illegal employees or labourer and no forced or compulsory labour;
- No child labour;
- Equality and diversity;
- Freedom of association as far as the law permits;
- We are working to reduce environmental impacts and promote environmental-friendly policies such as improving products efficiency, reducing wastage, noise, dust and other pollutants, protecting biodiversity.

### **BUY LOCAL**

All our contractors are local based and about 80% of our suppliers are locals. The benefits of buying local are:

- Improve the economy;
- Better familiarity as to provider of the product/service;
- Create jobs for the local community;
- Better customer service;
- More personalized service.

### **RELATIONS WITH SUPPLIERS AND CONTRACTORS**

Naim Group deals with preferred suppliers who have provided proven records of timely delivery and quality products and services, and who have also taken initiatives for innovations that meet our sustainability requirements.

Suppliers and contractors are required to comply with all relevant national laws affecting their business operations.



# Sustainability Statement (continued)

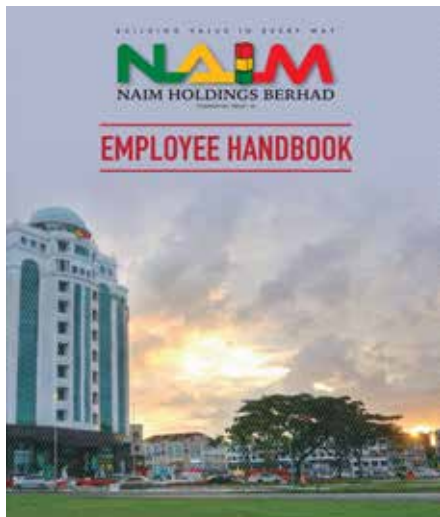
## SUSTAINABLE ETHICS AND VALUES

### Code of Ethics

Our Code Ethics provides the principles and standards of Business Ethics of the Group. The Code of Ethics spells out the expectations of employee behavior and conduct at work. The Code of Ethics is available to all employees and can be accessed from the Employee Handbook.

### Anti-Bribery and Corruption

The Naim Group's Employee Handbook prohibits employees from accepting cash or non-cash gifts, gratuities, entertainment, airline tickets, use of vacation property, or hospitality of any form. Likewise, we will not provide gifts whether cash for non-cash to entice anyone to act improperly in order to gain commercial advantage(s).



## SUSTAINABLE ENVIRONMENT

At Naim, we are committed to lending a help to Mother Nature by integrating environmental care practices and features into our daily operations and property developments. We remain mindful of our role as custodians of the ecosystems we operate in, to product our environment for the benefit of future generations.

### Energy / Resource Conservation

Naim is constantly introducing initiatives to reduce energy consumption and generate savings on operating costs. Our initiatives are as follows:

#### 1. Energy Consumption Reduction

- Enhance penetration of daylight to interior spaces to reduce need for artificial lighting;
- Natural ventilation to reduce the need for air conditioning;



- Staff are required to turn off the lights, computers and air-conditioners whenever they leave the office especially during lunch hour or when they are out of the office;
- With the advancement in technology, staff may not be required to be at the work station after office hours as they are able to work from home where required;
- Communicating through teleconferencing and video conferencing reduces carbon emissions produced by transportation.

#### 2. Energy Efficiency

- Installation of energy efficient lightings such as LED lights;
- Standardization of the central air conditioning temperature.

#### 3. Reduce resources from cultivation of Green Habits

- Increased use of softcopies to reduce paper consumption;
- Double-sided printing to reduce paper consumption and storage space.



The 30-acre lake at Naim SouthLake Permyjaya, Miri



Naim Riveria Bay apartments at Kota Samarahan

### Sustainable Design for Energy Conservation

The elements of Sustainability have been embedded in our design and planning. Our completed Naim Bintulu Paragon's Street Mall is a testament of our efforts to move towards the Green Plan whether knowingly or unknowingly it has become our culture in the direction of the green revolution. The energy efficient design includes design allowing the capturing of natural daylight to minimize the use of artificial lights hence reducing electricity consumption and its design features of high roof, solar insulation and maximum ventilation which further reduces the energy consumption to cool internal spaces.

### Preserve Biodiversity and Protection of Ecosystems

Biodiversity preservation is critical for sustainable development. Besides being essential in protecting the ecosystems, its multiple other benefits can be seen from the aspect of aesthetics and recreation.

Our initiatives in biodiversity conservation are as follows:

- Preserve the lake at Naim SouthLake Permyjaya, Miri by locating a Clubhouse by the lakeside for recreational activities via an array of facilities including an Olympic-sized swimming pool, children pool, gym, squash court, badminton court and cafeteria;
- Preserve the riverbanks along the Naim Riveria apartments and provide jogging tracks around the apartment;
- Roadside landscaping;
- Transplanting trees in wetland at Rambongan.



Naim Street Mall @ Naim Bintulu Paragon with natural lighting

# Sustainability Statement (continued)

## Waste Management: Management of Construction Waste

The collection, storage and disposal of construction waste are undertaken in compliance with the requirements of the Environmental Quality Act and Regulations. Storage sites are provided for temporary storage pending disposal.

Construction leftovers will be segregated for re-use, recycling and recovery of waste to reduce the cost of materials and at the same time minimize wastage. Debris, tree stumps, rubble, dirt, rock are disposed in landfills.

Old shipping containers may be modified and reused as construction site office and workers' camp. When the project is completed, the shipping containers, if in good condition, will be transported to a new construction site for re-use.

## SUSTAINABLE PRODUCTS AND SERVICES

### Changing Marketing Landscape

The marketing landscape has changed with the times. Computing power has increased by many folds. At the same time, the Internet of Things ("IoT") is digitally conquering the world in a massive way. In order to stay relevant, the Group has to embrace these changes, one of which includes digital marketing for its developments.

### Customers' Satisfaction

One of our key stakeholders is our customers and to gauge whether their requirements are met, the sales and marketing division undertakes yearly Customer Satisfaction Surveys.

Customer Satisfaction scores for 2018 are as follows:

Product Satisfaction	<b>89%</b>
Service quality satisfaction (sales & customer service unit)	<b>89%</b>
Overall experience (the entire value chain)	<b>81%</b>

We hope to implement a digitalized Customer Satisfaction Survey in the near future.

## CONTRIBUTIONS TOWARDS BETTER COMMUNITIES

At Naim, we believe that our communities define our future. This became the very core of our existence – to make a difference in every life we touch and a force for good within our communities. Ultimately, we seek to strengthen our communities by driving a positive change at all levels thereby creating a better life and future for all.

The following highlights our key initiatives in 2018.

### Tabung Amanah Naim Academic Excellence Awards Programme (July – December 2018)

Launched in 2016, the awards seek to honour students who have achieved excellent performance in secondary schools and provide financial assistance to deserving students, in our effort to promote academic excellence among the younger generation. A total of 17 secondary schools in Sarawak come under the programme.



### Naim contributes RM50,000 to LAKMM (July 2018)

The Tabung Amanah Naim made a contribution of RM50,000 to the Miri Malay Charitable Trust Board (Lembaga Amanah Kebajikan Melayu Miri, or LAKMM) in an effort to lend a hand to the less fortunate members of our communities.



**Naim contributes RM10,000 To UNIMAS in aid of underprivileged students (August 2018)**

As part of our outreach programme to assist the deserving sections of our communities, we contributed RM10,000 to the UNIMAS WAQF and Endowment Fund, which will be used to support underprivileged students as well as improve the quality of higher education in Sarawak.



**Naim's voluntary fire-fighting team helps put out bushfires in Miri (September 2018)**

Our fire-fighting team sprung into action to help authorities put out bushfires at Miri's Kuala Baram area. Comprising of more than 10 staff volunteers, the team was formed more than 10 years ago as part of Naim's corporate social responsibility initiatives and has since then played an active role in helping authorities to put out bushfires at the area.



**Naim helps create environment conservation awareness with Tzu Chi (November 2018)**

In its quest to facilitate a greener environment, we collaborated with Tzu Chi Foundation Malaysia, an international humanitarian organisation and non-governmental organisation (NGO) focusing on various charitable causes for the '3Rs – Reduce, Reuse and Recycle' programme in Bintulu. The programme involved sharing sessions on recycling and various recycling activities involving public members.



**Naim and SPNB to build a recreational park In Vista Perdana Phase 2, Miri (November 2018)**

Naim will collaborate with Syarikat Perumahan Negara Berhad (SPNB), a company owned by the Minister of Finance (Incorporated) under the supervision of the Ministry of Housing and Local Government, to jointly contribute a recreational park in Vista Perdana Phase 2 as part of their corporate social responsibility commitment. Vista Perdana Phase 2 is a residential development by SPNB which features a range of affordable properties in Miri.

The park aims to encourage nearby residents to adopt an active and healthier lifestyle, and will feature beautifully landscaped and equipped with various facilities including a children's playground, jogging pathway and activities corner.



**Naim organizes Christmas Charity Bazaar in aid of charitable organisations (December 2018)**

We organized the event in Bintulu comprising a Christmas Bazaar, live benefit concerts and other events in an effort to raise funds for designated charitable bodies there.



We support improving the lives of local communities by offering opportunities for better education, health and well-being through donations and financial assistance.

# Sustainability Statement (continued)



## SUSTAINABILITY AND REGULATORY CONTROLS

We are ISO 9001: 2015, ISO 14001: 2015 and OSHAS 18001:2007 certified and we recognize the importance of managing our environmental footprint and at the same time enhancing the green features in our design and infrastructure.

Complying with regulations to ensure that all the processes and system are in place in our daily operation. The regulations that we complied with, in reducing our Economic, Environmental and Social (“EES”) impacts are as follows:

### COMPLIANCE

- ✓ Environmental Quality Act 1974 and its amendments
- ✓ Environmental Quality (Scheduled Wastes) Regulations 2005
- ✓ Environmental Quality (Industrial Effluent) Regulations 2009
- ✓ Environmental Quality (Sewage) Regulations 2009
- ✓ Environmental Quality (Clean Air) Regulations 2014
- ✓ Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015
- ✓ Natural Resources & Environment Ordinance 1958 – NREB (Requirements for Sarawak )
- ✓ NREB (Prescribed Activities) Order 1994
- ✓ Wildlife Protection Ordinance 1998
- ✓ The Sarawak Rivers Ordinance 1993

## COMPLIANCE

- ✓ Control of Supplies Regulations 1974
- ✓ Factories and Machinery Act 1967
- ✓ Factories and Machinery Act 1967 (Fencing of Machinery and Safety) Regulations 1970
- ✓ Factories and Machinery Act 1967 (Safety, Health and Welfare) Regulations 1970
- ✓ Construction Industry Development Board Malaysia Act 1994
- ✓ Uniform Building By-Laws 1984
- ✓ Fire Services Act 1988 – Act 341
- ✓ Occupational Safety and Health Act 1994
- ✓ Occupational Safety and Health Act 1994 (Safety and Health Committee) Regulations 1996
- ✓ Personal Data Protection Act 2010 Act 709
- ✓ Minimum Wages Order 2016
- ✓ Employment Act 1955
- ✓ Employees Provident Fund Act 1991
- ✓ Employees’ Social Security Act 1969
- ✓ Employment Insurance System Act 2017
- ✓ Income Tax Act 1967
- ✓ Labour Ordinance (Sarawak Cap. 76)
- ✓ Industrial Relations Act 1967
- ✓ Minimum Retirement Age Act (order 2016)

## OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (“OHSE”)

We strive to promote a safe and healthy work culture. This includes ensuring quality in our products and services delivered to our customers.

As part of our commitment to Quality, Health, Safety and Environment (QHSE), our policy along with our integrated management system are periodically reviewed to ensure their relevance, adequacy and effectiveness.

In compliance to legal and other requirements, Health, Safety and Environment (“HSE”) Committees are established for offices and project sites. Each committee comprises a Chairman, Secretary, representatives of the employer as well as representatives of the employees.

Our project sites are registered with Construction Industry Development Board (CIDB) and Department of Occupational Safety and Health (DOSH). In addition, DOSH does random audits at our sites to ensure compliance.

Naim engages DOSH registered Safety Offices to enforce safety requirements at our project sites. Standard Operating Procedures (SOP) are in place to ensure compliance.

Our company was audited by DOSH in 2018 for their Programme MOVE (Managing OSH through Vendors and Entrepreneurs). Naim was awarded grade B.

For the record, there was no record of Loss Time Injury (LTI) and Loss Time Accident (LTA) for the entire year of 2018.

We are also pleased to advise that we have achieved 500,000 manhours without LTI for the Tanjung Manis housing project

HSE PERFORMANCE & STATISTIC		2018 (til Dec)
<b>TOTAL SAFE MANHOURS WORKED</b> TOTAL ACCUMULATIVE MANHOURS WORK WITHOUT LTI TODATE 33,608,538		5,962,621
SAFETY		Year (2018)
Fatalities	FAT	Nil
Lost Time Incidents	LTI	Nil
Lost Workday Cases	LWC	Nil
Restricted Workday Cases	RWC	Nil
Medical Treatment Cases (major)	MTC	Nil
First Aid Cases (<4 days MC)	FA	3
Total Recordable Cases (sum FAT, LWC, MTC, or RWC)	TRC	Nil
Near Miss Incidents	NM	Nil
Fire Incidents	FI	Nil
Lost Time Injury Frequency Rate	LTIFR	0.00
Total Recordable Injury Frequency Rate	TRIFR	0.03
ENVIRONMENTAL		Current Year (2018)
Loss of Primary Containment (recordable)	LOPC	Nil

## COMMITMENT TO QUALITY

As part of our commitment to Quality, Health, Safety and Environment (“QHSE”) Policy, the Group introduced various policies such as Zero Defects Policy and Healthy Workplace and Zero Accident Policies, which culminated in the formulation of our QHSE Charter in 2010.

Our QHSE Management is a coherent system of ISO 9001:2008 Quality Management System, OHSAS 18001:2007 Occupational Health & Safety Management System and 14001:2004 Environmental Management System and is recognised by the Intertek International (previously known as Moody International).



## Sustainability Statement (continued)





# Developing Team Naim

A key factor in promoting sustainability relates to the need to develop organisational strength and talent, and to maintain the well-being of our team members. We greatly value the contribution of each of our team members, and we continuously work together in relation to career development plans and in addressing our team members' needs at the workplace.



# Sustainability Statement (continued)



Management Development training for mid-managers in progress

Our holistic approach towards talent development and management, supported by the S.P.I.R.I.T.E.D. core values as 'lived and breathed' by our team members, have helped us in building a resilient Team NAIM in our journey towards sustainability.

## Fostering a Conducive and Happy Work Environment

We are committed to provide a conducive and happy work environment for our team members through multiple approaches such as our continued focus on occupational health and safety, one-to-one employee engagements and talent development initiatives.

Some of our key activities include health and safety-related campaigns throughout the year, the 'Loving & Living Ownership, Accountability & Follow Through' (L.O.A.F.) personal development campaign, Management Development Programme for succession planning, scheduled town hall sessions, mentoring and coaching activities and annual Employee Engagement Survey.

## Talent Retention

Attracting and retaining talent remains our top priority. Apart from a set of standard compulsory competitive and comprehensive benefits including base salary, insurance benefits, medical coverage and contribution to the employees' provident fund, we invest heavily in developing our team members' skills, creativity and talent.

Hence, we were indeed honoured to have been conferred the prestigious Malaysia's Best Employer Brand Award 2018 by the World HRD Congress, which was our



Facilitator-trainee engagement session in progress

3rd consecutive win of the award. The award bore testimony of our continued commitment in developing and enhancing our human capital to drive our business growth, performance and transformation.

## Employee Development

We believe in the importance of job satisfaction in helping our team members achieve their full potential. Our initiatives in this regard are based on the following pillars:

- Open communication
- Scheduled triannual performance review, which includes self-assessment and face-to-face discussions with the Performance Manager on the setting of KPI, mid-year review and final review.
- Training and development interventions, which include that for soft skills and roles specific training to technical skills and leadership development (internal or external programmes)



All smiles - Naim Annual Dinner 2019 (Miri Region)

We also have a specific developmental programme called the Management Development Programme (MDP), which aims to build a healthy talent pipeline for our future business growth and as part of our succession planning initiatives. MDP provides a series of programmes for team members who have been selected based on their attitude, potential and work performance-related criteria, in an effort to groom them for higher positions with greater responsibilities. The programme motivates our team members, at the same time inspires them to be the best they can be at work.

**Workforce and Workplace Diversity**

We encourage workplace diversity and provide equal opportunity for all team members – all team members regardless of age, gender, race, religion, nationality and education work in harmony and have equal opportunity to succeed.

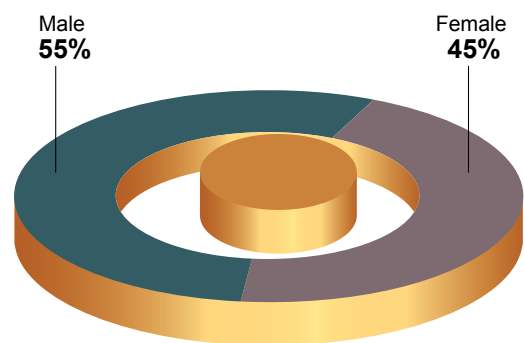
We are committed to fair employment practices and a workplace free from any kind of discrimination, harassment or intimidation of employees.

Recruitment and selection are based on merit, efficiency, effectiveness, qualification and ability, diversity and other ethical values.

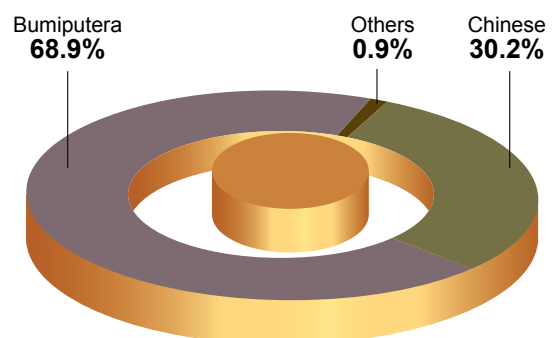
We also believe in recruiting the best talent available and developing them to realise their full potential. As at 31 December 2018, out of our total monthly paid staff, approximately (54%) holds tertiary and technical qualification consistent with our objective to absorb more young graduates and technically qualified persons into the workforce. Among our executive level employees, (57%) possesses professional and/or postgraduate qualifications.

We have also increased the participation of women in our workforce, with an increase of (3%) in 2018 as compared with 2017.

**Manpower Distribution for Monthly Paid Employees by Gender as at 31 December 2018**

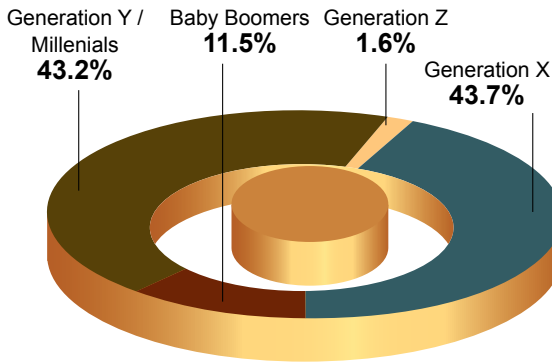


**Manpower Distribution for Monthly Paid Employees by Ethnicity as at 31 December 2018**

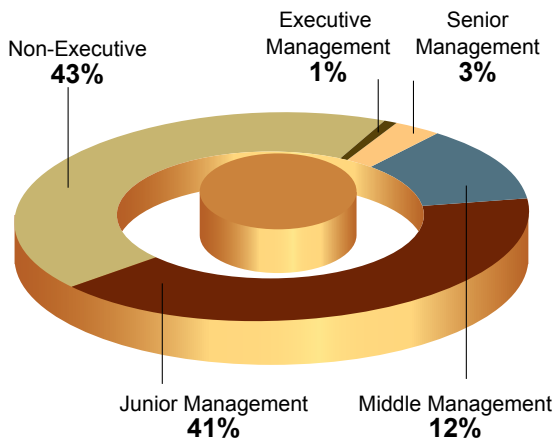


# Sustainability Statement (continued)

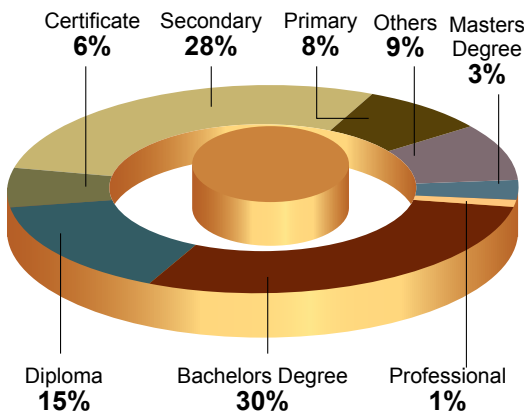
## Manpower Distribution for Monthly Paid Employees by Workforce Generation as at 31 December 2018



## Manpower Distribution for Monthly Paid Employees by Job Category as at 31 December 2018



## Manpower Distribution for Monthly Paid Employees by Qualification as at 31 December 2018



## Community Outreach

As a responsible corporate citizen, we encourage our team members to be involved in activities which enrich the communities within which we operate. We aim to inculcate the belief that each and every one of us can play a part in enriching lives.

As such, we created opportunities for our team members to participate in various corporate social responsibility activities. These activities included environmental conservation, community outreach programmes and many more.

We do not merely want to mould our team members into better employees, but also better people, who will appreciate the basic values of humanity.

## Internships

As part of our commitment to enrich undergraduates so that they can be better prepared for the workplace, we provided internship opportunities for 45 interns from various universities, colleges and vocational institutions in 2018.

Each intern was assigned to a specific division or department, supervised by a mentor. The performance of the intern was evaluated and those with potential were recommended for recruitment needs.

## MOVING FORWARD

This is our inaugural Sustainability Statement. We aim to entrench sustainability in our operations, culture and value system, and will enhance the measures to manage sustainability matters in moving forward. By having the 'sustainability DNA', we believe we will be able to enhance the local economy within which we operate, better protect our environment, further enrich our communities and ultimately, create more value for our stakeholders.