Performance Overview

2016 has been a challenging year for us, in a year of global economic turbulence and low crude oil prices, which had adversely affected not only Malaysia's ringgit strength, but also the property market sentiments as a whole.

Nevertheless, the property segment remained the main driver of earnings for the Group.

Property Division

Property Sales
The Group achieved a total sales value of about RM111.7million. A total of 163 units comprising residential and commercial properties were sold, and these news sales are expected to progressively contribute positively to the result of this segment within the next 2 years.

New Property Developments and Related Matters
Capitalising on the market demand for affordable residential properties, we launched our Naim EduVista apartment component in August 2016. Naim EduVista is located at Desa Ilmu, Kota Samarahan (Kuching), within the vibrant education belt comprising institutions of higher learning such as UNIMAS and UiTM, with more than 15,000 students. A 4-storey apartment development, Naim EduVista is also situated within close proximity to amenities such as medical centres and shopping mall. With a choice of built-ups from 1,114 sq.ft and its strategic location, Naim EduVista has received encouraging response from members of the public.

Perspective of Naim Edu Vista @ Naim Desa Ilmu, Kota Samarahan

Perspective: A beautiful courtyard (Naim Edu Vista @ Naim Desa Ilmu, Kota Samarahan)

Works for our Naim Sapphire On The Park high-end condominium at Naim Kuching Paragon, Batu Lintang Road are also progressing well. The facilities floor was completed during the year, with construction of its tower block recording good progress, thanks to the implementation of the aluminium system formwork technology. This technology, which ensures speedy completion and quality of works, adds value to the progress billing in relation

Perspective: The affluent Naim Sapphire On The Park @ Naim Kuching Paragon

Naim Sapphire On The Park show unit (Type A)

Naim Sapphire On The Park show unit (Type B)

Perspective: Proposed Kuching Paragon integrated development: Kuching's new central lifestyle district

Performance Overview (continue)

to the said property, generating healthier cash flow for the Group. With such good work progress on the ground, strategic location and its 'semi-detached' design concept for better layout, Naim Sapphire On The Park continues to generate significant interest in the market.

In addition to good work progress, we have also commenced works for our flood mitigation project at the Batu Lintang area in September 2016 to mitigate flood occurrences, in line with our philosophy of building value for our communities. This involves the creation of a new storm drain network alongside the current system at the Batu Lintang upper water catchment to relieve the storm flow burden on the existing drainage system. The works within our Naim Kuching Paragon development area are expected to take fifteen (15) months to complete. As Naim Kuching Paragon is one of our Group's key long-term developments projects in Sarawak commanding approximately RM2billion worth of investment, we are committed to do everything possible to protect our investment and that of our valued customers.

Having said that, there are still works outside our development area, the completion of which would require the support by and/or collaboration with the Government. We take cognizance of the recent announcement by the Government that it has allocated RM150million for flood mitigation projects in Kuching.

Proposed Flood mitigation project at Batu Lintang area, Kuching (2.5m wide box culvert at Jalan Rock (casted))

Aerial view of Naim SouthLake Permyjaya, featuring our Naim Clubhouse


Perspective: Naim Terrasse (single-storey terrace house)

Build your own home: Naim River Dale (detached vacant lot)

NAIM
TERRASSE
WILLOW MOSS PRECINCT
Single-Storey Terrace House

Over in Miri, 2016 was a hive of activities for our Miri team with the launch of various property components there. In February 2016, we launched the first batch of our River Dale detached vacant lots situated within our Naim SouthLake Permyjaya lakeside mixed township. Due to the great response towards this component, we embarked on the launch of its second batch in October 2016. In addition to the River Dale lots, we also launched our Garden Villa single storey detached house component located within Naim SouthLake Permyjaya's River View Precinct, which received encouraging response from the Miri community as well.

In addition, the launch of the KPJ Miri Specialist Hospital project in November 2016 and its scheduled commencement in 2018 have created excitement towards our upcoming shophouse development located in proximity to the said hospital. We expect to launch and commence works for this development in the first quarter of 2018, with expected completion in 2020.

Meanwhile in Bintulu, works for 'The Peak' condominium, Sarawak's tallest condominium tower located within our flagship Naim Bintulu Paragon integrated development are also progressing well. The facilities floor structure was completed during the year, with works for its tower block in progress. We will also be embarking on the aluminium system formwork technology for the tower block construction in due course, which will lead to speedy completion and good work quality, as what we have experienced with Naim Sapphire On The Park in Kuching.

Performance Overview (continue)

Naim Lifestyle Expo @ Naim Bandar Baru Permyjaya, Miri

Naim Lifestyle Expo, Naim Street Mall @ Naim Bintulu Paragon, Bintulu

On the sales and marketing front, we continued our 20th Anniversary Celebration's 'Dream Discount' promotion. Applicable to properties in Kuching, Miri and Bintulu, the promotion continued to receive encouraging response from members of the public. Another notable initiative was the 'Naim Lifestyle Expo' events held at Pusat Bandar, Miri and Naim Bintulu Paragon in November 2016. These events help to generate greater awareness and sales in these regions. In addition to the promotion and expos, we also embarked on other initiatives such as previews by high net-worth audience, roadshows, joint promotional events and many more in an effort to increase sales.

As the property market is expected to remain sluggish in 2017 due to weaker buyers' sentiment caused by various factors as aforesaid mentioned, we will adopt cautious approach in the coming year. Our product launches and pricing strategy will be implemented based on market demands and buying behaviour. Amongst the key measures implemented to sustain performance of our property segment will be more aggressive marketing strategies, target marketing and innovative products and packaging.

Moving forward, we have also planned for launches in Kuching, Bintulu and Miri throughout 2017 comprising residential and commercial properties. With over 2,500 acres of prime land bank located at Sarawak's key growth areas namely Bintulu, Miri and Kuching, we can expect a bright future for the Group. We are also looking at expanding our land bank through direct purchase of suitable land and joint ventures.

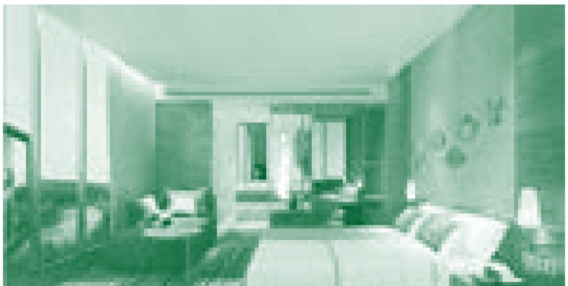
Property Investment Division

It was a busy year for the Division with various milestones achieved for Naim Bintulu Paragon. In April 2016, we inked a tenancy agreement with one of Malaysia's top 3 hypermart operators, Econsave Cash and Carry for its first hypermart branch in Bintulu. Sited within Naim Bintulu Paragon and with a size of more than 40,000 sq.ft, the hypermart will be the largest one in Bintulu.

Econsave Hypermart @ Naim Bintulu Paragon

In August 2016, we achieved another milestone as we entered into a Management Agreement with the Marriott International for the first Fairfield by Marriott hotel brand in Malaysia and Bintulu. Sited within Naim Bintulu Paragon, the 9-storey 230-room Fairfield by Marriott upscale business hotel will also be the first international hotel in Bintulu, with expected completion and soft opening at the end of the fourth quarter of 2017 and first quarter of 2018 respectively. The Group's foray into the hospitality business is expected to contribute to the Group in time to come and add value to its business portfolio.

In addition to the Fairfield by Marriott hotel, the Group has also earmarked some 90,000 sq.ft. of office space at Naim Bintulu Paragon in preparation for the commencement of tenancy by a major tenant. Renovation works in respect of the office space are in progress, and works are expected to be completed in the second quarter of 2017. The said tenancy will help create a vibrant business and retail environment at the integrated development, thereby enhancing the value of the development as a whole.


Perspective of Presidential Suite (bedroom)


Perspective of Presidential Suite (living & dining room)


Perspective of Fairfield by Marriott hotel @ Naim Bintulu Paragon

Performance Overview (continue)

The later part of 2016 also saw the incoming of other branded tenants to Naim Bintulu Paragon's Street Mall units, such as popular F&B chains, well-known lifestyle household brand, large telecommunications service providers and many more.

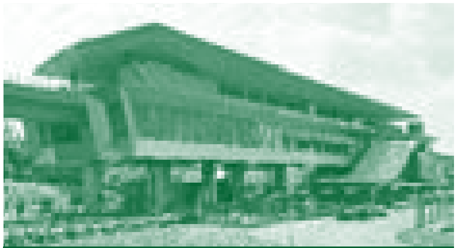
Meanwhile, Permy Mall located in Miri, our first property investment project launched in November 2011 is about 90% tenanted and yielding reasonable return on investment. Additionally, more focus was accorded to brand the Mall as a fun place to be through the organizing of interesting family-related events and other events. More activities were also held to increase engagement with the Mall's tenants towards relationship building.

Permy Mall's success and our foray into the hospitality business hotel in Bintulu have also spurred us to explore such investments in Kuching, Miri and Bintulu in the future.

Construction Division

2016 was coloured by various milestones achieved for this sector. In July 2016, we, via a joint venture (JV) with Gamuda Bhd, won a RM1.57billion total works package for the prestigious Pan Borneo Highway project. The works package was for the Pantu Junction to Batang Skrang, for a contract period of 51 months from the date of site possession.

Another highlight was undoubtedly the successful completion of our 6 elevated stations within the Klang Valley Mass Rapid Transit (KVMRT) Line 1 project in Peninsular Malaysia. Naim not only was the first East Malaysian contractor to be involved in the highly prestigious project – it was appointed to build the majority of the elevated stations and was also the first contractor to 'cross the finishing line'. This proves once and for all that East Malaysian contractors have what it takes to be at par with other big players in this sector.



Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Kwasa Sentral station)

Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Kota Damansara station)

Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Pusat Bandar Damansara station)

Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Semantan station)

Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Phileo Damansara station)

Klang Valley Mass Rapid Transit (KVMRT) Line 1 (Surian station)

Other key ongoing projects are as follows:
- SPNB housing projects
- KPJ Miri Specialist Hospital
- Tanjung Manis Housing project

Oil and Gas Division

The year under review saw works for the LNG Train 9 progressing well towards completion.

However, we are closely monitoring this sector for future opportunities, especially against the backdrop of current sectorial challenges such as uncertainty in oil and gas market, decrease in oil and gas projects and an increase in industry players.

Other Division

2016 saw various measures implemented to boost trading sales for its products, better manage cost to improve sales margins and enhance efficiency in its daily operations of this segment.

Moving forward, continuous focus would be accorded to boost sales and operational efficiency.

Associate Company – Dayang Enterprise Holdings Bhd.

Despite a decline in performance as aforesaid explained, we expect this investment to contribute positively to the Group's results in time to come due to its healthy order book and outstanding tender book as stated previously.

PETRONAS' LNG Train 9 project, Bintulu

Corporate Social Responsibility

Corporate Responsibility (CR) has become embedded in every aspects of our daily operations to ensure a sustainable environment for our stakeholders. Our CR ambitions are testament of our continued efforts to care for the environment and communities within which we operate, and build value for our stakeholders.

We are guided by the values which have been stated in our Group's vision and mission statements, and our corporate responsibilities statement, which were framed to express our goals and aspirations as a responsible corporate citizen.

Our engagement in corporate responsibility has the following objectives:

- To continue to be a successful organisation
- To influence and provide opportunities for stakeholders to make a positive contribution towards a sustainable future
- To contribute to the communities, especially those in which Naim is present, in terms of overall environmental, social and economic goals

One of our key initiatives towards this end is the establishment of Tabung Amanah Naim (Naim Trust Fund) in 2004 with the objective of providing assistance in areas namely education, relief of distress, promotion of unity through sports, arts and culture, religious worship or advancement of religion and other patriotic or charitable purposes. The trust fund is expanded on an annual basis by donations from the Group and its subsidiaries. To date, the fund has contributed more than RM4.8million for various purposes.

We have also established the Tabung Amanah Naim Scholarships since 2005, which assist deserving students in expenses related to tuition fees, lodging and books. Since its establishment, we have awarded scholarships in construction and property-related fields of study.

In addition, we have made corporate donations for various welfare, charitable, sports, religious, disasters and education purposes during the year.

We remain committed to our Triple Bottom Line – PEOPLE, PLANET, PROFIT.

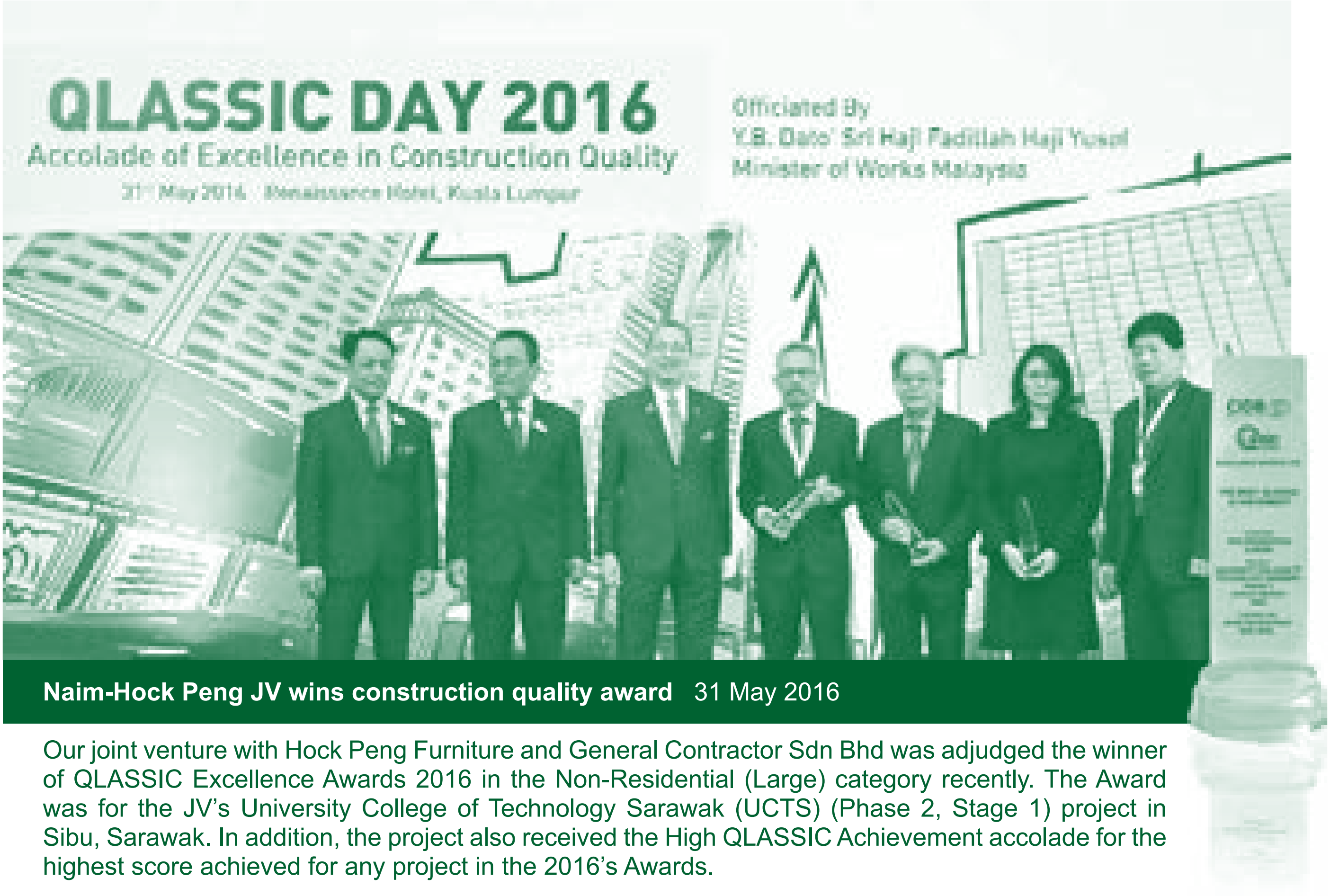
Quality, Health, Safety and Environment (QHSE) Policy

As part of our commitment to QHSE, 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.

We are determined that our activities shall not have any detrimental health and safety impact on our employees, subcontractor's employees, customers or any member of the community at large. 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).

Corporate Social Responsibility (continue)

QUALITY, HEALTH AND SAFETY



Naim-Hock Peng JV wins construction quality award 31 May 2016

Our joint venture with Hock Peng Furniture and General Contractor Sdn Bhd was adjudged the winner of QLASSIC Excellence Awards 2016 in the Non-Residential (Large) category recently. The Award was for the JV's University College of Technology Sarawak (UCTS) (Phase 2, Stage 1) project in Sibu, Sarawak. In addition, the project also received the High QLASSIC Achievement accolade for the highest score achieved for any project in the 2016's Awards.

Naim organizes 'Gotong-Royong' to fight 'Aedes' 16 March 2016

Our Miri Permy Mall team organized a 'gotong-royong' event to raise awareness on the danger of Aedes mosquitoes and as part of its efforts to fight Aedes at its surroundings.

Naim inks MoU with NREB to prevent bush fires 10 August 2016

We signed an Memorandum of Understanding (MoU) with the Natural Resources and Environment Board (NREB), in line with our effort to facilitate bush fire prevention in Miri. By Virtue of this MoU, a set of Standard Operation Procedures was established, the implementation and enforcement of which will add value to bush fire prevention.

Environmental Responsibility

Naim places high importance in environmental care. We assume environmental stewardship by integrating environmental preservation practices beyond statutory requirements into our daily operations such as utilisation of scrap materials in construction projects, incorporation of energy saving features in our products, formulation of environment-friendly product designs and stringent enforcement of related policies via 'surprise checks' by HSE-related committees.

We are delighted that our efforts have been duly acknowledged as we were adjudged the winner of the Sarawak Chief Minister's Environmental Award (CMEA)(Large Enterprise – Construction) for 2016, making it our 4th win since 2010.

Naim focuses on 3Rs 27 February 2016

We organized a programme known as the '3Rs' at our Bintulu Paragon integrated development in an effort to raise awareness on the importance of 3Rs-Reduce, Reuse and Recycle towards environmental conservation.

Bintulu

Kuching

Miri

Naim continues its 'Go Green Rocks!' Programme in Kuching, Miri and Bintulu March and April 2016

We intensified our tree planting events in these regions in collaboration with Forest Department of Sarawak. More than 150 Valued Partners participated in these activities and planted more than 1700 tree saplings in the national parks there.

Session in progress

Naim promotes conservation among Valued Partners
30 May 2016

In our effort to promote conservation, we organized a talk entitled 'The Importance of Conservation and Simple Conservation-related Daily Practices' for our Kuching Valued Partners.

Naim fights bush fires in Miri Feb-March 2016

Our team of 26 staff volunteers was deployed to various sites in Kuala Baram, Miri to help the authorities put out bushfires there. Our fire-fighting team was formed more than 10 years as part of our CSR contribution to the environment and community.

Community

At Naim, we are committed in creating more resilient and sustainable communities, and we strongly believe in making a difference in every life we touch. As such, we embark on structured initiatives to facilitate progressive change and have a positive effect on the community, encompassing areas such as advancement of education, sports, assistance to the less fortunate and the needy, and many more.

Our goal: to empower and strengthen our communities towards the creation of a better life for all.

Naim successfully raises RM5.18mln for charity at Yayasan-Naim Charity Dinner 2016
17 September 2016

We successfully raised more than RM5.18million in aid of charitable bodies and NGOs at the Yayasan-Naim Charity Dinner. Jointly organized by the Sarawak Foundation (Yayasan Sarawak) and Naim, more than 600 people comprising those from the private sector, government-related agencies, NGOs and charitable bodies attended the charity dinner held at Pullman Miri Waterfront Hotel. The Guest of Honour for the event was the Right Honourable Datuk Patinggi Tan Sri (Dr) Haji Adenan Bin Haji Satem, Chief Minister of Sarawak and the Chairman of the Foundation, while the Patron for the event was YABhg. Datin Patinggi Datuk Amar Hajah Jamilah Binti Haji Anu.

Corporate Social Responsibility (continue)

Naim contributes RM200,000 for purchase of Ophthalmology equipment 15 March 2016

In our effort to help eye patients, we contributed RM200,000 to the Sarawak General Hospital for the purchase of the 'Indirect Laser' and 'B-Scan' equipment used for paediatric opthalmology surgeries.

Naim contributes a haemodialysis machine to Bintulu Hospital 23 March 2016

In our effort to assist the increasing number of kidney patients in Sarawak, we contributed a haemodialysis machine to the Bintulu Hospital's Haemodialysis Unit.

Naim conducts sharing session with Swinburne Sarawak's MBA students
11 August 2016

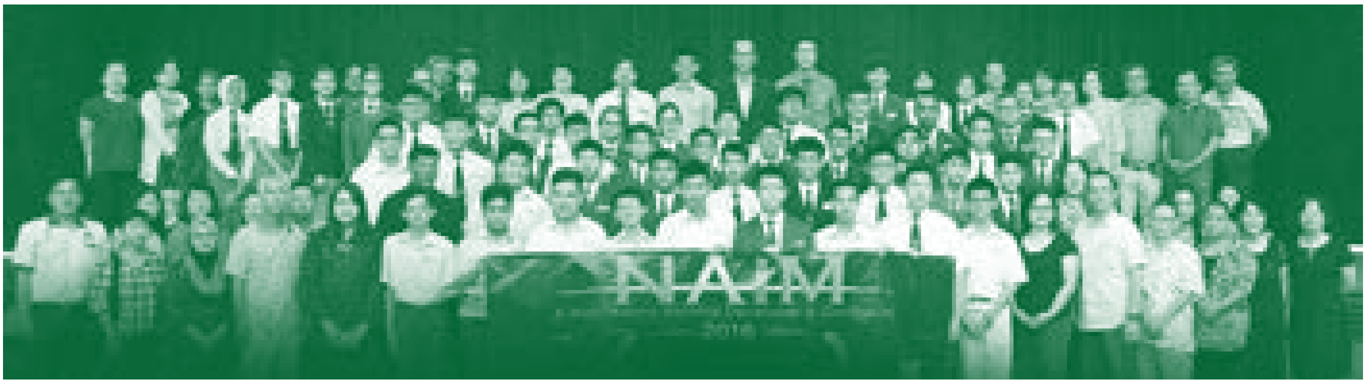
Our Head of Group HR, Andrew Chan conducted a special sharing session on human resources management practice to Swinburne University of Technology Sarawak's MBA students. The well-attended sessions was organized to help bridge the skills gap between students and the workplace.

Naim educates first time home buyers
March and April 2016

We organized a series of one-day 'First Time Home Buyer' seminars in Kuching, Miri and Bintulu in a bid to educate would-be home owners on various aspects of home ownership.

Naim and SPNB honour the 'Flying Dayak' with a house 18 October 2016 Miri

As a tribute to Sarawak's past sport heroes, Naim and Syarikat Perumahan Negara Berhad (SPNB) contributed a fully furnished single story house to Watson Nyambek, ex Malaysian 'sprint king' in Miri.



Naim launches Naim Foundation Academic Excellence Awards
September-November 2016

Naim Foundation launched its annual academic excellence awards programme, recognizing outstanding students from 17 secondary schools in Sarawak. These schools comprised national and Chinese independent secondary schools.

Internship Programme

We believe that industrial training is an integral component in empowering the young. By providing them with first-hand experience in the employment world, students would be better equipped to handle challenges in their future workplaces and moulded to become more responsible and charismatic.

We have an ongoing internship programme which provides undergraduate and graduate students opportunities to perform their industrial training with us as part of their course requirements.

Other Highlights

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Corporate Diary 2016

Naim launches Naim River Dale detached vacant lots 10 Feb 2016

Located within the scenic Naim SouthLake Permyjaya development zone in Naim Bandar Baru Permyjaya township, Miri, and right beside a 30-acre lake, the Naim River Dale detached lots allow one to build his or her dream home within a serene and secured environment.

Naim brings one of Malaysia's largest hypermart operators to Bintulu 16 April 2016

Naim inked a tenancy agreement with Econsave Cash and Carry for its first hypermarket branch in Bintulu. Sited at a strategic location within Naim Bintulu Paragon and with a size of more than 40,000 sq ft, the hypermart is the largest one in Bintulu.

Bintulu

Naim celebrates 'Fun-Tastic' labour day
1 May 2016

It was a 'fun-tastic' day for our Valued Partners when we organized our Labour Day Celebrations in Kuching, Miri and Bintulu simultaneously. Leading the celebration was our Miri team, who organized an array of exciting activities including the Labour Day Run for Valued Partners and their families, subcontractors and also Naim Bandar Baru Permyjaya residents.

Miri

Kuching

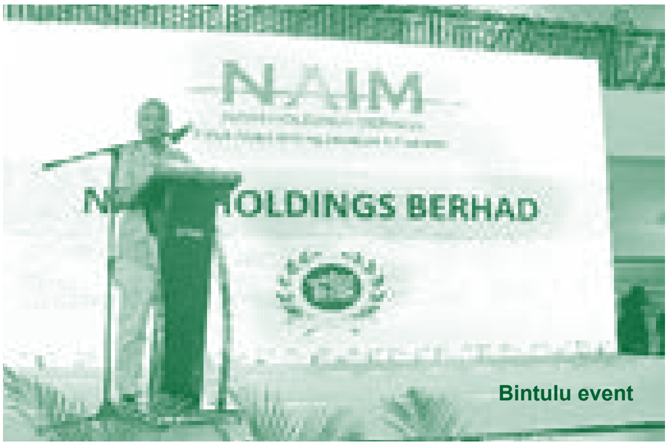
Corporate Diary 2016 (continue)

Naim brings in first Fairfield by Marriott to Malaysia 30 August 2016

It was a memorable moment as we inked a Management Agreement with Marriott International for Malaysia's and Bintulu's first Fairfield by Marriott international hotel, to be located at Naim Bintulu Paragon.

Naim launches Naim Eduvista Apartments
31 Aug 2016

Situated at Naim Desa Ilmu, within Kota Samarahan's vibrant education belt, the launch of the 4-storey Naim EduVista apartments was well-received. The apartments feature a range of built-ups catering to different lifestyle needs.



Bintulu event

Bintulu event

IT'S A WRAP! Naim organizes 20th Anniversary closing ceremony 16 October 2016 Bintulu, 19 October 2016 Miri and 25 October 2016 Kuala Lumpur

Naim organized get-togethers with Valued Partners in Bintulu, Miri and Kuala Lumpur to mark the closing of the Group's 20th Anniversary celebrations. During the events, the Group's new corporate logo, corporate video and websites were featured. In addition, various awards including long service awards and special awards were presented.

KPJ and Naim jointly organise KPJ Miri's groundbreaking event 26 November 2016 Miri

KPJ Malaysia Berhad and Naim jointly organized the ceremony to mark the commencement of construction of the KPJ Miri Specialist Hospital, situated at Naim Bandar Baru Permyjaya. The Guest of Honour was YB Datuk Seri Dr. S. Subramaniam, Minister of Health Malaysia.

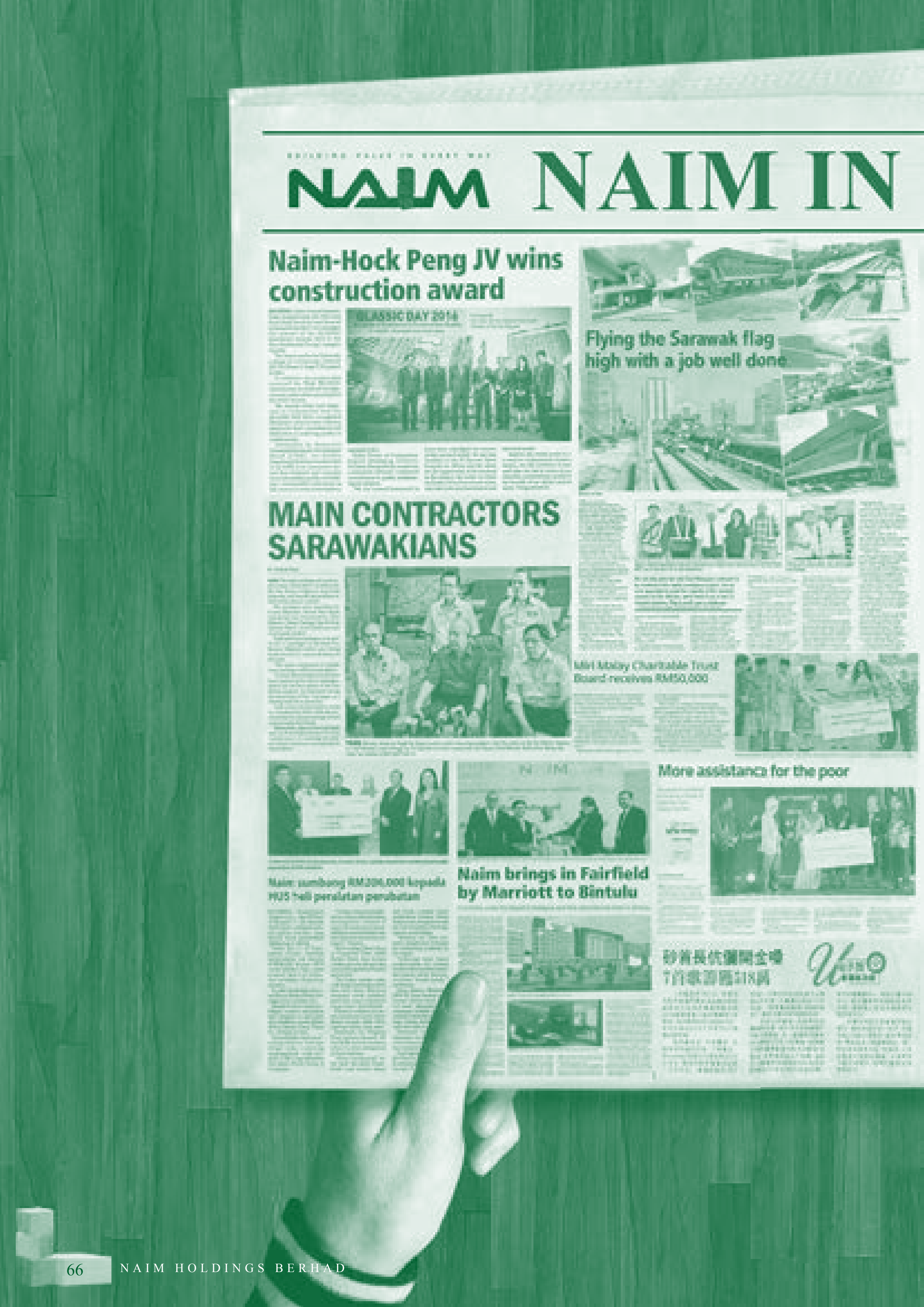
'Property Man of the Year' award

Naim celebrates Group Managing Director's achievements 19 November 2016 (SHEDA Award Night); 25 November 2016 (SCCI Award Night)


'Sarawak State Outstanding Entrepreneurship' award

It was indeed a 'double celebration' as Naim's Group Managing Director, Datuk Hasmi Hasnan was conferred the 'Property Man of the Year' award and 'Sarawak State Outstanding Entrepreneurship' award by the Sarawak Housing and Real Estate Developers Association (SHEDA) and Ministry of Industrial and Entrepreneur Development, Trade and Investment Sarawak, in association with the Sarawak Chamber of Commerce and Industry (SCCI) and Ernst & Young, respectively.

Datuk Hasmi, we salute you!


NAIM
NAIM IN
Naim-Hock Peng JV wins construction award
CLASSIC DAY 2016
Flying the Sarawak flag high with a job well done
MAIN CONTRACTORS SARAWAKIANS
Miri Malay Charitable Trust Board receives RM50,000
More assistance for the poor
Naim sumbang RM200,000 kepada HUS bagi peralatan perubatan
Naim brings in Fairfield by Marriott to Bintulu


THE NEWS
1 January - 31 December 2016
NAIM CONTRIBUTES TO TEN CHARITY BODIES
Tree planting to improve environment in state
Naim staff plant trees at Piasau Nature Reserve
Naim Run 2016 a hit with over 1,000 entries
Naim wins Malaysia Best Employer Brand Award
Kerjasama swasta, awam pacu status negeri maju
Watson presented a new house by Naim Group and SPNB
Bintulu Hospital receives donation of haemodialysis machine

Corporate Governance

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Corporate Governance Statement

A Note on Terminology: Naim Holdings Berhad is the ultimate holding company for Naim Land Sdn Bhd, Naim Engineering Sdn. Bhd. and other subsidiary companies, both direct and indirect. As the principles and practices of good corporate governance apply not only to the ultimate holding company but also to all of its subsidiaries, we have chosen to forgo the use of the term "Company" in this statement, and instead use the term "Group", which encompasses all companies operating under the control of Naim Holdings Berhad.

The Board of Directors is committed in ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group. The Board believes that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

The Board is pleased to report to the shareholders on the manner the Group has applied the principles of good corporate governance and the extent of compliance with the recommendations as set out in the Malaysian Code of Corporate Governance 2012 (MCCG 2012) throughout the financial year ended 31 December 2016. In furtherance thereto, the Board will continuously review the existing corporate governance practices throughout the Group and shall undertake appropriate actions in embedding the said principles and recommendations.

Clear Roles and Responsibilities
Principle 1 of the MCCG 2012

BOARD OF DIRECTORS

The Board of Directors plays a vital role in corporate governance. The Board endorses the overall direction of the Group, approves the Group's long term objectives, strategies, policies, annual budgets and major capital expenditures and ensures accountability to the shareholders, the relevant authorities and other stakeholders.

The Board is also responsible for the review of performance of the Group's strategies, objectives, business plans and budgets, and has oversight of the Group's operations and management.

BOARD AND MANAGEMENT RESPONSIBILITIES

The Board reviews the financial performance of the Group on a quarterly basis and it is fundamentally responsible for exercising business judgment and deliberating on value creation objectives of long-term significance to the Group. It also evaluates the performance of the management team annually against budgets or targets and other benchmarks, which are based on competitors in similar industries and business sectors.

The Managing Director and Deputy Managing Director monitor and oversee the performance of the Senior Management team, which is charged with the day-to-day management of the Group's affairs and implementation of corporate strategy and policy initiatives.

The Managing Director and Deputy Managing Director also evaluate Senior Management's performance against the plans and budgets on a monthly basis.

DELEGATION AND DIVISION OF BOARD RESPONSIBILITIES

Management, runs the business operations, general activities and administration of financial matters of the Group in accordance with established delegated authority from the Board. The Financial Authority Limits (FAL) outlines principles to govern decision making within the Group, including appropriate escalation and reporting to the Board. The FAL encompasses both the monetary and non-monetary limits of authority for recommending and approving its operational and management decision making activities prior to their execution. These delegations balance effective oversight with appropriate empowerment and accountability of the management.

Corporate Governance Statement (continue)

COMPANY SECRETARIES

The company secretaries are responsible for advising the Board on issues relating to corporate compliance affecting the Board and the Group. They are also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, conflict of interest in transactions, prohibition on dealing in securities during closed period and prohibition on disclosure of price-sensitive information. All directors and senior management have access to the advice and services of the company secretaries.

The qualification of the Company Secretaries are as follows:

Ms Bong Siu Lian, a Fellow of the Malaysian Institute of Chartered Secretaries & Administrators, who has more than 20 years of experience in the related field.

Ms Hasmiah Binti Anthony Hasbi, holds a LLB (Hons.) degree from Middlesex University, United Kingdom and MBA from UiTM. She is a member of Advocates' Association of Sarawak with 20 years of work experience.

BOARD CHARTER

The Board has formalised and adopted a Board Charter. The Board Charter sets out the role, functions, composition, operation and processes of the Board.

CODE OF CONDUCT

The Directors observe a code of ethics in accordance with the Code of Conduct as contained in the Naim Employee Handbook and the Company Directors' Code of Conduct established by the Companies Commission of Malaysia. Directors and employees are expected to uphold the highest integrity in discharging their duties when dealings with stakeholders.

ACCESS TO ADVICE AND INFORMATION

The Board, its Committees and Directors are allowed and encouraged to seek independent and/or professional advice, at the Company's expense, on any matter they consider crucial to facilitate a business judgment and decision. However, before exercising this right they are required to discuss the issue with the Chairman and Managing Director to ensure that the interests of the Group are not jeopardized and that confidentiality is maintained.

All Directors have full, free and unrestricted access to the Senior Management, Accountants, Internal and External Auditors and Company Secretaries.

All Directors are provided with timely and complete information on Board affairs and issues requiring the Board's decision. The management also provides progress reports relating to operational and financial performance of the Group.

SUPPLY OF INFORMATION

In order for the Board to deliberate effectively on the agenda of the meetings, relevant meeting papers or proposals are furnished prior to and in advance of each meeting. This enables the Board to study the facts and have productive discussion before making an informed decision at the meeting. Presentations are scheduled during Board and Committee meetings by management and/or consultants and advisors in order to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's businesses. Minutes of each Board meeting are circulated to all Directors for their review prior to their confirmation, which is normally done at the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as being a correct record of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretary.

CORPORATE RESPONSIBILITIES STATEMENT

The Group's corporate responsibilities are summarized as follows:

"To consider, monitor and ensure that our operations continue to have a positive impact on our employees, the communities we work in, and the environment that nurtures us, and to promote trust and mutual respect amongst our customers and all other stakeholders."

Please refer to page 54 to 61 for details in relation to Corporate Social Responsibility.

Strengthen Composition
Principle 2 of the MCCG 2012

BOARD COMPOSITION AND BALANCE

The number of Directors shall be determined by the Board within the limits as prescribed in the Constitution of not more than fifteen (15), taking into consideration the size and breadth of the business and the need for Board diversity.

On 23 February 2017, Mr Tan Chuan Dyi was appointed as an Independent Non-Executive Director of the Company.

The Board's current composition is as follows:

Category	No. of Directors	%
Executive Director	2	22
Non-Executive Director	2	22
Independent Non-Executive Director	5	56
Total	**9**	**100**

Notes:
Paragraph 15.02, Bursa Malaysia Securities Listing Requirements requires 1/3 of the Board to comprise Independent Directors. If the number of Directors is not three (3) or a multiple of three (3), then the number nearest 1/3 shall be used.

The Board is served by nine (9) Board Members of which, 22% are Executive Directors, 22% are Non-Executive Director and the balance of 56% comprises Non-Executive Directors who are independent. The Board is made up of a diverse group of individuals with broad experiences and accomplishments in audit, finance, property, construction, project management, engineering, oil and gas, timber, energy, public service and education. All Members have demonstrated their ability to exercise sound business judgment.

The Independent Non-Executive Directors do not participate in the routine operations and they bring unbiased guidance to the Group. They constructively challenge and at the same time contribute to the development of strategies. Being independent of management and free of any business or other relationship, they are therefore able to promote arm's-length oversight and at the same time bring independent thinking, views and judgments to bear in decision making. The Board monitors the independence of each Director on a half yearly basis, in respect of their interests disclosed by them. The segregation of duties between Executive and Non-Executive Directors is to ensure an appropriate balance of role and accountability at the Board level.

BOARD GENDER DIVERSITY

The gender composition of the Board is as follows:

Gender	No. of Directors	%
Male	7	78
Female	2	22
Total	9	100

The Board currently comprises seven (7) male directors and two (2) female directors. The Board recognises the value of having gender diversity in the Board. The Board will continue with its search for capable female candidates to increase the number of women directors on the Board.

The Board will also take initiative steps to achieve ethnic diversity, age and culture as an attribute of a well-functioning board. The Board believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance.

BOARD COMMITTEES

Each Board Committee comprises members of the Board of Directors, and is mandated to carry out specified functions, programs or projects assigned by the Board. The main objective for the establishment of Committees is to assist the Board in the execution of its duties, to allow detailed consideration of complex issues and to ensure diversity of opinions, suggestions and recommendations. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements, and the manner in which the Committee is to operate. The Committees are to ensure effective Board processes, structures and roles, including Board performance evaluation by the Nominating Committee. All matters determined by the Committees are promptly reported to the Board, through their respective Chairpersons, as opinions and/or recommendations for Board's endorsement and/or decisions.

Membership of each Committee shall be determined by the Board, acting on the recommendation of the Nominating Committee. It is the view of the Board that the size of each Committee and the blend of skills and experience of its members are sufficient to enable the Committee to discharge its responsibilities in accordance with the charter. Members of each Committee are drawn from the Board, based on their respective skills, responsibilities and areas of expertise.

The Nominating Committee comprises exclusively of non-executive directors, of whom a majority is independent.

The Nominating Committee shall periodically review the Committee assignments and make recommendations to the Board for rotation of assignments and appointments as deemed appropriate. The Chairman of each Committee will develop the agenda for each meeting and will determine the frequency of the meetings.

The summary of committee memberships is as follows:

Name of Directors/ Management staff	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee	Long Term Incentive Committee
Datuk Amar Abdul Hamed Bin Haji Sepawi		√ (Chairman)		√	
Datuk Hasmi Bin Hasnan			√		
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	√ (Chairman)	√	√	√	
Dato Ir. Abang Jemat Bin Abang Bujang	√		√ (Chairman)		√
Datin Mary Sa'diah Bin Zainuddin		√	√	√ (Chairman)	√
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli					√ (Chairman)
Chin Chee Kong	√				√
Total No. of members	**3**	**3**	**4**	**3**	**4**

APPOINTMENTS TO THE BOARD & REVIEW OF BOARD MEMBERS' TERM OF SERVICE

During the year under review, one (1) new director was appointed to the Board. The general guidelines for appointment to the Board were to fill a vacancy as a result of a creation of a new post or the resignation or retirement of an existing Director.

A process is in place for the appointment of new directors to the Board. The primary responsibility of identifying a suitable candidate for appointment to the Board has been delegated to the Nominating Committee.

Identification of candidate

▼

Evaluation of the candidate by Nominating Committee
(please refer to page 83 & 84 for details of the evaluation criteria)

▼

Meeting the candidate if deemed necessary

▼

Decision by Nominating Committee, if suitable,
to recommend to the Board for appointment

▼

Board appoints director, if deemed fit

The Nominating Committee shall be responsible for selecting, assessing, evaluating and recommending suitably qualified candidates for proposed appointment to the Board. Each candidate will be evaluated on his competency in the mix of skills that will best complement the Board's effectiveness and knowledge, time commitment taking into consideration the number of Boards on which he sits, strategy and vision, commitment to the interest of shareholders, mature judgment, professional qualification, management ability, and the possibility of any conflict of interest.

Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Listing Requirements and the calls on their time from other commitments, in order to ensure full and active contributions to the board's affairs.

Only candidates possessing the highest standards of personal and professional ethics and integrity, practical wisdom and mature judgment, and who are committed to representing the interests of the stockholders at all times, will be considered for recommendation to the Board for appointment.

RETIREMENT OF DIRECTORS

All Directors, including the Managing Director, shall retire by rotation once every three years in accordance with Article 85 of the Constitution of the Company. The directors to retire shall be those longest in service since their last appointment. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting.

In addition, any newly appointed Director will submit himself/herself for retirement and re-election at the Annual General Meeting immediately following his appointment pursuant to Article 92 of the Constitution of the Company. Thereafter he/she shall be subject to the one-third rotation retirement rule.

The Nominating Committee is entrusted to review the retirement of Directors.

DIRECTORS' PERFORMANCE, EVALUATION AND REMUNERATION

The Nominating Committee evaluates and assesses the effectiveness of individual directors, the Board and its committees. The evaluation exercise is undertaken after the end of each financial year.

Pursuant to Paragraph 15.20 the Nominating Committee, with the exception of Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis*, reviewed the performance of the Audit Committee and its members against the Audit Committee's Terms of Reference, and it was of the opinion that the Audit Committee had carried out its duties in accordance with the terms of reference during the financial year ended 31 December 2016 and recommended that its members be retained for another term of office.

The Executive Directors' performance is also measured against the Key Performance Indicators (KPI) allocated to them at the beginning of the year. KPI is a quantifiable metric that reflects how well an organisation has achieved its pre-determined targets/goal. The targets/goals are aligned with the overall strategy of the organisation.

The targets including quantifiable baseline and stretched targets, and incentives in the form of individual and team reward were pre-approved by the Board at the time the budget for subsequent year was tabled and may thereafter be revised based on prevailing economic conditions.

The Managing Director's remuneration package is recommended by the Remuneration Committee to the Board for approval. The Deputy Managing Director and Executive Directors (if any) report to the Managing Director and accordingly their remuneration packages are determined by the Managing Director. Fees for Non-Executive Directors and remuneration for the Non-Executive Chairman are proposed by the Board and approved by shareholders at the Annual General Meeting.

Note:
* Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis, is a member in Nominating Committee and Chairman of Audit Committee.

The remuneration for Executive Directors comprises two (2) parts namely the fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term strategies of the organisation. Non-Executive Directors shall be eligible to the fixed component. However, they are not eligible to participate in the variable performance-linked incentive scheme in the form of annual bonuses.

The key objectives of the Company's policy on Executive Directors' remuneration are as follows:

1. To attract and retain executives of the highest calibre
2. To reward them at the prevailing market rate
3. To reward them in such a way that promotes the creation of shareholders' value through a "performance pegged to remuneration" package, i.e. Key Performance Indicators

The Company's policy for Non-Executive Directors is basically to offer remuneration adequate to attract and retain individuals of the appropriate calibre who are able to apply sound independent judgment based on extensive professional experience and knowledge.

Non-Executive Directors are entitled to two kinds of remuneration:

1. Meeting allowance or special allowances when called upon to perform extra services or give special attention to the business of the Group
2. Directors' fees recommended by the Board and approved by shareholders in the Annual General Meeting

As aforementioned, Executive Directors are paid salary and bonus. However, they are not entitled to meeting allowances and fees.

No Director is involved in determining his own remuneration.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2016 are as follows:

Range of Remuneration (RM)	**Number of Directors**	
	Executive	**Non-Executive**
Above RM3,200,001 to RM3,250,000	1	-
Above RM2,150,001 to RM2,200,000	-	1
Above RM1,050,001 to RM1,100,000	1	-
Above RM150,001 to RM200,000	-	4
Above RM100,001 to RM150,000	-	3

The details of remuneration paid by the Group to the Directors for the financial year ended 31 December 2016 are as follows:

Remuneration (RM)	Executive	Non-Executive	Total
Salaries	2,483,550	-	2,483,550
Allowances	151,200	1,318,180	1,469,380
Fees	-	859,149	859,149
Bonus, Incentive & Others	1,200,000	800,000	2,000,000
EPF	421,584	184,596	606,180
Benefit-in-kind	33,900	28,450	62,350
Total :	**4,290,234**	**3,190,375**	**7,480,609**

SUCCESSION PLANNING

Succession planning is a process for identifying and developing internal people with the potential to fill key business leadership positions in the company. Business continuity relies on succession planning.

Succession for various key positions have been planned and lined up in the organization to ensure continued sequence of qualified people to move up and take over when the current generation of key staff retire or resign. The Group is seriously looking into the succession planning to ensure continuity of business.

In the event that there is no suitable candidate with the "right fit" available from the existing pool, an executive search may be launched to identify an appropriate candidate from external source.

Reinforce Independence
Principle 3 of the MCCG 2012

DIRECTORS' INDEPENDENCE

The Board via the Nominating Committee assesses the independence of Independent Directors upon his/her appointment and re-appointment. In line with the MCCG 2012 recommendations, the tenure of service of independent directors shall not exceed a cumulative term of 9 years. Upon completion of the nine (9) years' term, an independent director may continue to serve on the board subject to his re-designation as a non-independent director.

The Board may in certain circumstances and subject to Nominating Committee's assessment and recommendation, decides to maintain a member as an independent director beyond the nine (9) year period. As at the date of reporting, two (2) directors namely Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis and Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli have served more than 9 years as independent directors and the Nominating Committee having assessed their independence is of the opinion that their independence has not been impaired and recommended that they be retained as independent directors subject to shareholders' approval at the forthcoming Annual General Meeting.

Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis, a member of the Nominating Committee did not participate in the deliberation, assessment of his independence and recommendation for his retention as an independent director of the Company.

Since the Chairman is a Non-Executive Non-Independent Director, the MCCG 2012 recommends that a majority of members on the Board be independent directors. The Company complies with the aforesaid recommendation, wherein the Board comprises a majority of 56% independent directors. In addition thereto, the Company also complies with Paragraph 15.02 which requires at least two (2) directors or 1/3 of the Board is independent directors.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND THE MANAGING DIRECTOR

The Chairman is a Non-Independent Non-Executive Director. The Chairman chairs all Board meetings and is responsible for the overall leadership of the Board, whereas the Managing Director oversees and monitors the performance of the Deputy Managing Director and the Senior Management team, who is in charge of the day-to-day conduct of the Group's business.

However, at Board meetings the Chairman and the Managing Director share a common role of providing leadership and guidance to the Board, facilitating effective contributions from Board Members to ensure proper deliberation of all matters requiring the Board's attention.

DISCLOSURE OF INTERESTS IN CONTRACTS/ CONFLICT OF INTEREST

Section 219 of the Companies Act 2016 requires every director of the company, who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company, shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest of his interest at a meeting of the directors of the Company.

The directors update the list of companies which they have interests in, on a half year basis and accordingly the list of their respective interests are tabled to the Board for notation. In the same document, the directors also confirmed the number of directorships he/she holds in listed entities. None of the directors holds more than five (5) directorships in listed entities.

In addition to the half yearly disclosure, members of the Board are also required to declare or disclose their interest in any transactions involving Naim Group and when a potential conflict of interest arises. Where the directors are deemed as interested and/or having a conflict of interest in a transaction, they would excuse themselves from the discussion and leave the meeting room.

RELATED PARTY TRANSACTIONS

The related party transactions in the Group as reported in Page 154 and 155 of the Annual Report comprises 2 portions as follows:

1. **Other related party transactions**
   Transactions with associates

   The related parties are representatives of Naim on the board of subsidiaries and associates. This group of related parties has no other interested relationships except for common directorships and they do not own shares in the transacting parties other than via the listed entity, Naim Holdings Berhad. These transactions are not deemed related party transactions pursuant to paragraph 10.08(11)(c) of Bursa Malaysia Main Market Listing Requirements.

2. **Transactions with key management personnel**

   This category of related party transactions are those involved in rental of properties of not more than 3 years and the terms of which are supported by independent valuation.

   This transactions are not deemed related party transactions by virtues of Paragraph 10.08(ii)(h) of Bursa Malaysia Listing Requirements.

   Directors have a duty to declare to the Board, should they be interested in any transactions to be entered into directly or indirectly by the Group. Related party transactions are reviewed and deliberated at Audit Committee Meetings and if deemed in the best interest of the Group, fair, reasonable and on normal commercial terms not detrimental to the interest of minority shareholders, the Audit Committee would recommend them to the Board for approval. The Chairman of the Audit Committee is to inform the Directors during Board meetings of any salient matters noted by the Audit Committee arising from audit findings that may require the Board's attention or direction.

Foster Commitment
Principle 4 of the MCCG 2012

DIRECTORS' TRAINING

Directors' training is an on-going process to develop, update and enhance the directors' knowledge on related developments in the financial industry and business landscape, both domestically and internationally to harness their skills and benefit for the Group. During the financial year under review, Directors attended the following external seminars and internally facilitated sessions:

Name of Director	Description of Training
Datuk Amar Abdul Hamed Bin Sepawi	• His knowledge resources is from knowledge sharing with his global network contacts.
Datuk Hasmi Bin Hasnan	• Kick Off Business Planning Workshop by HR Department (24 - 25 June 2016)
Wong Ping Eng	• 2017 Budget Seminar by Chartered Tax Institute of Malaysia (8 December 2016)
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	• Impact of the New Companies Act 2015 on Directors & Shareholders by Malaysian Institute of Accountants (MIA) (15 September 2016) • Risk Management and Internal Control Workshop: Is Our Line of Defence Adequate and Effective? by Bursa Malaysia Berhad (10 October 2016)
Dato Ir. Abang Jemat Bin Abang Bujang	• MSWG - Institutional Investor Concil (IIC) Corporate Governance Week 2016 by Minority Shareholder Watchdog Group (30 - 31 March 2016) • Stewardship Matters - For Long Term Sustainability by MSWG (30- 31 March 2016)
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli	• 2017 Budget - A Positive Outlook by Malaysian Institute of Accountants (21 November 2016)
Datin Mary Sa'diah Binti Zainuddin	• Independent Directors Programme "The Essence of Independence" by Bursa Malaysia Berhad (28 March 2016) • Global Conference 2016 - Enterprise Risk Management and Power of Disruption by Friday Risk Consulting (17 - 18 May 2016) • Corporate Governance Statement Workshop "The Interplay Between CG, Non Financial Information (NFI) and Investment Decision by Bursa Malaysia (28 September 2016)
Chin Chee Kong	• MFRS/IFRS Update 2016/2017 Seminar conducted by KPMG Petaling Jaya (21 September 2016) • KPMG in Malaysia Tax Summit (26 October 2016) • Tax Update by KPMG Kuching (31 October 2016) • Update on Selected MFRS/IFRS Standards by KPMG (23 November 2016) • GST Briefing for Naim (1 December 2016)

The Directors will continue to pursue relevant seminars and trainings from time to time as they consider necessary to equip themselves to enable them to discharge their duties effectively.

BOARD MEETINGS

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary.

During the year under review, a total of six (6) board meetings were held in 2016 and all Directors have complied with the minimum fifty per centum (50%) attendance as required under Paragraph 15.05 (3) of the Listing Requirements as follows:

Current Directors	Scheduled meetings	
	Attendance	%
Datuk Amar Abdul Hamed Bin Haji Sepawi Chairman	6/6	100
Datuk Hasmi Bin Hasnan Managing Director	6/6	100
Wong Ping Eng Deputy Managing Director	6/6	100
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis Senior Independent Non-Executive Director	6/6	100
Dato Ir. Abang Jemat Bin Abang Bujang Independent Non-Executive Director	6/6	100
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli Independent Non-Executive Director	6/6	100
Datin Mary Sa'diah Binti Zainuddin Independent Non-Executive Director	6/6	100
Chin Chee Kong Non-Executive Director	6/6	100
Tan Chuan Dyi Independent Non-Executive Director * Appointed to the Board on 23 February 2017	n/a	n/a
Tan Sri Izzuddin Bin Dali Independent Non-Executive Director * Retired from the Board on 26 May 2016	2/2	100
Tuan Haji Soedirman Bin Haji Aini Independent Non-Executive Director * Retired from the Board on 26 May 2016	2/2	100

The Board meets at least once every quarter for the purpose of reviewing the Group's past quarterly financial performance against its annual operating plan, budget, future strategy and business plans. On top of the quarterly meetings, the Board holds an additional meeting to approve the annual audited financial results. These statutory board meetings were scheduled before the end of the preceding financial year, to allow Directors to plan ahead and block meeting dates in advance in their calendar.

Uphold Integrity in Financial Reporting
Principle 5 of the MCCG 2012

ACCOUNTABILITY AND AUDIT

Statement of Directors' Responsibility in preparing the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

External Auditors' Independence

The Audit Committee is directly responsible for the oversight of the engagement of the Company's auditors.

It is the policy of the Audit Committee to meet the external auditors at least twice a year to discuss the audit plan and audit findings. These meetings are held without the presence of Executive Directors and management.

Prior to the commencement of the audit for the financial year ended 31 December 2016, the Audit Committee met the external auditor on 23 November 2016 to discuss the Group's audit plan and audit methodology, and during the meeting the external auditors, Messrs KPMG PLT declared the following:

i. Its network firm, engagement partner and audit team's independence and objectivity were in compliance with relevant ethical requirements.
ii. Its audit partners were rotated once every 5 years.

External auditors are invited to attend Annual General Meetings to answer queries on audit matters in relation to the financial statements.

Recognise and Manage Risks
Principle 6 of the MCCG 2012

REPORTING ARRANGEMENT TO THE COMMITTEE – THE GROUP RISK MANAGEMENT DEPARTMENT (GRMD)

The Risk Management Committee is supported by a Risk Management Department in the coordination of the risk management activities and communicating of the Group's Enterprise Risk Management (ERM) framework, policies, processes and reporting requirements to the business units, divisions and departments.

The Risk Management Department shall consolidate the Corporate Risk Profile from the respective business units/ divisions/ departments risk registers outlining the risks, controls and risk mitigation plans that the management has taken in mitigating the risks for submission to the Risk Management Committee.

REPORTING AND ESCALATION TO BOARD

The Chairman of the Risk Management Committee shall report to the Board on the Committee's proceedings after each meeting.

INTERNAL CONTROL

The Board is responsible for the Group's internal control, the overall purpose of which is to protect shareholders' investments and the Group's assets. The Board is assisted by the Audit Committee, which is responsible for the Group's internal control system, accounting policies and Financial Reporting. It also maintains a liaison with the internal and external auditors.

The Internal Audit reports regularly to the Audit Committee on their findings on the adequacy and effectiveness of the Group's control systems. The Internal Audit operation covers all business operations, units, processes and functions of the Group. Further details of the internal audit function are as outlined in page 88 of this Annual Report.

The Group's Statement on Risk Management and Internal Control can be found in pages 90 to 92 of this Annual Report.

Ensure Timely and High Quality Disclosure
Principle 7 of the MCCG 2012

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Group has formalized corporate disclosure policies and procedures on communication with stakeholders.

The Group communicates with shareholders by way of the Annual Report, Financial Statements, by announcing its quarterly results and through periodical announcements to the market. The level of disclosure adopted in the Annual Report and quarterly results are designed to go beyond the statutory obligations, in order to serve as an effective means of communication and information on the Group's operations.

In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (the Chairman, Managing Director and Deputy Managing Director) on a regular basis. This provides further channel in communicating and engaging directly with the shareholders, investors and investment community. Non-Executive Directors may attend such meetings but are not expected to provide information on the Group's performance. Discussions at such meetings are restricted to matters that are in the public domain.

CORPORATE WEBSITE

The Company maintains a website at www.naim.com.my that allows shareholders and investors to gain access to information about the Group as well as to direct their queries and feedback to the Board of Directors/or Management through the email address, investorrelations@naim.com.my posted at the aforesaid website. All queries and concerns of shareholders and stakeholders may be conveyed to Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis, Senior Independent Director at his email address: rashid.azis@naim.com.my

Responsibility Statement
Principle 8 of the MCCG 2012

SHAREHOLDERS' COMMUNICATION

Annual/Extraordinary General Meetings have been the main forum for dialogue with shareholders. Ample opportunities are given to shareholders to raise questions and/or seek clarification on the Group's business and performance.

The Group abides by the following main principles in its investor relations:

- Thoughtful analysis of our market value relative to estimates of our intrinsic value, that is, the present value of our Group based on a series of future expected net cash flows
- Ensuring that all information disclosed to our investors is consistent with our strategies, plans and actual performance
- Providing transparency on our operations and performance
- Understanding our investor base and their requirements

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP'S BUSINESS OPERATIONS AND PERFORMANCE

The Management discussion and analysis of the Group's business operations and performance are addressed in the Letter to Shareholders from page 37 to 45 and Performance Overview from page 46 to 53.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid to the external auditors by the Company and the Group in the financial year ended 31 December 2016 was at follows:

Item	Nature of services rendered	Company RM	Group RM
a	Audit Fee	80,000	402,000
b	Non-Audit Fee	30,000	1,278,000
	Total	**110,000**	**1,680,000**

The non-audit fee comprised the following:

Item	Nature of services rendered	RM
a.	Tax fee	243,000
b.	Other advisory fees	1,035,000
	Total	**1,278,000**

UTILIZATION OF PROCEEDS

The proceeds from the Initial Public Offerings in 2003 was fully utilised as at 31 December 2009.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group and/or its subsidiaries involving Directors and Major Shareholders, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN ("LTIP")

No grants were issued to date since the LTIP was approved for implementation in May 2015.

NOMINATING COMMITTEE

The Nominating Committee was established on 13th November 2003. It comprises the following members:

Datuk Amar Abdul Hamed Bin Haji Sepawi – Chairman
Non-Executive Chairman

Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis – Member
Senior Independent Non-Executive Director

Datin Mary Sa'diah Binti Zainuddin – Member
Independent Non-Executive Director

The composition of the Nominating Committee is as follows:

Category	No. of director(s)	Percentage
Non-Executive Directors	1	33%
Independent Non-Executive Director	2	67%
Total	**3**	**100%**

The main role of the Committee is to consider the nominees for appointment to the Board of Directors and to assess the core competencies of each existing Board member and new appointments, with special emphasis on their ability to contribute particular knowledge, expertise or experience and taking into account the future needs of the Group. Candidates will be evaluated in one or more of the following:

- Relevant Knowledge, Skill and Experience
  Commercial knowledge, business acumen skill and experience of Board member against the strategic direction of the Group.

- Strategy and Vision
  With the requisite knowledge as aforementioned, Board members must possess the capability to provide insight, guidance and direction to management by promoting improvement, modeling new trends and evaluating strategies.

- Business Judgment
  Shareholders rely on the Board to make rational and sensible decisions on their behalf to bring about a reasonable return on their investments. The Board has to maintain a track record of sound business decisions that add value to the long-term strategic advantage of the Company.

- Financial Management Skills
  Board members must be capable of monitoring the management's performance by having an adequate knowledge of financial accounting and corporate finance.

- Industry Knowledge
  Businesses normally face new challenges and new opportunities which are unique to the industry. The Committee will recruit and/or maintain an appropriate level of industry-specific knowledge on the Board.

- Time Commitment
  Service on the Board demands a considerable commitment with regards to time to attend and participate in regular and special meetings of the Board and its committees. A large portion of this time is devoted to reviewing materials relating to the business and preparing for meetings of the Board and its committees.

- Other Directorships
  The Committee will also take into consideration whether a director is otherwise retired or to be retired from full time employment and, thereby, able to take up additional directorships. Directorships in listed entities shall not be more than five (5).

- Conflict of interest
  Candidates are required to disclose to the Board details of any contract or other interest involving the Company in which they have a personal interest.

- Independence
  A director shall be considered independent if he does not have any direct or indirect relationship with Naim that may impair, or appear to impair, the Director's ability to make independent judgments and satisfies the requirements of "independence" of the Listing Requirements.

If the candidate is deemed suitable and fulfills the minimum requirements, recommendations will be submitted to the Board for consideration.

The Nominating Committee also reviews/evaluates the following:

1. Criteria for identifying potential candidates for appointment as directors;
2. Board structure, size and the balance of representation on the Board in light of both business needs and the Listing Requirements;
3. Performance of the Board, Board Committees and Members of the Board;
4. The mix of skills and experience, including core competencies, of non-executive directors;
5. Directors' Rotational Retirement Schedule;
6. The performance of audit committee and its members;
7. The succession plans & training programmes for the Board;
8. Directors' independence after he/she exceeds a cumulative term of 9 years of service as Independent Director.

An outline of skills of the current Board members is as follows:

Datuk Amar Abdul Hamed Bin Haji Sepawi	-	Property Development, Construction, Timber, Oil Palm and Energy
Datuk Hasmi Bin Hasnan	-	Property Development, Construction, Timber
Wong Ping Eng	-	Audit, Financial and Operations
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	-	Public Service and Education
Dato Ir. Abang Jemat Bin Abang Bujang	-	Electrical Engineering and Telecommunication
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli	-	Civil Engineering, Technology, Research and Education
Datin Mary Sa'diah Binti Zainuddin	-	Oil & Gas
Chin Chee Kong	-	Audit, Financial and Risk Management
Tan Chuan Dyi	-	Banking, Finance & Manufacturing

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 13th November 2003. The Committee consists of the following members:

Datuk Ir. Abang Jemat Bin Abang Bujang – Chairman
Independent Non-Executive Director

Datuk Hasmi Bin Hasnan – Member
Managing Director and Excutive Director

Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis – Member
Senior Independent Non-Executive Director

Datin Mary Sa'diah Binti Zainuddin – Member
Independent Non-Executive Director

The composition of the Remuneration Committee is as follows:

Category	No. of directors	Percentage
Independent Non-Executive Directors	3	75%
Executive Director	1	25%
Total	**4**	**100%**

The Committee shall annually review performance against targets, corporate goals and objectives relevant to the remuneration of the Executive Directors. The remuneration package is structured to be arithmetically linked to the financial performance of the Group and with non-arithmetic elements determined by reference to personality traits, changes in job scope and responsibilities. Incentives are paid based on 3 criteria: results of Key Performance Indicators (KPIs), achievement of targets and outcomes, and the ability to contribute to the long term value creation of the organization. The overall remuneration package is devised to retain a stable management team and to align them with the Group's annual and long-term goals and interests of the shareholders.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises the following:

Datin Mary Sa'diah Binti Zainuddin - Chairman
Independent Non-Executive Director

Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis - Member
Senior Independent Non-Executive Director

Datuk Amar Abdul Hamed Bin Haji Sepawi - Member
Non-Independent Non-Executive Chairman

The composition of the Risk Management Committee is as follows:

Category	No. of Director(s)	Percentage
Independent Non-Executive Director	2	67%
Non-Independent Non-Executive Director	1	33%
Total	**3**	**100%**

The Board acknowledges that the Group operates in a highly dynamic environment and recognizes the need to manage risks that affect the achievement of the Group's strategic objectives. The Risk Management Committee provides oversight of the Group's risk management activities and reports to the Board. The Board retains the overall risk management responsibility.

The Risk Management Committee assists the Board to provide effective risk oversight and to provide a clear demarcation of roles and responsibilities and process in order that management maintained reasonable risk management practices and system of internal control in their day-to-day operations at their respective business units. The Committee is supported by an independent Group Risk Management Department, to assist in the coordination and implementation of the risk management policy which reports directly to the Committee.

The business units being the first line of defense are responsible for identifying, assessing, monitoring and managing risks by implementing appropriate risk mitigation plan within their respective areas.

The Risk Management Committee held four (4) meetings during the year 2016, during which, the relevant management staff, the Risk Management Department and the Internal Audit attended the meetings to, inter alia, report, review and discuss on the key risks and issues impacting the Group's strategic objectives.

The Risk Management Committee continuously review its risk management framework, policies and processes in its effort to further embed risk management practices into the Group's business processes and structures.

LONG TERM INCENTIVE PLAN (LTIP) COMMITTEE

The Long Term Incentive Plan (LTIP) Committee was formed on 26 May 2015. The Committee consists of the following members:

Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli - Chairman
Independent Non-Executive Director

Datuk Ir. Abang Jemat Bin Abang Bujang - Member
Independent Non-Executive Director

Datin Mary Sa'diah Binti Zainuddin - Member
Independent Non-Executive Director

Chin Chee Kong - Member
Non-Independent Non- Executive Director

The composition of the LTIP Committee is as follows:

Category	No. of Director(s)	Percentage
Independent Non-Executive Director	3	75%
Non-Independent Non- Executive Director	1	25%
Total	**4**	**100%**

In view of the continued business uncertainty under volatile market conditions and to align with the Group's business strategy, LTIP Committee recommended the deferment of the implementation of the LTIP. However, it will review the viability of the scheme on a yearly basis.

This Corporate Governance Statement is made in accordance with a resolution of the Board dated 23 February 2017.

Audit Committee Report

Members

The Audit Committee comprises the following:

Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis - Chairman
Senior Independent Non-Executive Director

Dato Ir. Abang Jemat Bin Abang Bujang – Member
Independent Non-Executive Director

Chin Chee Kong – Member
Non-Independent Non-Executive Director

The Audit Committee is the Board's primary tool for exercising guardianship of shareholder value and imposing the highest standards of ethical behaviour. It is responsible for assessing the risks, overseeing financial reporting, evaluating the internal and external audit processes and reviewing conflict of interest situations and related party transactions.

The composition of the Audit Committee is as follows:

Category	No. of Directors	Percentage
Independent Non-Executive Director	2	67%
Non-Independent Non-Executive Director	1	33%
Total	**3**	**100%**

One (1) of its members, Mr. Chin Chee Kong is member of the Malaysian Institute of Accountants.

Attendance of Meetings

The Audit Committee met eight (8) times during the year 2016 and the details of attendance are as follows:

Audit Committee Members	No. of Meetings attended	Attendance (%)
Tuan Haji Soedirman Bin Aini*	5/5	100
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	6/8	75
Dato Ir. Abang Jemat Bin Abang Bujang	8/8	100
Chin Chee Kong	8/8	100

**Tuan Haji Soedirman Bin Aini retired on 26 May 2016.*

External auditors, internal auditors and relevant management staff are invited, when deemed necessary, to attend Audit Committee meetings to, inter alia, discuss the results of the Group, the internal and external audit findings and financial reporting issues.

The members of the Audit Committee also met thrice during the year in executive sessions with the external auditors without the presence of management.

Audit Committee Report (continue)

1. SUMMARY OF ACTIVITIES

During the year, the Audit Committee carried out the following activities in the discharge of its functions and duties:

1.1 Financial Reporting

- Reviewed the quarterly results and year end financial statements before approval by the Board of Directors, focusing on
  i. changes in or implementation of major accounting policies changes,
  ii. significant matters including financial reporting issues and how they were being addressed
  iii. compliance with accounting standards and other legal requirements
- Reviewed and recommended for Board's approval, the annual audited financial statements.
- Reviewed and recommended for Board's approval, the Audit Committee Report.
- Reviewed the internal control aspects of the Statement on Risk Management and Internal Control for recommendation to the Risk Management Committee for its considerations.

1.2 Related Party Transactions

- Reviewed the related party transactions that arose within the Group, on a quarterly basis, to ensure that the transactions were fair and reasonable, not detrimental to the minority shareholders and were in the best interest of the Group.

1.3 Internal Audit

- Reviewed and approved the annual audit plan proposed by the Internal Audit Department to ensure the adequacy of scope and coverage over the activities of the Group.
- Reviewed the internal audit reports issued by the Internal Audit Department on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on audit issues raised.
- Reviewed the effectiveness and adequacy of audit process, resource requirements and assessed the performance of the internal audit team.
- Reviewed and endorsed the changes to the Internal Audit Policies.

1.4 External Audit

- Reviewed and deliberated on the external auditors' presentation of their terms, areas of responsibilities, audit plan and approach, areas of audit emphasis, financial reporting changes and requirements, proposed fee, key accounting and audit judgements and unadjusted differences identified during the audit.
- Reviewed and deliberated on the External auditors' reports in relation to the statutory audit, major audit findings and the Management's responses arising from the audit.
- Assessed the independence and suitability of External Auditors.
- Considered and recommended to the Board for approval, the re-appointment of External Auditors, as well as their remuneration.
- Met up with external auditors thrice, in the absence of management.
- Discussed and considered the significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors.

2. INTERNAL AUDIT FUNCTION

The Group is served by an in-house Internal Audit Function, whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. The Internal Audit Department reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover high risk areas and entities across all levels of operations within the Group, other than associates and joint ventures. The Internal Audit role and responsibilities are defined in the Internal Audit Charter with the mission to provide independent, objective assurance and consulting services to add value and improve the organization's operations.

Their role is to provide the Committee with independent and objective reports on the adequacy and effectiveness of the system of internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with applicable laws, regulations, directives and other enforced compliance requirements.

The department is headed by a Chartered Accountant. The internal audit staff comprise those that possess tertiary qualifications in the field of Accountancy and Quantity Survey.

2.1 Authority

To accomplish its primary objectives in examining and evaluating whether the Group's internal control and governance process is adequate and functioning properly, the internal auditors are authorised to have full, free and unrestricted access to Group's operations, activities, information, functions, records, properties and personnel relevant to the performance of internal audit at any time.

2.2 Independence

The Internal Audit Function is independent of the activities audited and performs with impartiality and due professional care. The Internal Audit Function reports directly to the Audit Committee. In addition, the Audit Committee assesses the performance of the Head of Internal Audit.

2.3 Duties and Responsibilities

Each year the Internal Audit Department will develop an audit plan to be conducted during the year. Reports on the internal audit activities will be submitted to the Audit Committee every quarter.

The report will include the status and results of the annual audit plan on the activities being reviewed.

Cases of fraud which demand urgent attention, shall be reported to the Audit Committee and the Managing Director immediately upon discovery by the audit staff.

2.4 Internal Audit Functions and Activities

The Internal Audit Department has carried out its activities based on planned audits and special reviews during the year. During the financial year ended 31 December 2016, the internal audit activities carried out included, inter alia, the following:

a. Evaluated the system of internal controls and key operating processes based on the approved annual plan.
b. Evaluated the efficiency of processes, functions and current practices, and provided suitable recommendations to the Audit Committee.
c. Provided assurance on compliance with statutory requirements, laws, Group policies and guidelines.
d. Evaluated the risk management framework and recommended improvements on the adequacy and effectiveness of management's risk processes.
e. Recommended appropriate controls to overcome deficiencies and enhance operations.
f. Carried out investigations and special reviews at the request of the Audit Committee, the Board of Directors and management.

Follow-up audits were also conducted and the status of implementation on the agreed corrective actions were highlighted to the Audit Committee. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

A total cost of RM381,031 was incurred by the internal audit department in respect of the financial year under review.

Statement On Risk Management And Internal Control

Introduction

This Statement on Risk Management and Internal Control by the Board of Directors is made pursuant to Bursa Malaysia Listing Requirement with regard to the Group's compliance with the principles and best practices for internal control as provided in the Malaysian Code of Corporate Governance (MCCG 2012).

The Board of Naim believes in good corporate governance and managing the affairs of the Group in accordance with the (MCCG 2012). In addition, the Board believes that it is very much the voluntary good behaviour and credibility of the Board which will create a good governance culture for the entire organization and its business partners.

Responsibility

The Board acknowledges its responsibilities for maintaining a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and integrity of the system. In discharge of these responsibilities, the Board has put in place a process at all levels of the organization to provide reasonable assurance that the Group's business objectives will be achieved. The system covers inter alia financial, operational and compliance system controls, as well as risk management. Due to the limitations that are inherent in any system of risk management and internal control, it is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board acknowledges that the Group's activities involve certain degree of risks and is committed to ensure that it has an effective risk management framework which allows the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives and strategies within a defined risk tolerance in a timely and effective manner.

The Risk Management Committee is chaired by an Independent Non-Executive Director, and comprises mostly Independent Non-Executive Directors. The Committee is supported by an independent Group Risk Management Department (GRMD) to assist in the coordination of the Group's risk management activities and in establishing and communicating of the framework, policies, processes and reporting requirements to the business units, divisions and departments; to coordinate Group-wide review of risks and risks profile and to promote risk awareness within the Group.

The Group's Risk Management Framework will be continuously improved to ensure the relevance of the framework and conform to the current environment and business operations. It outlines the ERM methodology which is in line with the principles and Guidelines of ISO 31000: 2010 MS Risk Management.

The management of each business unit in the Group is responsible for identifying, assessing, monitoring and document all the possible risks that can affect the achievement of their objectives after considering the effectiveness of all the current control and implementing appropriate risk mitigation plan. This include cyber risk as mentioned in Section 377 of the Capital Market and Services Act 2007 (CMSA). The GRMD facilitates the risk assessment process by providing independent enquiry on risk identification, analysing and updating the controls and mitigation plan. The GRMD highlights the key Group Risk Profiles collated from the respective business unit's risk register, to the Risk Management Committee on a quarterly basis. The Risk Management Committee, after reviewing the same, escalates them to the Board.

Key Processes of Internal Control

The key processes of Internal Control includes the following and will be revised regularly and updated when necessary:

- An organisational structure that lays down clear lines of responsibility and reporting.
- Real-time budgetary control, where actual performance is regularly monitored against budgets.
- The Group Procedures and Financial Authority Limit (FAL), which sets out the operating control procedures pertaining to finance, accounting, credit control, human resources, procurements and inventory. The control procedures, inter alia, include setting limits for approving expenditure and procurements. These procedures and FAL are updated when necessary.
- The Group uses JDE system which comprises Supply Chain Management, Financial, Sub Contracting and Job Costing to improve efficiency.
- An e-sourcing system, Ariba is used to improve transparency and efficiency.
- The Staff Handbook, which sets out general employment terms and the Group's corporate code of ethics.
- A quality management system requiring the management and staff of the Group's principal operating subsidiary, Naim Land Sdn. Bhd. (accredited with ISO 9001 version 2008 certification since 2000), to adhere to a set of well-established standard operating procedures covering all major critical processes. In continual pursuit of process excellence for Quality, Health, Safety & Environment, the management system integrates Quality, Environmental and Occupational, Health & Safety management System (certified with Integrated management System, ISO 9001, ISO 14001 and OHSAS 18001 since year 2009) into one coherent system so as to enable the optimal achievement of its business objectives. Surveillance audits are conducted yearly to ensure compliance with the system.
- An Anti-Fraud Policy setting out the Group's policy on fraud and providing guidelines in dealing with fraud in an appropriate manner. If fraud is suspected or uncovered, appropriate and timely actions in accordance with the Fraud Response Plan will be taken.
- A performance management system whereby business objectives are clearly defined and targets are set for each employee. Employees' performances are monitored, appraised and rewarded according to the achievement of targets set.
- Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance and job expectation.

Statement On Risk Management And Internal Control (continue)

The process of risk management and internal control of the Group covers the holding company and its subsidiaries only and does not extend to associates and joint ventures. In respect of joint ventures entered into by the Group, represented by executives seconded thereto, is limited to overseeing the administration, performance and executive management of the joint venture.

Internal Audit

The Group has established a formal structure for its internal audit function that clearly defines the roles and responsibilities of the persons involved in the internal audit. As an integral part of the audit process, key areas of importance pertaining to internal control, risk assessment, risk mitigation and proper governance processes are identified. Focusing its review and audit on these key areas, the internal audit provides independent assurance on the efficiency and effectiveness of the internal control system implemented by management. The internal audit reports to the audit committee on at least a quarterly basis, and more frequently where appropriate. The chairman of the audit committee in turn presents summaries of the internal audit reports (including management's responses to audit findings and recommendations) at Board meetings.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b. is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with a resolution of the Board of Directors dated 23 February 2017.

Investor Relations Activities

Naim has always strived to develop and maintain close relationships with our stakeholders in addition to create value for all stakeholders. Our key focus of investor relations activities is to consistently update and inform shareholders, institutional investors and research analysts with relevant comprehensive, transparent and prompt information on the Group. This is achieved through quarterly financial reports, announcements through the printed and other media, the Annual Report and other regular activities, to inform stakeholders about the Group's business as well as our important events.

In addition to receiving visits from major shareholders, analysts, fund managers and other potential investors, Naim also participates in and organises visits, road shows and briefing, meeting and presentation sessions locally and abroad for fund managers and investment analysts – updating them about the Group's business, nurturing a relationship of trust between existing and future stakeholders with the Group. In these activities, areas such as business strategies, associated opportunities and risks, and current developments are discussed, enabling stakeholders to have an informed and realistic opinion about the Group's profitability by virtue of such fair and necessary disclosure of information. Such activities are regularly held and conducted personally by Naim's Managing Director, Datuk Hasmi Hasnan and Deputy Managing Director, Ms. Wong Ping Eng.

Being one of the leading property and construction players in Malaysia and with its consistent profitability, Naim has enjoyed positive and consistent coverage by investment instiutions.

Economic Outlook

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Economic Outlook

The following are independent opinions from authoritative sources on the outlook for the Malaysian economy for 2016 and beyond. Unless otherwise stated, these organisations have no connection with the Naim Group or its subsidiaries. All statements are copyright of their respective originators and are reproduced here under the rule of fair comment.

Outlook for Malaysia

The World Bank (as reported in the Star newspaper)
http://www.thestar.com.my/business/business-news/2016/12/19/world-bank-sees-malaysian-economy-growing-4pt3pct-in-2017/

19 December 2016
Malaysia's outlook in 2017 reflected a gradual slowdown in the growth of consumer spending and investment, as global economic growth and commodity prices remain subdued and as households adjust to moderating job prospects and fiscal consolidation. It also noted that the economy faced risks stemming from external developments.

Malaysian Institute of Economic Research (MIER)
https://www.mier.org.my/outlook/

19 January 2017
We have downgraded real GDP growth for 2017 to 4.5%, the lower bound of the range of our earlier forecast of 4.5 - 5.5% as some downside risks are beginning to emerge. External demand is not as strong as expected although commodity prices are showing sign of recovery. The slowdown in global trade and investment flows is expected to prolong. Oil prices are expected to be sticky upward as production agreement is believed to be fragile and fail to bring down the supply glut. Moreover, global oil demand is not expected to improve strongly either. Growth in major economies are slower than expected, particularly for China and Japan. The protectionism sentiment in developed economies is gaining momentum, thanks to recent political development across the world.

Economic Outlook (continue)

Outlook for Sarawak

Malaysian Rating Corporation Berhad (MARC)
https://www.marc.com.my/index.php/economic-research/country-reports/country-reports-2016/815-state-risk-monitor-sarawak/file

13 October 2016
As a relatively open economy, Sarawak will likely be impacted by the still-sluggish global growth momentum over the near term. The IMF in its World Economic Outlook update in July 2016 downgraded its 2016 global growth projection for the fourth time, citing the downside risks emanating from Britain's decision to leave the EU, and warning of a substantial increase in economic, political and institutional uncertainty. The Washington-based lender now foresees global growth to remain muted at 3.1% for 2016, unchanged from 2015, instead of the 3.2% expansion initially predicted in April. Meanwhile, the growth forecast for 2017 was revised down to 3.4% from 3.5%. In addition, global trade momentum remains anaemic, evidenced by merchandise trade values which has contracted since the end of 2014. In volume terms, growth had slowed to a mere 0.5% in 1H2016 from its cyclical peak of 4.2% in 4Q2014. This will increase pressure on trade-dependent economies such as Sarawak and Malaysia as a whole.

CH Williams, Talhar, Wong and Yeo
http://www.wtwy.com/files/reports/WTW%20Property%20Report%202016.pdf

As the economy is expected to be slow and even recessive, developers will be hard pressed to survive in an increasingly competitive market. The next couple of years will certainly be a true test of the "Survival of the Fittest", as we expect lots of challenging times ahead and thus, lots of changes to cope with the challenges.

Note: CH Williams, Talhar, Wong and Yeo occasionally acts for the Naim Group in an advisory capacity.

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Directors' Report
For The Year Ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities
The Company is principally engaged in investment holding and the provision of management services to its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	717	(11,705)
Non-controlling interests	990	-
	1,707	(11,705)

Dividend
No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Reserves and provisions
There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements.

Directors of the Company
Directors who served during the year until the date of this report are:

Datuk Amar Abdul Hamed Bin Haji Sepawi
Datuk Hasmi Bin Hasnan
Wong Ping Eng
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis
Dato Ir. Abang Jemat Bin Abang Bujang
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli
Datin Mary Sa'diah Binti Zainuddin
Chin Chee Kong
Tan Chuan Dyi (appointed on 23 February 2017)
Tan Sri Izzudin Bin Dali (retired on 26 May 2016)
Tuan Haji Soedirman Bin Haji Aini (retired on 26 May 2016)

Directors' interests in shares
The interests and deemed interests of the Directors (including where applicable, the interests of their spouses or children who themselves are not directors of the Company), in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) during and at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:

	At 1.1.2016	Number of ordinary shares Bought	(Sold)	At 31.12.2016
Direct interests in the Company				
Datuk Amar Abdul Hamed Bin Haji Sepawi	9,736,600	-	-	9,736,600
Datuk Hasmi Bin Hasnan	16,668,850	-	-	16,668,850
Wong Ping Eng	5,000	-	-	5,000
Shareholdings in which Datuk Amar Abdul Hamed Bin Haji Sepawi has deemed interests				
The Company	27,967,700	-	-	27,967,700
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Jelas Kemuncak Resources Sdn. Bhd.	700,000	-	-	700,000
Unique Composite Sdn. Bhd.	400,000	-	-	400,000
Simbol Warisan Sdn. Bhd.	7,500	-	-	7,500
Naim Engineering Construction (Fiji) Limited ("NECFL")	999,999	-	-	999,999
Naim Quarry (Fiji) Limited ("NQFL")	999,999	-	-	999,999
Naim Premix (Fiji) Limited ("NPFL")	999,999	-	-	999,999
Lotus Paradigm Sdn. Bhd.	70	-	-	70
NAIM GAMUDA (NAGA) JV SDN. BHD.	-	7,000,000	-	7,000,000

Directors' interests in shares (continue)

	Number of ordinary shares			
	At 1.1.2016	**Bought**	**(Sold)**	**At 31.12.2016**
Shareholdings in which Datuk Hasmi Bin Hasnan has deemed interests				
The Company	40,455,500	-	-	40,455,500
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Jelas Kemuncak Resources Sdn. Bhd.	700,000	-	-	700,000
Unique Composite Sdn. Bhd.	400,000	-	-	400,000
Simbol Warisan Sdn. Bhd.	7,500	-	-	7,500
NECFL	999,999	-	-	999,999
NQFL	999,999	-	-	999,999
NPFL	999,999	-	-	999,999
Lotus Paradigm Sdn. Bhd.	70	-	-	70
NAIM GAMUDA (NAGA) JV SDN. BHD.	-	7,000,000	-	7,000,000

The nominal value of the ordinary shares of the companies listed above is RM1.00 per share except that in the case of NECFL, NQFL and NPFL, the nominal value of their ordinary shares is Fiji Dollar 1 per share.

Datuk Amar Abdul Hamed Bin Haji Sepawi and Datuk Hasmi Bin Hasnan, by virtue of their interests in the shares of the Company, are also deemed interested in the shares of the subsidiaries to the extent the Company has an interest.

The other Directors holding office at 31 December 2016 did not have any interest in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit [other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors (including remuneration received as a full-time employee, where applicable) as shown in the financial statements of the Company and/or of its related corporations disclosed as part of the key management personnel compensation (see Note 26)] by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the authorised, issued and paid-up capital of the Company, nor issuances of debentures by the Company, during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

No shares have been granted during the current year pursuant to the Long Term Incentive Plan, a share scheme which was approved by the shareholders of the Company in May 2015.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i. all known bad debts have been written off and adequate provision made for doubtful debts, and
ii. any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
ii. that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continue)
At the date of this report, there does not exist:

i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
ii. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors
The auditors, KPMG PLT (converted from a conventional partnership, KPMG on 27 December 2016), have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Datuk Amar Abdul Hamed Bin Haji Sepawi

....
Datuk Hasmi Bin Hasnan

Kuching,

Date: 19 April 2017

Statements Of Financial Position
As At 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	89,130	87,302	5,815	6,024
Prepaid lease payments	4	2,370	2,399	-	-
Investment in subsidiaries	5	-	-	339,962	331,212
Investment in associates	6	422,918	394,287	130,815	130,815
Investment in joint ventures	7	4,906	3,724	-	-
Land held for property development	8	398,772	404,339	-	-
Investment properties	9	87,667	70,092	-	-
Intangible asset	10	5,557	6,237	-	-
Deferred tax assets	11	29,466	23,372	-	-
Other investments	12	2,974	2,974	-	-
Trade and other receivables	13	82,324	86,399	-	-
Total non-current assets		1,126,084	1,081,125	476,592	468,051
Inventories	14	103,525	28,595	-	-
Property development costs	15	441,545	461,338	-	-
Trade and other receivables	13	449,959	448,222	54,633	50,929
Deposits and prepayments	16	29,343	30,500	27	52
Current tax recoverable		12,453	9,013	367	400
Cash and cash equivalents	17	64,055	52,952	5,027	5,225
		1,100,880	1,030,620	60,054	56,606
Assets held for sale	18	757	172	-	-
Total current assets		1,101,637	1,030,792	60,054	56,606
Total assets		2,227,721	2,111,917	536,646	524,657
Equity					
Share capital	19	250,000	250,000	250,000	250,000
Reserves	20	1,064,572	1,057,277	157,600	169,305
Total equity attributable to owners of the Company		1,314,572	1,307,277	407,600	419,305
Non-controlling interests	5	18,704	15,105	-	-
Total equity		1,333,276	1,322,382	407,600	419,305
Liabilities					
Loans and borrowings	21	123,619	109,747	-	-
Trade and other payables	22	10,057	-	-	-
Deferred tax liabilities	11	26,199	26,563	-	-
Total non-current liabilities		159,875	136,310	-	-
Loans and borrowings	21	355,216	296,283	128,000	104,000
Trade and other payables	22	378,986	355,366	1,046	1,352
Current tax payable		368	1,576	-	-
Total current liabilities		734,570	653,225	129,046	105,352
Total liabilities		894,445	789,535	129,046	105,352
Total equity and liabilities		2,227,721	2,111,917	536,646	524,657

The notes on pages 107 to 156 are an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income
For The Year Ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	23	428,030	594,367	727	14,605
Cost of sales		(396,097)	(550,447)	-	-
Gross profit		31,933	43,920	727	14,605
Other operating income		18,619	16,228	202	1,619
Selling and promotional expenses		(9,500)	(14,122)	-	-
Administrative expenses		(34,503)	(42,424)	(9,245)	(12,267)
Other expenses		(3,013)	-	-	-
Results from operating activities	24	3,536	3,602	(8,316)	3,957
Finance income	25	9,377	8,236	2,408	645
Finance costs	25	(26,071)	(19,393)	(5,863)	(4,069)
Net finance costs		(16,694)	(11,157)	(3,455)	(3,424)
Share of profit (net of tax) of equity-accounted:					
- associates	6	15,946	50,269	-	-
- joint ventures	7	738	1,469	-	-
Profit/(Loss) before tax		3,526	44,183	(11,771)	533
Tax expense	27	(1,819)	(8,914)	66	(247)
Profit/(Loss) for the year		1,707	35,269	(11,705)	286
Other comprehensive income/(loss), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(782)	(3,308)	-	-
Realisation of reserves of foreign subsidiaries		-	3	-	-
Realisation of reserves of an associate		-	(6,593)	-	-
Share of other comprehensive income of an equity-accounted associate		7,369	30,106	-	-
Total other comprehensive income for the year		6,587	20,208	-	-
Total comprehensive income/(loss) for the year		8,294	55,477	(11,705)	286
Profit/(Loss) attributable to:					
Owners of the Company		717	34,328	(11,705)	286
Non-controlling interests	5	990	941	-	-
Profit/(Loss) for the year		1,707	35,269	(11,705)	286
Total comprehensive income/(loss) attributable to:					
Owners of the Company		7,304	54,536	(11,705)	286
Non-controlling interests	5	990	941	-	-
Total comprehensive income/(loss) for the year		8,294	55,477	(11,705)	286
Basic and diluted earnings per ordinary share (sen)	28	0.30	14.49		

The notes on pages 107 to 156 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity
For The Year Ended 31 December 2016

Group	Note	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Other reserves RM'000	*Distributable* Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/Attributable to owners of the Company						/		
		/*Non-distributable*				/				
At 1 January 2015		250,000	86,092	1,729	(34,748)	16	957,939	1,261,028	13,770	1,274,798
Foreign currency translation differences for foreign operations		-	-	(3,308)	-	-	-	(3,308)	-	(3,308)
Realisation of reserves of foreign subsidiaries upon disposal	35(iii)	-	-	3	-	-	-	3	-	3
Realisation of reserves of an associate		-	-	(6,554)	-	(39)	-	(6,593)	-	(6,593)
Share of other comprehensive income of an associate		-	-	29,721	-	385	-	30,106	-	30,106
Total other comprehensive income for the year		-	-	19,862	-	346	-	20,208	-	20,208
Profit for the year		-	-	-	-	-	34,328	34,328	941	35,269
Total comprehensive income for the year		-	-	19,862	-	346	34,328	54,536	941	55,477
Changes in ownership interests in a subsidiary	35(ii)	-	-	-	-	-	6	6	(6)	-
Transaction with owners of the Company										
- Dividend paid	29	-	-	-	-	-	(8,293)	(8,293)	-	(8,293)
Transaction with non-controlling interests										
- Issuance of shares by a subsidiary	35(ii)	-	-	-	-	-	-	-	400	400
At 31 December 2015/1 January 2016		250,000	86,092	21,591	(34,748)	362	983,980	1,307,277	15,105	1,322,382
Foreign currency translation differences for foreign operations		-	-	(782)	-	-	-	(782)	-	(782)
Share of other comprehensive income of an associate		-	-	7,624	-	(255)	-	7,369	-	7,369
Total other comprehensive income for the year		-	-	6,842	-	(255)	-	6,587	-	6,587
Profit for the year		-	-	-	-	-	717	717	990	1,707
Total comprehensive income for the year		-	-	6,842	-	(255)	717	7,304	990	8,294
Changes in ownership interests in a subsidiary	35(ii)	-	-	-	-	-	(9)	(9)	(391)	(400)
Transaction with non-controlling interests										
- Issuance of shares by a newly acquired subsidiary		-	-	-	-	-	-	-	3,000	3,000
At 31 December 2016		250,000	86,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
		(Note 19)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)		(Note 5)	

The notes on pages 107 to 156 are an integral part of these financial statements.

Statement Of Changes In Equity
For The Year Ended 31 December 2016

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to owners of the Company				
		Non-distributable			Distributable	
At 1 January 2015		250,000	86,092	(34,748)	125,968	427,312
Profit and total comprehensive income for the year		-	-	-	286	286
Transaction with owners of the Company						
- Dividend paid	29	-	-	-	(8,293)	(8,293)
At 31 December 2015/1 January 2016		250,000	86,092	(34,748)	117,961	419,305
Loss and total comprehensive loss for the year		-	-	-	(11,705)	(11,705)
At 31 December 2016		250,000	86,092	(34,748)	106,256	407,600
		(Note 19)	(Note 20)	(Note 20)	(Note 20)	

The notes on pages 107 to 156 are an integral part of these financial statements.

Statements Of Cash Flows
For The Year Ended 31 December 2016

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax	3,526	44,183	(11,771)	533
Adjustments for:				
Amortisation of:				
- intangible assets (Note 10)	680	680	-	-
- investment properties (Note 9)	1,416	1,279	-	-
- prepaid lease payments (Note 4)	29	28	-	-
Depreciation of property, plant and equipment (Note 24)	7,963	7,495	386	391
Dividend income	(124)	(124)	-	(13,922)
Loss/(Gain) on disposal of:				
- property, plant and equipment	49	(1,526)	-	-
- assets held for sale	20	(30)	-	-
- an associate	(372)	-	-	-
- subsidiary	-	(56)	-	-
Finance costs	26,071	19,393	5,863	4,069
Finance income	(9,377)	(8,236)	(2,408)	(656)
Property, plant and equipment written off	163	86	-	-
Assets held for sale written off	75	10	-	-
Net reversal of allowance for impairment loss on financial assets	(2,294)	(700)	-	-
Share of results of equity-accounted associates/joint ventures	(16,684)	(51,738)	-	-
Unrealised foreign exchange differences	(1,728)	(5,639)	(194)	(579)
Operating profit/(loss) before changes in working capital	9,413	5,105	(8,124)	(10,164)
Changes in working capital:				
Inventories	8,085	66	-	-
Land held for property development	5,172	558	-	-
Property development costs	(62,464)	(117,062)	-	-
Trade and other receivables, deposits and prepayments	12,777	(159,975)	(3,679)	(42,637)
Trade and other payables	12,355	60,938	(362)	(60,246)
Cash used in operations	(14,662)	(210,370)	(12,165)	(113,047)
Tax (paid)/refunded	(13,369)	(14,182)	99	49
Interest received	-	-	-	11
Net cash used in operating activities	(28,031)	(224,552)	(12,066)	(112,987)
Cash flows from investing activities				
Acquisition of:				
- property, plant and equipment [Note (i)]	(12,399)	(34,113)	(177)	(84)
- investment properties *	(5,908)	(3,057)	-	-
- an associate [Note 36(i)]	(35)	-	-	-
Proceeds from disposal of:				
- property, plant and equipment	244	3,433	-	-
- assets held for sale	11	104	-	-
- an associate	372	-	-	-
Acquisition of non-controlling interest in an existing subsidiary [Note 35(ii)]	(400)	-	-	-
Increase in investment in an existing subsidiary [Note 35(ii)]	-	-	(8,750)	-
Increase in investment in an associate [Note 36(ii)]	(315)	-	-	-
Change in pledged deposits	312	41	-	-
Dividends received	124	9,046	-	13,922
Distribution of profits from joint ventures	-	15,300	-	-
Interest received	5,418	648	2,408	645
Net cash (used in)/from investing activities	(12,576)	(8,598)	(6,519)	14,483

* *Excluding those payable by instalments as disclosed in Note 22.3*

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from financing activities				
Proceeds from issuance of new shares to non-controlling interests	3,000	400	-	-
Proceeds from loans and borrowings	127,000	154,000	42,000	104,000
Repayment of loans and borrowings	(54,262)	(6,263)	(18,000)	-
Repayment of finance lease liabilities	(33)	(15)	-	-
Dividends paid to owners of the Company (Note 29)	-	(8,293)	-	(8,293)
Interest paid	(23,877)	(16,074)	(5,807)	(2,239)
Net cash from financing activities	51,828	123,755	18,193	93,468
Net increase/(decrease) in cash and cash equivalents	11,221	(109,395)	(392)	(5,036)
Effect of exchange rate fluctuations on cash held	194	579	194	579
Cash and cash equivalents at beginning of year	52,561	161,377	5,225	9,682
Cash and cash equivalents at end of year [Note (ii)]	63,976	52,561	5,027	5,225

Notes

i. Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Paid using internal funds	12,399	34,113	177	84
In the form of finance lease	100	63	-	-
Total (see Note 3)	12,499	34,176	177	84

ii. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deposits placed with licensed banks with maturities less than three months (excluding deposits pledged)	17,518	29,303	-	-
Cash in hand and at banks	46,458	23,258	5,027	5,225
Total cash and cash equivalents as shown in the statements of cash flows (also see Note 17)	63,976	52,561	5,027	5,225

The notes on pages 107 to 156 are an integral part of these financial statements.

Notes To The Financial Statements

Naim Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office is 9th Floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the year ended 31 December 2016 do not include other entities.

The Company is principally engaged in investment holding and the provision of management services to its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 19 April 2017.

1. Basis of preparation

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

Given that certain Group entities are transitioning entities (being entities subject to the application of IC Interpretation 15, *Agreements for the Construction of Real Estate* and the entity that consolidates or equity accounts or proportionately consolidates the first-mentioned entities), the Group is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") Framework until 1 January 2018 as mandated by the Malaysian Accounting Standards Board ("MASB").

As a result, the Group (including the transitioning entities) will continue to apply FRSs as their financial reporting framework to prepare their financial statements for the annual period ending on 31 December 2017.

The following are the accounting standards, amendments and interpretations of the FRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

FRS / Amendment / Interpretation	**Effective date**
Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual improvement 2014-2016 Cycle)*	1 January 2017
Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017
Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The initial application of the above-mentioned FRSs, amendments or interpretations are not expected to have any material impacts to the current and prior financial statements of the Group and the Company.

Migration to new accounting framework

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

In the interim, the MASB has issued a number of accounting standards, amendments and interpretations under the MFRSs framework, which will be effective for adoption for annual periods beginning on or after 1 January 2018:

MFRS / Amendment / Interpretation	**Effective date**
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
MFRS 9, *Financial Instruments*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Impacts of the initial application of the above MFRSs and associated amendments/interpretations, which are or are likely to be applicable to the Group and which are to be applied retrospectively, are discussed below:

i.* MFRS 15, *Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

Upon adoption of MFRS 15, the timing of revenue recognition might be different as compared with the current practices. The adoption of MFRS 15 will result in a change in accounting policy.

1. Basis of preparation (continue)

a. Statement of compliance (continue)

ii.* MFRS 9, *Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets.

Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income. The adoption of MFRS 9 will result in a change in accounting policy.

iii.* MFRS 16, *Leases

MFRS 16 replaces existing leases guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 requires the lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases, eliminating the classification of leases by the lessee as either finance lease (on balance sheet) or operating leases (off balance sheet).

The Group is currently assessing the financial impact that may arise from the migration to MFRS, including the adoption of MFRS 1, MFRS 9, MFRS 15, and MFRS 16.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

c. Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

d. Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected thereby.

Key areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements are disclosed in Note 2 and as mentioned below:

i. Profit recognition from construction contracts *[see Note 2(t)(i)]*

The Group recognises contract revenue and contract costs in profit or loss using the stage of completion method, determined by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion of construction contracts, accrual of costs incurred for which claims/billings have yet to be received, estimated total contract revenue and contract costs as well as the recoverability of the carrying amount of contract work-in-progress. The total contract revenue also includes an estimation of variations that are recoverable from contract customers.

In making such estimations and judgements, the Group relies, *inter alia,* on past experiences and the assessment of its experienced project team (comprising Budget Review Committee, project managers and quantity surveyors).

ii. Profit recognition from property developments *[see Note 2(t)(ii)]*

The Group recognises property development revenue and costs in profit or loss using the stage of completion method. The stage of completion of properties sold is determined by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion of the development activities, extent of property development costs incurred, estimated total property development revenue and costs, recoverability of the development projects.

In making such estimations and judgements, the Group relies, as with the construction activities explained above, *inter alia*, on past experiences and the assessment of its experienced project team (comprising Budget Review Committee, project managers and quantity surveyors).

iii. Recognition of deferred tax assets *(see Note 11)*

The Group recognises deferred tax assets to the extent that the temporary deductible difference can be utilised against future taxable profits. The estimation of future taxable profits required estimation and significant judgement.

2. **Significant accounting policies**

The significant accounting policies set out below have been applied consistently by Group entities to the periods presented in these financial statements, unless otherwise stated.

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisition between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

iii. Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv. Acquisitions of entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquirees' financial statements without restatement. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

v. Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. **Significant accounting policies** (continue)

a. **Basis of consolidation** (continue)

vi. Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses [unless it is classified as held for sale or distribution]. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation, or has made, payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

vii. Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

viii. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity; separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

ix. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. **Significant accounting policies** (continue)

b. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period (reporting date) are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii. Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Financial instruments

i. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii. Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b. Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continue)

c. Financial instruments (continue)

ii. Financial instrument categories and subsequent measurement (continue)

Financial assets (continue)

c. Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d. Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(o)(i)].

Financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss, are subsequently measured at amortised cost.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

a. the recognition of an asset to be received and the liability to pay for it on the trade date, and
b. the derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v. Derecognition

A financial asset or a part thereof is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part thereof is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. **Significant accounting policies** (continue)

d. **Property, plant and equipment**

i. ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs [see Note 2(u)].

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within "other income" or "administrative expenses" respectively in profit or loss.

ii. ***Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. ***Depreciation***

Depreciation is based on the cost of an asset less its residual value, if any. Significant component of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of assets for the current and comparative periods are as follows:

Leasehold land	over remaining lease terms of 49 years to 99 years
Buildings	5, 10 and 50 years
Furniture and fittings	6 to 10 years
Motor vehicles	5 years
Office and factory equipment	2 to 10 years
Plant and machinery	5 years and over quarry license period
Jetty and wharf	over quarry license period

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

e. **Leased assets**

i. ***Finance lease***

Leases, in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset [see Note 2(d)].

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii. ***Operating lease***

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, other than property interest held under operating lease and prepaid lease payments, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using the fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. **Significant accounting policies** (continue)

f. **Intangible assets**

i. ***Goodwill***
Goodwill with an indefinite life arising from business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

ii. ***Other intangible asset***
This comprises a stone quarry licence which has finite useful life. It is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

iii. ***Subsequent expenditure***
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill, is recognised in profit or loss as incurred.

iv. ***Amortisation***
Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets, with finite useful lives, are based on the cost of an asset less any residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Stone quarry licence is amortised over the term of licence.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, as appropriate.

g. **Investment properties**
Investment properties (including investment property under construction) are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. This includes freehold land and leasehold land which in substance is a finance lease. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

i. ***Recognition and measurement***
Investment properties, other than those comprising property interests held under an operating lease, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties comprising property interests held under an operating lease are stated at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

An investment property is derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

ii. ***Amortisation***
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of depreciable investment property. Buildings under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	over remaining lease terms of 60, 85 and 98 years
Buildings	50 years

iii. ***Reclassification to/from investment property***
When an item of property, plant and equipment or inventories is transferred to investment property or vice versa following a change in its use, the transfer do not change the carrying amount of the property transferred. No remeasurement of cost of property is required, as permitted under paragraph 59 of FRS 140, *Investment Property*.

2. Significant accounting policies (continue)

h. Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other direct development expenditure and related overheads.

i. Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of costs and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is shown as accrued billings under trade and other receivables (Note 13) while the excess of billings to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and other payables (Note 22).

j. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

i. Developed properties held for sale

Cost of developed properties consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

ii. Other inventories

Raw materials, consumables, manufactured and trading inventories (comprising building and construction materials) are measured based on the weighted average cost method. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost also includes an appropriate share of production overheads based on normal operating capacity.

k. Receivables

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

l. Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal groups are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification of non-current assets or disposal groups as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

m. Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to-date. It is measured at cost plus profit recognised to-date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's construction activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers for all contracts in which costs incurred plus recognised profits exceed progress billings (Note 13). If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables as amount due to contract customers (Note 22).

n. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2(c).

2. Significant accounting policies (continue)

o. Impairment

i. Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries, associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the assets. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial assets is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii. Other assets

The carrying amounts of other assets (except for inventories [refer Note 2(j)], non-current assets classified as held for sale [refer Note 2(l)], amount due from contract customers [refer Note 2(m)] and deferred tax assets [refer Note 2(v)]) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill with indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purpose. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. **Significant accounting policies** (continue)

p. Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

i. Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii. Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the differences between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

q. Employee benefits

i. Short-term employee benefits

Short-term employee benefits obligations in respect of salaries and annual bonuses are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees and the obligation can be estimated reliably.

ii. State plans

Contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

r. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

s. Payables

Trade and other payables are recognised in accordance with Note 2(c).

t. Revenue and other income

i. Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

ii. Property development

Revenue from property development activities is recognised based on the stage of completion of properties sold measured by reference to the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised immediately in profit or loss.

2. **Significant accounting policies** (continue)

t. **Revenue and other income** (continue)

iii. Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

iv. Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

v. Rental income

Rental income from is recognised in profit or loss on a straight-line basis over the term of the lease.

vi. Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of financing a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs (see Note 2(u)).

vii. Management fee

Income from the provision of management services is recognised as it accrues in profit or loss, based on estimated time spent and cost incurred.

u. **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

v. **Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continue)

w. Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

x. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

y. Fair value measurements

Fair value of an asset or a liability, except for share-based payments and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the assets or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. **Property, plant and equipment**

Group	Outright purchase									
		Leasehold land								
	Freehold land RM'000	(unexpired lease term more than 50 years) RM'000	(unexpired lease term less than 50 years) RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Jetty and wharf RM'000	Assets under construction RM'000
Cost										
At 1 January 2015	667	812	882	26,322	9,186	19,939	16,643	27,783	1,952	1,813
Additions	-	-	-	993	878	1,538	3,040	1,098	-	26,541
Disposals/Write-offs	-	-	(643)	-	(371)	(1,693)	(517)	(5,457)	-	-
Transfer from property development costs (Note 15)	-	1,889	-	-	-	-	-	-	-	15,813
Transfer from disposal group held for sale	-	-	553	-	11	-	295	4,694	-	-
Transfer from assets held for sale	-	-	-	-	-	-	-	4,173	-	-
Effect of movements in exchange rates	-	-	90	-	47	-	-	1,241	-	-
Reclassifications	-	-	-	26,017	8	-	1,805	-	-	(27,830)
At 31 December 2015/ 1 January 2016	667	2,701	882	53,332	9,759	19,784	21,266	33,532	1,952	16,337
Additions	-	-	-	2,447	646	632	1,317	3,150	-	4,202
Disposals/Write-offs	-	-	-	-	(172)	(1,344)	(660)	(4)	-	-
Transfer to assets held for sale	-	-	-	-	-	-	-	(668)	-	-
Reclassifications	-	-	-	-	613	-	117	(1)	-	(729)
At 31 December 2016	667	2,701	882	55,779	10,846	19,072	22,040	36,009	1,952	19,810
Depreciation										
At 1 January 2015	-	58	263	3,811	4,117	16,094	12,012	25,169	1,474	-
Depreciation for the year	-	11	69	1,129	1,490	1,511	2,570	1,995	130	-
Disposals/Write-offs	-	-	(289)	-	(300)	(1,608)	(332)	(4,159)	-	-
Transfer from disposal group held for sale	-	-	222	-	3	-	96	3,046	-	-
Transfer from assets held for sale	-	-	-	-	-	-	-	3,744	-	-
Effect of movements in exchange rates	-	-	14	-	-	-	6	639	-	-
Reclassifications	-	-	-	-	5	-	(5)	-	-	-
At 31 December 2015/ 1 January 2016	-	69	279	4,940	5,315	15,997	14,347	30,434	1,604	-
Depreciation for the year	-	145	16	2,029	1,673	1,391	2,561	1,568	131	-
Disposals/Write-offs	-	-	-	-	(159)	(923)	(639)	(3)	-	-
At 31 December 2016	-	214	295	6,969	6,829	16,465	16,269	31,999	1,735	-
Carrying amounts										
At 31 December 2015/ 1 January 2016	667	2,632	603	48,392	4,444	3,787	6,919	3,098	348	16,337
At 31 December 2016	667	2,487	587	48,810	4,017	2,607	5,771	4,010	217	19,810

Finance lease assets Motor vehicles RM'000	Total RM'000
-	105,999
88	34,176
-	(8,681)
-	17,702
-	5,553
-	4,173
-	1,378
-	-
88	160,300
105	12,499
-	(2,180)
-	(668)
-	-
193	169,951
-	62,998
13	8,918
-	(6,688)
-	3,367
-	3,744
-	659
-	-
13	72,998
33	9,547
-	(1,724)
46	80,821
75	87,302
147	89,130

3. Property, plant and equipment (continue)

Company	Building RM'000	Furniture and fittings RM'000	Office equipment RM'000	Total RM'000
Cost				
At 1 January 2015	5,776	1,109	290	7,175
Additions	-	11	73	84
Reclassifications	-	8	(8)	-
At 31 December 2015/1 January 2016	5,776	1,128	355	7,259
Additions	176	-	1	177
Disposals/Write-offs	-	(1)	(2)	(3)
At 31 December 2016	5,952	1,127	354	7,433
Depreciation				
At 1 January 2015	367	311	166	844
Depreciation for the year	116	200	75	391
Reclassifications	-	5	(5)	-
At 31 December 2015/1 January 2016	483	516	236	1,235
Depreciation for the year	132	202	52	386
Disposals/Write-offs	-	(1)	(2)	(3)
At 31 December 2016	615	717	286	1,618
Carrying amounts				
At 31 December 2015/1 January 2016	5,293	612	119	6,024
At 31 December 2016	5,337	410	68	5,815

3.1 Titles to properties

Strata titles of certain buildings have yet to be issued by the relevant authority, analysed as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Carrying amount				
Buildings	76	5,371	-	5,293

3.2 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Recognised in profit or loss (Note 24)	7,963	7,495	386	391
Capitalised in:				
- construction work-in-progress (Note 13.3)	1,221	1,109	-	-
- property development costs (Note 15)	363	314	-	-
	9,547	8,918	386	391

3.3 Security

a. Assets under finance leases were charged to banks as security for the finance lease liabilities of the Group (see Note 21.1).

b. Freehold land of a subsidiary with carrying amount of RM667,000 (2015: RM667,000) is charged to a bank as security for a term loan facility granted to another subsidiary (see Note 21.1).

c. Land and building to be erected thereon with carrying amount of RM20,478,000 (2015: Nil) are charged to a bank to secure a term loan facility granted to a subsidiary during the current year. The facility is not utilised as at the end of the reporting period.

4. Prepaid lease payments - Group

	Leasehold land (unexpired lease term more than 50 years) RM'000
Cost	
At 1 January 2015, 31 December 2015/1 January 2016 and 31 December 2016	3,056
	=========
Amortisation	
At 1 January 2015	629
Amortisation for the year (Note 24)	28
At 31 December 2015/1 January 2016	657
Amortisation for the year (Note 24)	29
At 31 December 2016	686
	=========
Carrying amounts	
At 31 December 2015/1 January 2016	2,399
	=========
At 31 December 2016	2,370
	=========

5. Investment in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	339,962	331,212
	=========	=========

Details of the subsidiaries, all of which are incorporated in Malaysia except for Naim Engineering Construction (Fiji) Limited, Naim Quarry (Fiji) Limited and Naim Premix (Fiji) Limited, which were incorporated in Fiji and the Company's interests therein are as follows:

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2016	2015
Direct subsidiaries			
Naim Land Sdn. Bhd. ("NLSB")	Property developer and civil and building contractor	100.0	100.0
Naim Engineering Sdn. Bhd. ("NESB")	Civil, building and earthwork contractor	100.0	100.0
Naim Assets Sdn. Bhd. ("NASB")	Investment holding	100.0	100.0
Subsidiaries of NLSB			
Desa Ilmu Sdn. Bhd.	Property developer	60.0	60.0
Peranan Makmur Sdn. Bhd. ("PMSB")	Property developer	100.0	100.0
Khidmat Mantap Sdn. Bhd.	Property developer	100.0	100.0
Naim Realty Sdn. Bhd.	Property investment	100.0	100.0
Naim Supply & Logistic Sdn. Bhd.	Trading of construction materials	100.0	100.0
Naim Commercial Sdn. Bhd.	Property developer	100.0	100.0
Naim Cendera Lapan Sdn. Bhd.	Quarry licensee and operator	100.0	100.0
Vista Megalink Sdn. Bhd.	Provision of management services	100.0	100.0
Simbol Warisan Sdn. Bhd.	Quarry licensee	75.0	75.0
Jelas Kemuncak Resources Sdn. Bhd.	Quarry operator	70.0	70.0
Yakin Pelita Sdn. Bhd.	Property investment	100.0	100.0
Naim Cendera Tujuh Sdn. Bhd.	Property investment	100.0	100.0
Dataran Wangsa Sdn. Bhd.	Property developer	100.0	100.0
Yakin Jelas Sdn. Bhd.	Property investment	100.0	100.0
Pavilion Quest Sdn. Bhd. **	Property investment	100.0	100.0
Solid Greenland Sdn. Bhd. **	Property investment	100.0	100.0
Naim Ready Mix Sdn. Bhd.	Sale of ready mix piles	100.0	100.0
TR Green Sdn. Bhd.	Dormant	100.0	100.0
Naim Utilities Sdn. Bhd.	Dormant	100.0	100.0
Naim Incorporated Berhad	Dormant	100.0	100.0
Naim Academy Sdn. Bhd.	Dormant	100.0	100.0
Naim Oil & Gas Sdn. Bhd.	Dormant	100.0	100.0

5. Investment in subsidiaries (continue)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2016	2015
Subsidiaries of NLSB (continue)			
Permyjaya Sino Education Sdn. Bhd.	Dormant	100.0	100.0
Kuching Paragon Sdn. Bhd.	Dormant	100.0	100.0
Miri Paragon Sdn. Bhd.	Dormant	100.0	100.0
Exclusive Paragon Sdn. Bhd. **	Dormant	100.0	100.0
Platinum Amber Sdn. Bhd. **	Dormant	100.0	100.0
Bina Hartamas Sdn. Bhd. **	Dormant	100.0	60.0
Lotus Paradigm Sdn. Bhd.	Dormant	70.0	70.0
Subsidiaries of NESB			
Naim Premix Sdn. Bhd.	Manufacture and sale of asphalt	100.0	100.0
Naim Recruitment & Agency Sdn. Bhd. **	Previously engaged in provision of accommodation facilities and has become dormant during the year	100.0	100.0
Naim Binaan Sdn. Bhd.	Civil contractor as well as sale of RC pile and ready mix sale	100.0	100.0
Naim Capital Sdn. Bhd. ("NCSB")	Investment holding	100.0	100.0
Naim Overseas Sdn. Bhd. ("NOSB")	Investment holding	100.0	100.0
NAIM GAMUDA (NAGA) JV SDN. BHD. (formerly known as Barisan Sehati Sdn. Bhd.)	Civil contractor	70.0	-
Unique Composite Sdn. Bhd.	Manufacture and sale of asphalt	80.0	80.0
Equaflow Sdn. Bhd. **	Dormant	100.0	100.0
Naim Equipment Sdn. Bhd.	Dormant	100.0	100.0
Subsidiaries of NASB			
Naim Property Services Sdn. Bhd. **	Provision of property management services	100.0	100.0
Naim Hotel Sdn. Bhd. **	Hotel operations	100.0	100.0
Bintulu Paragon Sdn. Bhd.	Dormant	100.0	100.0
Subsidiaries of NCSB			
Naim Capital Port Sdn. Bhd.	Civil contractor	100.0	100.0
Naim Capital Housing Sdn. Bhd.	Civil contractor	100.0	100.0
Subsidiary of PMSB			
Harmony Faber Sdn. Bhd.	Property investment	100.0	100.0
Subsidiaries of NOSB			
Naim Engineering Construction (Fiji) Limited #	Dormant	99.9	99.9
Naim Quarry (Fiji) Limited #	Dormant	99.9	99.9
Naim Premix (Fiji) Limited #	Dormant	99.9	99.9

** *Not audited by other member firms of KPMG International.*
# *Audited by other member firms of KPMG International.*

Non-controlling interests ("NCI") in subsidiaries
The Group's subsidiaries that have material NCI are as follows:

2016	Desa Ilmu Sdn. Bhd. ("DISB") RM'000	NAGA GAMUDA (NAGA) JV SDN. BHD. ("NAGA") RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership/ voting interest	40%	30%		
Carrying amount of NCI	16,735	3,109	(1,140)	18,704
Profit/(Loss) allocated to NCI	1,101	109	(220)	990

5. Investment in subsidiaries (continue)

Non-controlling interests ("NCI") in subsidiaries (continue)

2016 (continue)

The following table summarises the financial information of the Group's material NCI in DISB and NAGA:

	DISB RM'000	**NAGA RM'000**
Summarised financial information before intra-group elimination		
As at 31 December 2016		
Non-current assets	1,390	-
Current assets	49,412	26,459
Current liabilities	(8,966)	(16,095)
Net assets	41,836	10,364
Year ended 31 December 2016		
Revenue	4,289	22,610
Profit and total comprehensive income for the year	2,752	364
Cash flows (used in)/from:		
- operating activities	(545)	(26,397)
- investing activities	140	10,000
Net decrease in cash and cash equivalents	(405)	(16,397)

	DISB RM'000	**Other subsidiaries with immaterial NCI RM'000**	**Total RM'000**
2015			
NCI percentage of ownership/voting interest	40%		
Carrying amount of NCI	15,634	(529)	15,105
Profit/(Loss) allocated to NCI	996	(55)	941

The following table summarises the financial information of the Group's material NCI in DISB:

	DISB RM'000
Summarised financial information before intra-group elimination	
As at 31 December 2015	
Non-current assets	781
Current assets	50,740
Current liabilities	(12,436)
Net assets	39,085
Year ended 31 December 2015	
Revenue	8,795
Profit and total comprehensive income for the year	2,491
Cash flows (used in)/from:	
- operating activities	(29,241)
- investing activities	215
Net decrease in cash and cash equivalents	(29,026)

No dividend was paid to the NCI during the current and last financial year.

6. Investment in associates

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000	
At cost					
Unquoted shares in Malaysia		13,306	8,036	-	-
Quoted shares in Malaysia	130,815	130,815	130,815	130,815	
Share of post-acquisition reserves	278,797	255,436	-	-	
	422,918	394,287	130,815	130,815	
	=========	=========	=========	=========	
Market value					
Quoted shares in Malaysia	249,824	356,891	249,824	356,891	
	=========	=========	=========	=========	

Details of the material associates, all of which are incorporated in Malaysia, are as follows:

Name of entity	Nature of relationship	Effective ownership interest and voting interest (%) 2016	2015
Dayang Enterprise Holdings Bhd. ("DEHB")	DEHB provides offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning works, chartering of marine vessels and equipment. This is one of the vehicles through which the Group has ventured into the oil and gas industry	29.06	29.06
Samalaju Properties Sdn. Bhd. ("SPSB") #	Property and township development, including providing temporary accommodation facilities, in line with Group's existing property segment operation	39.00	39.00
Kempas Sentosa Sdn. Bhd. ("KSSB") **	One of civil contractors to the Group and hiring of plant and equipment to the Group	40.00	40.00
Miri Specialist Hospital Sdn. Bhd. #	Intended to operate a specialist hospital (which is currently under construction)	30.00	30.00
GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD. ("GNEC") (formerly known as General Mission Sdn. Bhd.) **	One of civil contractors to the Group	35.00	-
SINOHYDRONAIM Sdn. Bhd. #	Dormant and dissolved during the current year	-^	49.00

Held through NLSB
** *Held through NESB*
^ *Dissolved during the year [see Note 36(iii)]*

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies (if any) and reconciles the information to the carrying amount of the Group's interest in the associates.

Summary of financial information

<u>2016</u>	Group DEHB RM'000	SPSB RM'000	GNEC RM'000
As at 31 December			
Non-current assets	2,552,299	227,899	4,531
Current assets	630,103	152,126	27,629
Non-current liabilities	(1,362,029)	(106,017)	-
Current liabilities	(542,335)	(222,410)	(29,973)
Non-controlling interests	(7,721)	-	-
Net assets	1,270,317	51,598	2,187
	=========	=========	=========

6. **Investment in associates** (continue)

Summary of financial information (continue)

2016 (continue)	**Group** DEHB RM'000	SPSB RM'000	GNEC RM'000	Other immaterial associates RM'000	Total RM'000
Year ended 31 December					
Profit/(Loss) for the year	54,946	(734)	1,187		
Other comprehensive income	25,354	-	-		
Total comprehensive income/(loss) for the year	80,300	(734)	1,187		
Included in the total comprehensive income is:					
Revenue	694,647	24,625	22,163		
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	369,207	20,123	766	12,785	402,881
Goodwill	23,608	-	-	-	23,608
Elimination of unrealised profit	-	-	-	(3,571)	(3,571)
Carrying amount in the statement of financial position	392,815	20,123	766	9,214	422,918
Group's share of results for the year ended 31 December					
Group's share of:					
- profit/(loss)	16,097	(286)	415	(280)	15,946
- other comprehensive income	7,369	-	-	-	7,369
Group's share of total comprehensive income/(loss)	23,466	(286)	415	(280)	23,315

No dividend was received during the financial year.

2015	**Group** DEHB RM'000	SPSB RM'000	KSSB RM'000
As at 31 December			
Non-current assets	2,747,783	294,751	17,804
Current assets	560,995	71,485	19,176
Non-current liabilities	(1,483,225)	(162,529)	(2,449)
Current liabilities	(628,360)	(151,376)	(16,567)
Non-controlling interests	(7,770)	-	-
Net assets	1,189,423	52,331	17,964

6. Investment in associates (continue)

Summary of financial information (continue)

2015 (continue)	DEHB RM'000	SPSB RM'000	KSSB RM'000	Other immaterial associates RM'000	Total RM'000
	Group				
Year ended 31 December					
Profit/(Loss) for the year	174,355	(1,042)	(657)		
Other comprehensive income	81,647	-	-		
Total comprehensive income/(loss) for the year	256,002	(1,042)	(657)		
Included in the total comprehensive income is:					
Revenue	779,099	16,891	43,326		
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	345,742	20,409	6,450	-	372,601
Goodwill	23,608	-	-	-	23,608
Elimination of unrealised profit	-	-	(1,922)	-	(1,922)
Carrying amount in the statement of financial position	369,350	20,409	4,528	-	394,287
Group's share of results for the year ended 31 December					
Group's share of:					
- profit/(loss)	51,130	(406)	(263)	(192)	50,269
- other comprehensive income	23,513	-	-	-	23,513
Group's share of total comprehensive income/(loss)	74,643	(406)	(263)	(192)	73,782
Other information					
Dividend received	8,922	-	-	-	8,922

7. Investment in joint ventures - Group

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Capital contribution	1,800	1,800
Share of post-acquisition reserves	3,106	1,924
	4,906	3,724

The joint arrangements in which the Group participates are all involved in civil and building construction works, including oil and gas related construction projects. As the Group is only entitled to the net assets of the joint arrangements, the Group has therefore classified its interest in the following entities as joint ventures. Details of the joint ventures, all of which are based in Malaysia, are as follows:

Name of entity	Group Effective voting interest (%) 2016	Group Effective voting interest (%) 2015
NESB-Hock Peng JV	51.0	51.0
PPES Works-NLSB JV	45.0	45.0
Sinohydro-Naim JV	50.0	50.0
Samsung-Naim JV	10.0	10.0

7. **Investment in joint ventures - Group** (continue)

The following table summarises the information of the Group's material joint ventures, adjusted for any differences in accounting policies (if any) and reconciles the information to the carrying amount of the Group's interest in the joint venture.

Summary of financial information

<u>2016</u>	**NESB-Hock Peng JV RM'000**	**PPES Works - NLSB JV RM'000**	**Other immaterial joint ventures RM'000**	**Total RM'000**
As at 31 December				
Non-current assets	-	1		
Current assets	26,682	2,297		
Current liabilities	(11,119)	(9,347)		
Net assets/(liabilities)	15,563	(7,049)		
Year ended 31 December				
Loss and total comprehensive loss for the year	(3,655)	(1,517)		
Included in the total comprehensive income				
Revenue	23,476	(1,500)		
Interest income	121	-		
Tax expense	(444)	-		
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets and carrying amount in the statement of financial position	7,937	(3,172)	141	4,906
Group's share of results for the year ended 31 December				
Group's share of profit/(loss) and share of total comprehensive income/ (loss)	1,420	(682)	-	738

No distribution of profits was made during the financial year.

<u>2015</u>	**NESB-Hock Peng JV RM'000**	**PPES Works - NLSB JV RM'000**	**Other immaterial joint ventures RM'000**	**Total RM'000**
As at 31 December				
Non-current assets	-	1		
Current assets	54,482	3,601		
Current liabilities	(42,575)	(9,134)		
Net assets/(liabilities)	11,907	(5,532)		
Year ended 31 December				
Profit and total comprehensive income for the year	8,740	(4,138)		
Included in the total comprehensive income				
Revenue	142,212	3,209		
Interest income	579	-		
Tax expense	(1,114)	-		
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets and carrying amount in the statement of financial position	6,073	(2,489)	140	3,724
Group's share of results for the year ended 31 December				
Group's share of profit/(loss) and share of total comprehensive income/(loss)	3,343	(1,876)	2	1,469
Other information				
Distribution of profits received	15,300	-	-	15,300

8. Land held for property development - Group

	RM'000
At cost	
At 1 January 2015	404,876
Reclassified from inventories	21
Costs charged to profit or loss	(558)
At 31 December 2015/1 January 2016	404,339
Costs charged to profit or loss	(5,172)
Transfer to property development costs (Note 15)	(2,619)
Transfer from property development costs (Note 15)	2,224
At 31 December 2016	398,772
	=========

Security

During the current year, certain parcels of land with carrying amounts of RM13,452,000 (2015: Nil) are charged to a bank as security for a term loan facility granted to a subsidiary (see Note 21.1).

9. Investment properties - Group

	Long-term leasehold land (unexpired lease term more than 50 years) RM'000	Buildings RM'000	Buildings under construction RM'000	Total RM'000
Cost				
At 1 January 2015	16,955	54,585	-	71,540
Transfer from property development costs (Note 15)	-	-	1,867	1,867
Additions	-	-	3,057	3,057
At 31 December 2015/1 January 2016	16,955	54,585	4,924	76,464
Additions	18,635	-	356	18,991
At 31 December 2016	35,590	54,585	5,280	95,455
	=========	=========	=========	=========
Amortisation				
At 1 January 2015	1,407	3,686	-	5,093
Amortisation for the year (Note 24)	173	1,106	-	1,279
At 31 December 2015/1 January 2016	1,580	4,792	-	6,372
Amortisation for the year (Note 24)	310	1,106	-	1,416
At 31 December 2016	1,890	5,898	-	7,788
	=========	=========	=========	=========
Carrying amounts				
At 31 December 2015/1 January 2016	15,375	49,793	4,924	70,092
	=========	=========	=========	=========
At 31 December 2016	33,700	48,687	5,280	87,667
	=========	=========	=========	=========
Fair value *(see Note 9.3)*				
At 31 December 2015/1 January 2016	73,059	68,300	-*	141,359
	=========	=========	=========	=========
At 31 December 2016	99,624	68,300	-*	167,924
	=========	=========	=========	=========

* *The Group is unable to determine reliably the fair value of investment properties currently under construction at this stage until the construction is complete and their annual cash flows can be measured reliably, whichever is earlier.*

9. Investment properties - Group (continue)

9.1 Investment property with a carrying amount of RM47,946,000 (2015: RM48,972,000) is charged to a bank as security for a term loan facility granted to a subsidiary (see Note 21.1).

9.2 The following are recognised in profit or loss in respect of investment properties.

	Group	
	2016	**2015**
	RM'000	**RM'000**
Rental income (Note 23)	6,867	7,049
Direct operating expenses:		
- income generating investment properties	4,892	5,274
- non-income generating investment properties	53	-
	=========	=========

9.3 Fair value information

Fair value of investment properties as at end of the reporting period are categorised as follows:

	2016			2015		
<u>Group</u>	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Leasehold land	55,059	44,565	99,624	55,059	18,000	73,059
Buildings *	6,582	61,718	68,300	6,582	61,718	68,300
	=========	=========	=========	=========	=========	=========

* *excluding those under construction*

Level 2 fair value

The Level 2 fair value of investment properties, determined for disclosure purposes, is generally ascertained by the management using the comparative method by reference to similar/comparable properties in markets that are not active, adjusted for differences in key attributes such as property size and areas.

Level 3 fair value

The Level 3 fair value of investment properties, determined for disclosures purposes, is generally ascertained by the management with reference to valuation reports, issued by an external independent property valuer, who has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

For the determination of the fair value of a building, the investment method is used whereby net rental is capitalised at the appropriate market yield. For land, the fair value is determined using the comparative method, whereby adjustments for differences in various factors affecting the value are made.

Highest and best use

The land classified as investment property is currently held under titles for residential, commercial and/or mixed development purpose. As the use of certain land is currently undetermined, it is therefore impractical to estimate its highest and best use.

A major part of the buildings comprise hypermarket malls situated at a prime area, which is the highest and best use of the land on which they were built. Other buildings comprising office lots and units are similarly regarded as having been put at their highest and best use.

10. Intangible asset - Group

	Stone quarry licence RM'000
Cost	
At 1 January 2015, 31 December 2015/1 January 2016 and 31 December 2016	10,206
	=========
Amortisation	
At 1 January 2015	3,289
Amortisation for the year (Note 24)	680
At 31 December 2015/1 January 2016	3,969
Amortisation for the year (Note 24)	680
At 31 December 2016	4,649
	=========
Carrying amounts	
At 31 December 2015/1 January 2016	6,237
	=========
At 31 December 2016	5,557
	=========

Intangible asset comprises expenditure incurred to acquire a stone quarry licence.

11. Deferred tax assets and liabilities - Group

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fair value adjustment on acquisition of subsidiaries *	-	-	(25,262)	(25,815)	(25,262)	(25,815)
Property, plant and equipment	-	-	(2,945)	(2,605)	(2,945)	(2,605)
Financial instruments	-	218	(242)	-	(242)	218
Capital allowances carried forward	2,235	1,222	-	-	2,235	1,222
Tax losses carried forward	10,575	2,428	-	-	10,575	2,428
Other items	18,906	21,361	-	-	18,906	21,361
Tax assets/(liabilities)	31,716	25,229	(28,449)	(28,420)	3,267	(3,191)
Set off of tax	(2,250)	(1,857)	2,250	1,857	-	-
Net tax assets/(liabilities)	29,466	23,372	(26,199)	(26,563)	3,267	(3,191)

* *This relates to the land held for property development, property development costs, property, plant and equipment as well as investment property of the subsidiaries acquired in prior years. This deferred tax liability is progressively reversed to profit or loss when the subject land is developed and/or sold or when the land are amortised, as the case may be.*

The Group has recognised deferred tax assets of RM29,466,000 (2015: RM23,372,000) based on the estimation of probable utilisation of those deductible temporary differences in the foreseeable future.

Movements in deferred tax during the year are as follows:

Group	At 1.1.2015 RM'000	Recognised in profit or loss RM'000	Exchange translation difference RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss RM'000	At 31.12.2016 RM'000
Fair value adjustment on acquisition of subsidiaries	(26,407)	592	-	(25,815)	553	(25,262)
Property, plant and equipment	(2,862)	256	1	(2,605)	(340)	(2,945)
Financial instruments	220	(2)	-	218	(460)	(242)
Capital allowances carried forward	664	558	-	1,222	1,013	2,235
Tax losses carried forward	469	1,959	-	2,428	8,147	10,575
Other items	21,473	(112)	-	21,361	(2,455)	18,906
	(6,443)	3,251	1	(3,191)	6,458	3,267
		(Note 27)			(Note 27)	

Unrecognised deferred tax assets

Deferred tax assets of RM10,349,000 (2015: RM8,709,000) have not been recognised in respect of the following temporary differences (stated at gross) because it is uncertain if sustainable future taxable profits will be available against which the group entities concerned can utilise the benefits therefrom:

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment	(2,161)	(2,299)
Capital allowances carried forward	11,650	11,849
Tax losses carried forward	35,691	30,159
Other items	(132)	(2,223)
	45,048	37,486

The unabsorbed capital allowances carried forward and unutilised tax losses carried forward of entities incorporated in Malaysia amounting to RM35,745,000 (2015: RM32,769,000) do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

Following changes in the tax law in Fiji, the unutilised tax losses of the subsidiaries incorporated in Fiji incurred after 1 January 2013 as allowed by the Fiji tax law can be claimed as a deduction against future taxable income within four years of the incurrence of such losses. Total unutilised tax losses as at 31 December 2016 is RM11,596,000 (2015: RM9,239,000).

12. Other investments

	Group 2016 RM'000	Group 2015 RM'000
Available-for-sale financial assets		
- unquoted shares in Malaysia	2,963	2,963
- quoted shares in Malaysia	11	11
	2,974	2,974
Representing item:		
Market value of quoted investment (Note 31.4)	11	11

For the unquoted shares, it is impractical to estimate the fair value as at year end (also see Note 31.4).

13. Trade and other receivables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
<u>Non-current</u>				
Trade receivable				
Trade receivable under a deferred payment scheme (Note 13.1)	82,324	86,399	-	-
<u>Current</u>				
Trade receivables				
Trade receivables	73,021	91,907	-	-
Less: Allowance for impairment losses	(420)	(247)	-	-
	72,601	91,660	-	-
Amount due from an associate (Note 13.5)	2,316	6,396	-	-
Contract progress billings receivables (Note 13.2)	77,305	110,441	-	-
Trade receivable under a deferred payment scheme (Note 13.1)	7,011	3,554	-	-
Accrued billings	1,644	8,343	-	-
Amount due from contract customers (Note 13.3)	239,167	188,667	-	-
	400,044	409,061	-	-
Other receivables				
Other receivables	67,314	59,689	(5)	2
Less: Allowance for impairment losses	(20,189)	(22,656)	-	-
	47,125	37,033	(5)	2
Amount due from:				
- subsidiaries (Note 13.4)	-	-	54,614	50,921
- associates (Note 13.5)	2,790	2,128	24	6
	49,915	39,161	54,633	50,929
Total current	449,959	448,222	54,633	50,929
Grand total	532,283	534,621	54,633	50,929

13. Trade and other receivables (continue)

13.1 The trade receivable of RM89,335,000 (2015: RM89,953,000) arises from a construction project undertaken for a government-related entity under a deferred payment scheme where the contract proceeds (including associated financing income) are to be recovered over a period of 10 years upon the completion of the project.

The outstanding receivable is unsecured, bears interest at 7.80% to 8.05% (2015: 8.05%) per annum and is expected to be collected as follows:

	Group	
	2016 RM'000	**2015 RM'000**
More than 1 year	82,324	86,399
Within 1 year	7,011	3,554
	89,335	89,953

13.2 Contract progress billings receivables

Included in the contract progress billings receivables of the Group are retention sums of RM46,755,000 (2015: RM74,496,000) relating to construction work-in-progress.

The retention sums are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Within 1 year	19,638	43,225
1 - 2 years	11,473	4,753
2 - 3 years	8,645	18,637
More than 3 years	6,999	7,881
	46,755	74,496

13.3 Construction work-in-progress

	Group	
	2016 RM'000	**2015 RM'000**
Aggregate costs incurred to-date	1,589,152	1,616,921
Attributable profits, net of foreseeable losses	88,669	178,874
	1,677,821	1,795,795
Progress billings	(1,458,090)	(1,620,430)
	219,731	175,365
Represented by:		
Amount due from contract customers	239,167	188,667
Amount due to contract customers reclassified under trade and other payables (Note 22)	(19,436)	(13,302)
	219,731	175,365

Additions to aggregate costs incurred during the year include:

	Group	
	2016 RM'000	**2015 RM'000**
Depreciation of property, plant and equipment (Note 3.2)	1,221	1,109
Personnel expenses (including key management personnel):		
- contributions to state plans	2,817	2,206
- wages, salaries and others	29,073	30,326
Rental of premises	1,375	1,462
Rental of equipment	14,071	16,092

13. Trade and other receivables (continue)

13.4 Included in amount due from subsidiaries is a sum of RM47,328,000 (2015: RM43,798,000) which is unsecured and bears interest at rates ranging from 4.74% to 5.14% (2015: 5.04% to 5.14%) per annum. The remaining balances are unsecured, interest-free and repayable on demand.

13.5 The amount due from associates are unsecured, interest-free and repayable on demand.

13.6 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

Group	Gross amount RM'000	Offset balances RM'000	Net carrying amount RM'000
2016			
Other receivables	70,938	3,624	67,314
Trade payables	146,369	3,624	142,745
	=========	=========	=========
2015			
Other receivables	66,132	6,443	59,689
Trade payables	137,466	6,443	131,023
	=========	=========	=========

Certain other receivables and trade payables were set off for presentation purpose as other receivables include purchases on behalf of subcontractors of certain projects and they intend to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

14. Inventories

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Developed properties held for sale	95,462	19,518
Manufactured/Trading inventories (construction and building materials)	6,770	7,129
Raw materials and consumables	1,278	1,933
	103,510	28,580
At net realisable value		
Manufactured/Trading inventories	15	15
	103,525	28,595
	=========	=========
Recognised in profit or loss:		
- inventories recognised as cost of sales	34,416	36,559
	=========	=========

15. Property development costs - Group

	RM'000
At 1 January 2015	
Property development costs	
Land	58,484
Development costs	459,414
	517,898
Accumulated costs charged to profit or loss	(149,976)
	367,922

Additions	
Land cost incurred during the year	1,441
Development costs incurred during the year	223,839
	225,280
	----------------

15. Property development costs - Group (continue)

	RM'000
Recognised to cost of sales/Transfers	
Costs charged to profit or loss	(107,904)
Transfer to property, plant and equipment (Note 3)	(17,702)
Transfer to investment property (Note 9)	(1,867)
Transfer of completed properties to inventories	(4,391)
	(131,864)
At 31 December 2015/1 January 2016	
Property development costs	
Land	53,630
Development costs	545,649
	599,279
Accumulated costs charged to profit or loss	(137,941)
	461,338
Additions	
Transfer from land held for development (Note 8)	2,619
Development costs incurred during the year	149,159
	151,778
Recognised to cost of sales/Transfers	
Costs charged to profit or loss	(86,332)
Transfer to land held for development (Note 8)	(2,224)
Transfer of completed properties to inventories	(83,015)
	(171,571)
At 31 December 2016	
Property development costs	
Land	48,732
Development costs	505,965
	554,697
Accumulated costs charged to profit or loss	(113,152)
	441,545

Property development costs incurred during the financial year include:

	Group 2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment (Note 3.2)	363	314
Personnel expenses (including key management personnel):		
- contributions to state plans	2,179	900
- wages, salaries and others	20,071	12,155
Rental of equipment	275	19
Rental of premises	165	220

16. Deposits and prepayments

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deposits	25,936	27,228	24	52
Prepayments	3,407	3,272	3	-
	29,343	30,500	27	52

16.1 Included in the deposits of the Group is an amount of RM19,110,000 (2015: RM19,110,000) paid for additional shares to be issued by an associate, an exercise which has yet to be finalised as at year end.

16.2 Included in the prepayments of the Group is an amount of RM1.400,000 (2015: RM972,000) paid for the purchase of construction materials. The amount will be progressively deducted against actual physical goods delivered.

17. Cash and cash equivalents

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deposits placed with licensed banks with maturities less than three months	17,518	29,303	-	-
Cash in hand and at banks	46,458	23,258	5,027	5,225
Total cash and cash equivalents	63,976	52,561	5,027	5,225
Deposits pledged with licensed banks	79	391	-	-
	64,055	52,952	5,027	5,225

17.1 Deposits of RM79,000 (2015: RM391,000) are pledged as security to licensed banks as bank guarantee for housing projects.

17.2 A sum of RM12,806,000 (2015: RM13,772,000) is placed in designated bank accounts as part of the requirements for term loan facilities granted to the Group. The balance is considered as cash and cash equivalents as the Group may request for withdrawals thereof, as and when the need arises.

18. Assets held for sale - Group

	2016 RM'000	2015 RM'000
Assets classified as held for sale		
Property, plant and equipment	757	172

The carrying amount of property, plant and equipment classified as held for sale is the same as its carrying value before it was being classified to current asset.

19. Share capital

	Group and Company			
	Amount		Number of shares	
	2016 RM'000	2015 RM'000	2016 '000	2015 '000
Ordinary shares of RM1.00 each				
Authorised:				
Opening and closing balances	500,000	500,000	500,000	500,000
Issued and fully paid:				
Opening and closing balances	250,000	250,000	250,000	250,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share during a poll at meetings of the Company.

20. Reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share premium	86,092	86,092	86,092	86,092
Retained earnings	984,688	983,980	106,256	117,961
Treasury shares	(34,748)	(34,748)	(34,748)	(34,748)
Foreign currency translation reserve	28,433	21,591	-	-
Other reserves	107	362	-	-
	1,064,572	1,057,277	157,600	169,305

Share premium

Share premium arose from the premium paid on subscription of ordinary shares in the Company over and above the par value of shares.

Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the Annual General Meeting held on 26 May 2016, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchases of issued share capital by the Company during the current and previous financial years.

At 31 December 2016, the Group held 13,056,000 (2015: 13,056,000) of the Company's shares. All rights attached to the treasury shares that are held by the Group are suspended until those shares are reissued.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations with functional currencies other than RM.

21. Loans and borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Secured term loans	123,545	109,720	-	-
Finance lease liabilities (Note 21.2)	74	27	-	-
	123,619	109,747	-	-
Current				
Unsecured revolving credits	339,000	284,000	128,000	104,000
Secured term loans	16,175	12,262	-	-
Finance lease liabilities (Note 21.2)	41	21	-	-
	355,216	296,283	128,000	104,000
Total	478,835	406,030	128,000	104,000

21. Loans and borrowings (continue)

21.1 Security

Term loans – subsidiaries

- secured by fixed charges over certain parcels of land and buildings (erected or to be erected thereon) (see Notes 3.3, 8 and 9.1).
- secured by assignment of proceeds from a construction project undertaken by a subsidiary.
- secured by debentures over future and present assets of certain subsidiaries.
- covered by corporate guarantee from the Company and/or another subsidiary, where applicable.

Revolving credits – Company and subsidiaries

The revolving credit facilities granted to direct subsidiaries are covered by way of corporate guarantee from the Company.

The revolving credit facility of the Company, is on a clean basis.

Finance leases – subsidiaries

The finance lease liabilities are secured on the respective finance lease assets (see Note 3.3).

21.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2016			2015		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	46	5	41	23	2	21
Between one to two years	29	4	25	23	1	22
Between two to five years	52	3	49	6	1	5
	127	12	115	52	4	48

21.3 Covenant for term loan facilities

The Group is required to maintain a debt to equity ratio of not exceeding 1 time.

22. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
Non-current	RM'000	RM'000	RM'000	RM'000
Other payable				
Other payable (Note 22.3)	10,057	-	-	-
Current				
Trade payables				
Trade payables (Note 22.1)	142,745	131,023	-	-
Progress billings	11,583	26,670	-	-
Amount due to:				
- contract customers (Note 13.3)	19,436	13,302	-	-
- associates	5,784	1,562	-	-
	179,548	172,557	-	-
Other payables				
Accruals	157,688	126,894	813	706
Advance payments received from property buyers and contract customers	13,434	16,487	-	-
Other payables (Note 22.3)	10,426	7,848	233	322
Amounts due to subsidiaries (Note 22.2)	-	-	-	324
Provision for liquidated and ascertained damages (LAD) payable for late delivery of construction projects	17,890	31,580	-	-
	199,438	182,809	1,046	1,352
Total current	378,986	355,366	1,046	1,352
Grand total	389,043	355,366	1,046	1,352

22.1 Included in trade payables of the Group are retention sums and performance bonds amounting to RM74,018,000 (2015: RM70,929,000).

22.2 The current amount due to subsidiaries was unsecured, repayable on demand and interest-free.

22.3 Included in other payables of the Group is also an amount of RM13,083,000 (2015: Nil) relating to the acquisition of leasehold land (classified under investment properties). The amount is payable over a period of 5 years until 2020 at an effective interest of 5.22% per annum.

23. Revenue

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Contract revenue	242,164	398,722	-	-
Sale of development properties and vacant land	149,182	156,375	-	-
Sale of goods	29,817	32,221	-	-
Rental income of investment properties	6,867	7,049	-	-
Management fee income	-	-	727	672
Interest on short-term cash funds and fixed deposits	-	-	-	11
Dividend income from:-				
- a subsidiary (unquoted)	-	-	-	5,000
- an associate (quoted)	-	-	-	8,922
	428,030	594,367	727	14,605

24. Results from operating activities

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Results from operating activities is arrived at after crediting:				
Dividend income from:				
- subsidiary (unquoted in Malaysia)	-	-	-	5,000
- associate (quoted in Malaysia)	-	-	-	8,922
- unquoted shares in Malaysia	124	124	-	-
Gain on disposal of:				
- subsidiaries	-	56	-	-
- property, plant and equipment	-	1,526	-	-
- assets held for sale	-	30	-	-
- an associate	372	-	-	-
Foreign exchange gain				
- unrealised	1,728	5,639	194	579
- realised	-	3,291	5	1,023
Rental income from property lease	12	24	-	-
Reversal of allowance for impairment loss on receivables (net of allowance)	2,294	700	-	-
Write back of provision for liquidated and ascertained damages	10,322	3,775	-	-
	=========	=========	=========	=========
and after charging:				
Amortisation of:				
- intangible assets (Note 10)	680	680	-	-
- investment properties (Note 9)	1,416	1,279	-	-
- prepaid lease payments (Note 4)	29	28	-	-
Auditors' remuneration:				
- Audit fees				
- KPMG Malaysia	356	355	80	80
- Overseas affiliates of KPMG Malaysia	25	56	-	-
- Other auditors	21	21	-	-
- Non-audit fees				
- KPMG Malaysia	23	23	23	23
- Local affiliates of KPMG Malaysia	1,246	600	7	282
- Other auditors	9	-	-	-
Bad debts written off	-	1,037	-	-
Depreciation of property, plant and equipment (excluding those capitalised in property development and construction cost) (Note 3.2)	7,963	7,495	386	391
Loss on disposal of:				
- property, plant and equipment	49	-	-	-
- assets held for sale	20	-	-	-
Property, plant and equipment written off	163	86	-	-
Assets held for sale written off	75	10	-	-
Personnel expenses (including key management personnel):				
- contributions to state plans	1,922	4,790	-	362
- wages, salaries and others	14,647	24,287	-	2,137
Realised foreign exchange loss	89	-	-	-
Rental of equipment	-	320	-	-
Rental of premises	498	521	234	320
	=========	=========	=========	=========

25. Finance income and costs

Recognised in profit or loss

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Interest income of financial assets that are not at fair value through profit or loss				
- fixed deposits and cash funds	467	569	-	-
- interest income from deferred payment scheme	7,431	5,725	-	-
- other finance income	1,479	1,942	-	-
- subsidiaries	-	-	2,408	645
	9,377	8,236	2,408	645
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- loans and borrowings	23,330	17,034	5,863	2,239
- other finance costs	2,741	2,359	-	-
- subsidiaries	-	-	-	1,830
	26,071	19,393	5,863	4,069

26. Compensations to key management personnel

Compensations paid/payable to key management personnel are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors of the Company				
- Fees	859	851	859	851
- Short-term employee benefits	6,559	4,843	1,213	596
	7,418	5,694	2,072	1,447
Other key management personnel				
- Fees	180	195	-	-
- Short-term employee benefits	9,263	8,989	361	254
	9,443	9,184	361	254
Total	16,861	14,878	2,433	1,701

Other key management personnel comprise persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The estimated monetary value of benefit-in-kind is RM71,000 (2015: RM83,000).

27. Tax expense

Major components of tax expense include:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current tax expense				
- current year	7,785	13,410	-	66
- prior year	492	(1,245)	(66)	181
	8,277	12,165	(66)	247
Deferred tax income (Note 11)				
- current year	(6,110)	(2,946)	-	-
- prior year	(348)	(305)	-	-
	(6,458)	(3,251)	-	-
Total tax expense recognised in profit or loss	1,819	8,914	(66)	247
Reconciliation of tax expense				
Profit/(Loss) for the year	1,707	35,269	(11,705)	286
Total tax expense	1,819	8,914	(66)	247
Profit/(Loss) excluding tax	3,526	44,183	(11,771)	533
Share of tax of equity-accounted:				
- associates	8,832	9,906	-	-
- joint ventures	444	1,114	-	-
	9,276	11,020	-	-
	12,802	55,203	(11,771)	533
Tax calculated using Malaysian tax rate of 24% (2015: 25%)	3,073	13,801	(2,825)	133
Effect of different tax rates in foreign jurisdiction	(4)	(145)	-	-
Losses/(Income) of foreign source not subject to Malaysian tax	14	(39)	-	-
Non-deductible expenses	6,391	13,170	2,825	3,815
Non-taxable income	(163)	(5,345)	-	(3,882)
Movements in unrecognised deferred tax assets	1,640	(105)	-	-
Effect of changes in tax rate *	-	147	-	-
	10,951	21,484	-	66
Under/(Over)provision in prior years	144	(1,550)	(66)	181
	11,095	19,934	(66)	247
Less: Share of tax of equity-accounted associates and joint ventures	(9,276)	(11,020)	-	-
Total tax expense	1,819	8,914	(66)	247

* *With effect from 1 January 2016, the tax rate has been reduced from 25% to 24% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.*

28. Earnings per ordinary share - Group

Basic/Diluted earnings per ordinary share

The calculation of basic/diluted earnings per ordinary share of 0.30 sen (2015: 14.49 sen) was based on the profit attributable to ordinary shareholders of RM717,000 (2015: RM34,328,000) and the weighted average number of ordinary shares outstanding of 236,944,000 (2015: 236,944,000).

Weighted average number of ordinary shares

	2016 '000	2015 '000
Issued ordinary shares at beginning of year	250,000	250,000
Less: Cumulative effect of treasury shares bought back in previous years	(13,056)	(13,056)
Weighted average number of ordinary shares at outstanding at the end of year	236,944	236,944
	=========	=========

29. Dividends

No dividends were paid during the current financial year.

Total dividend recognised in the statement of changes in equity for the year ended 31 December 2015 comprised:

<u>2015</u>	Sen per share	Total amount RM'000	Date of payment
Single-tier tax exempt dividend	3.50	8,293	24 April 2015
		=========	

30. Operating segments

The Group has three reportable segments, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director ("GMD"), being the Chief Operating Decision Maker, reviews internal management reports for resource allocation and decision making at least on a quarterly basis. The following summary describes the operations in each of the Group's existing reporting segments:

Property development - Development and construction of residential and commercial properties (including sale of vacant land).

Construction - Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).

Others - Manufacture and sale of buildings and construction materials, property investment as well as quarry operation.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the GMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms.

Unallocated items mainly comprise corporate and headquarters expenses and other investment income, which are managed on a group basis and are not allocated to any operating segment.

Segment assets and liabilities

The GMD reviews the statements of financial position of subsidiaries for resource allocation and decision making, instead of a summary of consolidated assets and liabilities by segments. As such, information on segment assets and segment liabilities is not presented.

30. Operating segments (continue)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue from external customers	149,182	156,375	242,164	398,722	36,684	39,270	-	-	428,030	594,367
Inter segment revenue	-	-	-	-	5,937	16,230	(5,937)	(16,230)	-	-
Total segment revenue	149,182	156,375	242,164	398,722	42,621	55,500	(5,937)	(16,230)	428,030	594,367
Segment profit/(loss)	15,822	12,097	(18,836)	(12,616)	(566)	234	(964)	(1,599)	(4,544)	(1,884)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB")	(286)	(406)	135	(455)	-	-	-	-	(151)	(861)
- joint ventures	-	-	738	1,469	-	-	-	-	738	1,469
	15,536	11,691	(17,963)	(11,602)	(566)	234	(964)	(1,599)	(3,957)	(1,276)
Unallocated expenses									(8,614)	(5,671)
Share of results (net of tax) of an associate, DEHB (in oil and gas segment)									16,097	51,130
Tax expense									(1,819)	(8,914)
Profit for the year									1,707	35,269
Other comprehensive income, net of tax									6,587	20,208
Total comprehensive income for the year									8,294	55,477
Total comprehensive income attributable to non-controlling interests									(990)	(941)
Total comprehensive income attributable to owners of the Company									7,304	54,536
Included in the measure of segment profit/(loss) are:										
Depreciation and amortisation [including depreciation capitalised in property development and construction costs]	2,807	2,512	2,241	2,243	6,624	6,150	-	-	11,672	10,905
Interest income	(219)	(249)	(8,691)	(7,418)	-	-	-	-	(8,910)	(7,667)
Interest expense	7,781	3,245	14,273	13,237	4,017	2,911	-	-	26,071	19,393
(Net reversal of)/Net allowance for impairment loss on receivables	-	-	(2,467)	(700)	173	-	-	-	(2,294)	(700)
Write back of provision for liquidated and ascertained damages	-	-	(10,322)	(3,775)	-	-	-	-	(10,322)	(3,775)

30. Operating segments (continue)

Major customers

The following are the major customers with revenue equal to or more than 10% of the Group's total revenue individually:

	Revenue		Segment
	2016 RM'000	2015 RM'000	
Private entities	141,530	202,889	Construction
	=========	=========	

Geographical information

The Group is mainly domiciled in Malaysia. The contribution from the foreign operations based in Fiji is minimal and immaterial to warrant a disclosure.

31. Financial instruments

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a. Loans and receivables ("L&R");
b. Financial liabilities measured at amortised cost ("FL"); and
c. Available-for-sale financial assets ("AFS").

	2016			2015		
Group	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets/(liabilities)						
Other investments	2,974	-	2,974	2,974	-	2,974
Trade and other receivables ^	289,345	289,345	-	343,353	343,353	-
Cash and cash equivalents	64,055	64,055	-	52,952	52,952	-
Loans and borrowings	(478,835)	(478,835)	-	(406,030)	(406,030)	-
Trade and other payables*	(326,332)	(326,332)	-	(267,327)	(267,327)	-
	=========	=========	=========	=========	=========	=========

^ *Excluding amount due from contract customers and amount receivable from Royal Malaysian Custom Department*

* *Excluding advance payment received from property buyers and contract customers, progress billings, amount due to contract customers and amount payable to Royal Malaysian Custom Department and LAD provision*

	2016		2015	
Company	Carrying amount RM'000	L&R/ (FL) RM'000	Carrying amount RM'000	L&R/ (FL) RM'000
Financial assets/(liabilities)				
Trade and other receivables	54,633	54,633	50,929	50,929
Cash and cash equivalents	5,027	5,027	5,225	5,225
Loans and borrowings	(128,000)	(128,000)	(104,000)	(104,000)
Trade and other payables	(1,046)	(1,046)	(1,352)	(1,352)
	=========	=========	=========	=========

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Loans and receivables	12,401	8,913	2,607	2,258
Financial liabilities measured at amortised cost	(24,670)	(11,655)	(5,863)	(4,069)
	(12,269)	(2,742)	(3,256)	(1,811)
	=========	=========	=========	=========

31. **Financial instruments (**continue)

31.3 Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

a. Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk arises principally from its receivables from customers and deposits in banks. The Company's exposure to credit risk mainly arises from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to certain subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

- Receivables from external parties

  The management regularly reviews the credit risk on customers and takes appropriate measures to enhance credit control procedures. Cash and bank balances are only placed with licensed banks and financial institutions.

- Intercompany balances

  The Company sometimes provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group monitors each receivable individually and uses ageing analysis to monitor the credit quality of the receivables.

At the end of the reporting period, there are no significant concentrations of credit risk other than the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due from three (2015: three) subsidiaries	-	-	52,645	49,766
Trade receivables from one (2015: one) counterparty	89,335	89,953	-	-
	89,335	89,953	52,645	49,766

The exposure of credit risk for trade and other receivables as at the end of the reporting period by geographic region was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	288,599	336,549	54,633	50,929
Fiji	746	6,804	-	-
	289,345	343,353	54,633	50,929

31. Financial instruments (continue)

31.3 Financial risk management (continue)

a. Credit risk (continue)

Receivables (continue)

Impairment losses

The ageing of receivables (excluding accrued billings) as at the end of the reporting period was:

Group	Gross RM'000	Impairment loss RM'000	Net RM'000
2016			
Not past due	167,041	-	167,041
Past due 0-30 days	19,794	-	19,794
Past due 31-60 days	4,543	-	4,543
Past due 61-90 days	5,809	-	5,809
Past due 91-180 days	13,654	-	13,654
Past due more than 180 days	97,469	(20,609)	76,860
Total receivables	308,310	(20,609)	287,701
2015			
Not past due	213,073	-	213,073
Past due 0-30 days	11,548	-	11,548
Past due 31-60 days	12,725	-	12,725
Past due 61-90 days	5,993	-	5,993
Past due 91-180 days	11,408	-	11,408
Past due more than 180 days	103,166	(22,903)	80,263
Total receivables	357,913	(22,903)	335,010

The movements in the allowance for impairment loss of receivables during the financial year were:

	Group 2016 RM'000	2015 RM'000
At 1 January	22,903	23,603
Recognised	196	-
Reversed	(2,490)	(700)
At 31 December	20,609	22,903

An allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

Intercompany balances

The Company does not specifically monitor the ageing of the loans and advances to subsidiaries. However, there is no indication that the amounts due from subsidiaries of RM54,614,000 (2015: RM50,921,000) are not recoverable as at the end of the reporting period.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of certain banking facilities extended to certain subsidiaries. The Company monitors on an on-going basis the results of and repayments made by the subsidiaries to ensure that they are able to meet their obligations when due.

31. Financial instruments (continue)

31.3 Financial risk management (continue)

a. Credit risk (continue)

Financial guarantees (continue)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risks, being the outstanding financial guarantees granted to the subsidiaries as at end of the reporting period is summarised as follows:

	Company	
	2016 RM'000	2015 RM'000
Bank guarantees	123,669	148,999
Other loans and borrowings outstanding and recognised in financial statements	350,720	301,982
Total	474,389	450,981
	=========	=========

There is no indication that any subsidiary would default on the repayments of its loans and borrowings. The financial guarantees have not been recognised since their fair values on initial recognition are not material and the probability of the subsidiaries defaulting on the credit lines is remote.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents/balances and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due and to mitigate the effects of fluctuations in cash flows.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities (which are non-derivatives) as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2016							
Trade and other payables							
- interest-bearing	13,083	5.22	14,833	3,708	3,708	7,417	-
- non interest-bearing	313,249	-	314,723	293,918	16,957	1,788	2,060
Loans and borrowings							
- Secured term loans	139,720	4.67, 5.04, 5.64 and 5.80	172,259	22,952	23,719	63,618	61,970
- Unsecured revolving credits	339,000	4.42 - 5.40	342,702	342,702	-	-	-
- Finance lease liabilities	115	5.47 and 5.77	127	46	29	52	-
	=========		=========	=========	=========	=========	=========
2015							
Trade and other payables							
- non interest-bearing	267,327	-	271,681	240,090	22,733	8,858	-
Loans and borrowings							
- Secured term loans	121,982	4.57, 5.66 and 5.80	155,599	18,500	17,828	48,688	70,583
- Unsecured revolving credits	284,000	4.83 - 5.47	287,486	287,486	-	-	-
- Finance lease liabilities	48	5.77	52	23	23	6	-
	=========		=========	=========	=========	=========	=========

31. Financial instruments (continue)

31.3 Financial risk management (continue)

b. Liquidity risk (continue)

Maturity analysis (continue)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2016							
Other payables							
- Non interest-bearing	1,046	-	1,046	1,046	-	-	-
Loans and borrowings							
- Unsecured revolving credits	128,000	4.89 - 5.00	129,252	129,252	-	-	-
Financial guarantees *	-	-	474,389	474,389	-	-	-
	=========		=========	=========	=========	=========	=========
2015							
Other payables							
- Non interest-bearing	1,352	-	1,352	1,352	-	-	-
Loans and borrowings							
- Unsecured revolving credits	104,000	4.83 - 5.25	105,165	105,165	-	-	-
Financial guarantees *	-	-	450,981	450,981	-	-	-
	=========		=========	=========	=========	=========	=========

* *Being corporate guarantees granted for banking facilities of certain subsidiaries [see Note 31.3(a)], which will only be encashed in the event of default by the subsidiaries. These financial guarantees do not have an impact on group contractual cash flows.*

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices risks that will affect the Group's financial position or cash flows.

i. Currency risk

The Group is occasionally exposed to foreign currency risk on bank balances denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

As it is not possible to predict with any certainty, the movements of foreign exchange rates, this risk is managed on an on-going basis. As at the end of the reporting period, the Group does not have any outstanding forward foreign exchange contracts.

Exposure to foreign currency risk

The exposure to foreign currency risk, attributable to a currency which is other than the functional currency of the Group entities, based on the carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Denominated in USD				
Cash and cash equivalents	4,868	4,669	4,807	4,608
	=========	=========	=========	=========

A 10% (2015: 10%) strengthening of the RM against USD at the end of the reporting period would have decreased equity and post-tax profit by the amounts shown in the ensuing page. This analysis is based on foreign currency exchange rate variances that the Group/Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

31. Financial instruments (continue)

31.3 Financial risk management (continue)

c. Market risk (continue)

i. Currency risk (continue)

Exposure to foreign currency risk (continue)

	Profit or loss	
	2016	**2015**
	RM'000	**RM'000**
USD		
- Group	(370)	(355)
- Company	(365)	(350)
	=========	=========

A 10% (2015: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

ii. Interest rate risk

The Group's investments in fixed rate term deposits and fixed rate loans and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to manage its interest rate risk on an on-going basis to ensure that there are no undue exposures thereto. Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook of the financial market prevailing then.

The investments in interest-earning assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	106,932	119,647	-	-
Financial liabilities	(422,198)	(362,048)	(128,000)	(104,000)
	=========	=========	=========	=========
Floating rate instruments				
Financial assets	-	-	47,328	43,798
Financial liabilities	(69,720)	(43,982)	-	-
	=========	=========	=========	=========

Interest rate risk sensitivity analysis

a. Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 100 basis points (bp) in interest rates at the end of the reporting period, taking into account the contractual repayments terms of its floating rate instruments, would have increased/(decreased) equity and post-tax profit or loss by the amounts shown in the ensuing page. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31. Financial instruments (continue)

31.3 Financial risk management (continue)

c. Market risk (continue)

ii. Interest rate risk (continue)

Interest rate risk sensitivity analysis (continue)

b. Cash flow sensitivity analysis for variable rate instruments

	Profit or loss			
	2016		2015	
	100bp increase RM'000	100bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Floating rate instruments				
- Group	(2,304)	2,304	(1,895)	1,895
- Company	360	(360)	382	(382)
	=========	=========	=========	=========

iii. Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors and manages the equity investments on individual basis. The exposure to equity price risk is not material and hence, sensitivity analysis is not presented.

31.4 Fair value information

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It is not practicable to estimate the fair value of the Group's investment in unquoted shares (see Note 12) due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments carried at fair value (Level 1) RM'000	Fair value of financial instruments not carried at fair value (Level 2) RM'000	(Level 3) RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2016						
Financial assets						
Other investments						
- Quoted shares	11	-	-	-	11	11
Trade and other receivables	-	-	89,335	89,335	89,335	89,335
	=========	=========	=========	=========	=========	=========
Financial liabilities						
Loans and borrowings						
- Unsecured revolving credits	-	-	339,000	339,000	339,000	339,000
- Secured term loans	-	-	139,911	139,911	139,911	139,720
- Finance lease liabilities	-	115	-	115	115	115
	=========	=========	=========	=========	=========	=========
2015						
Financial assets						
Other investments						
- Quoted shares	11	-	-	-	11	11
Trade and other receivables	-	-	89,953	89,953	89,953	89,953
	=========	=========	=========	=========	=========	=========
Financial liabilities						
Loans and borrowings						
- Unsecured revolving credits	-	-	284,000	284,000	284,000	284,000
- Secured term loans	-	-	122,527	122,527	122,527	121,982
- Finance lease liabilities	-	48	-	48	48	48
	=========	=========	=========	=========	=========	=========

31. Financial instruments (continue)

31.4 Fair value information (continue)

Company	Fair value of financial instruments not carried at fair value (Level 3) RM'000	Carrying amount RM'000
Financial liabilities		
- Unsecured revolving credits		
2016	128,000	128,000
2015	104,000	104,000
	=========	=========

The Group does not have any outstanding financial derivatives as at 31 December 2016.

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active market for identical financial assets or liabilities that the entity can access at the measurement date.

Fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease arrangements.

Transfers between Level 1 and Level 2 fair values
There has been no transfer between Level 1 and Level 2 fair values during the current and previous financial year.

Level 3 fair value
Level 3 fair value is estimated using unobservable inputs for the financial assets or financial liabilities.

Fair values within Level 3 for financial instruments not carried at fair value, which is determined for disclosures purpose, is derived based on discounted cash flows using unobservable input (i.e. interest rate). The estimated fair value would increase (decrease) when the interest rates were lower (higher).

32. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and other stakeholders in the Group and to sustain the future development of the business.

There were no changes in the Group's strategy and approach on capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capitals (excluding treasury shares) and such shareholders' equity is not less than RM40,000,000. The Company has complied with this requirement.

33. Capital expenditure commitments

	Group 2016 RM'000	Group 2015 RM'000
Property, plant and equipment		
- Authorised but not contracted for	4,117	41,721
- Contracted for but not provided for	34,937	36,971
	39,054	78,692
	=========	=========

34. Related parties

Identity of related parties
For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its subsidiaries, associates, joint ventures, key management personnel and significant shareholders.

Significant related party transactions
Significant related party transactions, other than compensations to key management personnel (see Note 26), are as follows:

Transactions with subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
Nature of transaction		
Dividend income	-	(5,000)
Management fee income	(727)	(672)
Management fee expenses	3,822	5,280
Expenses on rental of premises	234	320
Interest income	(2,408)	(645)
Interest expense	-	1,830
	=========	=========

Transactions with associates

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Nature of transaction				
Dividend income	-	-	-	(8,922)
Rental expense on machinery and equipment	1,972	5,832	-	-
Sale of construction materials	(3,543)	(2,551)	-	-
Transportation charges	156	1,000	-	-
Construction costs payable	18,835	28,128	-	-
Construction contract sum billed	(6,739)	-	-	-
Purchase of construction materials	-	425	-	-
	=========	=========	=========	=========

34. Related parties (continue)

Transaction with joint ventures

	Group 2016 RM'000	Group 2015 RM'000
Nature of transaction		
Distribution of profit	-	15,300

Transactions with companies/corporations in which certain substantial shareholders have or are deemed to have substantial interests

	Group 2016 RM'000	Group 2015 RM'000
Nature of transaction		
Rental of premises	648	459
Advertisement	42	21
Miscellaneous income	33	26

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

	Group 2016 RM'000	Group 2015 RM'000
Nature of transaction		
Consultant fee paid	120	135
Sale of properties	-	417

The amount due from/to subsidiaries, associates and joint ventures is disclosed in Notes 13 and 22 to the financial statements. The outstanding balances with other related parties are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Amount due from	643	795
Amount due to	(229)	(189)

The above related party transactions are based on negotiated terms.

35. Acquisitions and disposals of subsidiaries and non-controlling interests

i. Acquisition of new subsidiaries

During the financial year, the Group subscribed for the shares in the following subsidiaries for a total consideration of RM7,000,000 (2015: RM2), satisfied in cash:

2016	Date of acquisition	% of equity interest acquired	RM'000
NAIM GAMUDA (NAGA) JV SDN. BHD.	18 August 2016	70	7,000
2015			
Equaflow Sdn. Bhd.	13 July 2015	100	*

* *Representing cash consideration of RM2.*

The acquisition of the above subsidiaries, at their respective dates of incorporation, has no material impact on the results of the Group for the current and previous financial years.

35. Acquisitions and disposals of subsidiaries and non-controlling interests (continue)

ii. Changes in investments in existing subsidiaries

- ***Additional investments arising from new shares issued by existing subsidiaries, satisfied in cash***

  On 1 April 2016, Naim Capital Sdn. Bhd. subscribed for additional 4,998 ordinary shares of RM1.00 each in Naim Capital Housing Sdn. Bhd. ("NCHSB").

  On 27 September 2016, the Company subscribed for additional new 8,750,000 ordinary shares of RM1.00 each in Naim Assets Sdn. Bhd. ("NASB").

  NASB also, at the same time, subscribed for additional 9,900,000 (2015: 99,998) ordinary shares of RM1.00 each in Naim Hotel Sdn. Bhd. ("NHSB").

  The above subscriptions do not have any material impact to the Group as there are no changes in the Group's equity interest in NCHSB, NASB and NHSB.

  In the previous year, Bina Hartamas Sdn. Bhd. ("BHSB") which was previously a 100% owned subsidiary, issued 999,998 new ordinary shares of RM1.00 each respectively to Naim Land Sdn. Bhd. ("NLSB") and third parties where 599,998 shares of RM1.00 each was subscribed by NLSB in cash. The resultant equity interest held by the Group in BHSB decreased from 100% to 60%. This change in the ownership interest was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of net assets of RM6,000 was adjusted against the retained earnings account. The Group also recognised a decrease in non-controlling interests of RM6,000 during the last financial year.

- ***Increase in investment in existing subsidiary***

  In January 2016, NLSB acquired the remaining equity interest of 40% in BHSB which it did not own from minority shareholders for a cash consideration of RM400,000. The resultant equity interest held by the Group in BHSB has increased from 60% to 100%. The acquisition was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of the net assets in BHSB amounting to RM9,000 was adjusted against the Group's reserves. The Group also recognised a decrease in non-controlling interests of RM391,000.

iii. Deregistration of foreign subsidiaries

In last financial year, two foreign subsidiaries, namely Naimcendera Engineering & Construction Sendirian Berhad and Naim Vanua Levu (Fiji) Limited, had been struck off from the respective Registers of Companies. The Group recognised a gain of RM56,000.

36. Acquisitions and disposals of associates

i. Acquisition of a new associate

On 18 August 2016, Naim Engineering Sdn. Bhd. ("NESB") acquired a 35% stake in GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD. ("GNEC") for a cash consideration of RM35,000.

ii. Increase in investment in existing associates

On 1 April 2016, Miri Specialist Hospital Sdn. Bhd. ("MSHSB") which is a 30% owned associate of the Group, issued 19,666,667 ordinary shares of RM1.00 each to Naim Land Sdn. Bhd. ("NLSB") and a third party, where 5,900,000 ordinary shares of RM1.00 each were subscribed by NLSB for a consideration of RM5,900,000, satisfied by way of settlement of the amount due from MSHSB.

On 10 November 2016, NESB subscribed for additional 315,000 ordinary shares of RM1.00 each in GNEC for a cash consideration of RM315,000.

The above subscriptions do not have any impact to the Group as there are no changes in the Group's equity interest in MSHSB and GNEC.

iii. Voluntary winding up of an associate

On 3 August 2016, SINOHYDRONAIM Sdn. Bhd. was fully dissolved following the expiration of three months after the lodgement of the return by liquidator relating to the final meeting for members voluntary winding up with the Companies Commission of Malaysia in May 2016.

Upon dissolution, the balance of capital contribution was distributed to all shareholders. The Group recognised a gain of RM372,000 as a result.

37. Subsequent events

a. On 20 March 2017, Naim Land Sdn. Bhd, ("NLSB") received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years. The High Court has fixed the matter for mention on 5 May 2017.

   In the opinion of Directors, disclosure of any further information on the above matter, at this stage, is prejudicial to the interests of the Group.

b. One parcel of leasehold land (held for development purpose) with carrying amount of RM26,709,000 was charged as security subsequent to year end for a term loan facility granted to the Company during the current year. The said loan facility has not been utilised as at the end of the reporting period.

38. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 to 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	813,170	849,083	106,256	117,961
- Unrealised	30,257	28,297	-	-
	843,427	877,380	106,256	117,961
Share of retained earnings from associates				
- Realised	184,130	168,963	-	-
- Unrealised	4,842	5,420	-	-
	188,972	174,383	-	-
Share of retained earnings from joint ventures - realised	3,106	1,924	-	-
	1,035,505	1,053,687	106,256	117,961
Less: Consolidation adjustments	(50,817)	(69,707)	-	-
Total retained earnings as per statement of changes in equity	984,688	983,980	106,256	117,961

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.

Statement By Directors Pursuant
To Section 169(15) Of The Companies Act, 1965

In the opinion of the Directors,

a. the financial statements set out on pages 101 to 156 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the year then ended, and

b. the information set out in Note 38 on page 157 to the financial statements has been compiled in accordance with the 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Datuk Amar Abdul Hamed Bin Haji Sepawi

....

Datuk Hasmi Bin Hasnan

Kuching,

Date: 19 April 2017

Statutory Declaration Pursuant
To Section 169(16) Of The Companies Act, 1965

I, **Wong Ping Eng,** the Director primarily responsible for the financial management of Naim Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 101 to 157 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

in Kuching in the State of Sarawak

on 19 April 2017

....

Wong Ping Eng

Before me:

Independent Auditors' Report
To The Members Of Naim Holdings Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Naim Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters are as follows:

1. **Revenue recognition relating to construction contracts**
   Refer to Note 1(d)(i), Basis of Preparation and Note 2(t)(i), Accounting policy-Revenue for Construction Contracts and Note 23, Revenue for construction contracts

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue arose from the Group's construction contracts requires significant management judgment in the assessment of the current and future financial performance of the contracts. Construction contracts revenue is accounted for based on the stage of completion method. The stage of completion is determined by reference to the proportion of contract costs incurred for work performed to-date bear to the estimated total contract costs. As disclosed in Note 1(d) to the financial statements, the accurate recording of revenue is highly dependent on judgment exercised by management in assessing the valuation of contract variations, the completeness and accuracy of estimated costs to complete, and the ability to deliver contracts within the contracted time and claims and penalties for late deliveries.	In these key risk areas, our audit procedures included, amongst others: We evaluated the controls designed and applied by the Group in the process of determining the revenue recognised in the financial statements. We challenged the basis of estimations applied by the project management teams in regard to the required costs to complete the construction contracts and assessed whether there were management biasness. Our procedures includes evaluating the historical accuracy of the Group's estimation process by comparing actual costs with the estimated costs that had previously been estimated, and testing estimated costs to sub-contractor's contracts and/or suppliers' quotations.

1. Revenue recognition relating to construction contracts (continue)

KEY AUDIT MATTER

We focused on this area as a key audit matter due to the degree of management judgment involved in the estimation of revenue recognised over the contract life. Changes in judgments and the related estimates throughout a contract life can result in material adjustments to revenue and consequently, the profit margin of contracts.

The key risk areas are as follows:

i. Risk of inaccurate estimation of the costs required to complete the contracts, which affects the accuracy of revenue recognition;
ii. Risk of revenue recognition on variation orders which are disputed and non-recoverability of amount due from the contract customers; and
iii. Risk of penalties not factored in revenue recognition.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We tested the validity and accuracy of variations and claims arising from the contract revenue and sub-contract costs to correspondences, supplementary agreements or variation orders to determine that the variations and claims are approved by the contract customers.

We also assessed the recoverability of the long outstanding amount due from contract customers.

We also assessed if any penalties are payable arising from expected and actual delay in completion of contracts by interviewing with the project management teams and evaluated the construction progress against the contracted completion date.

2. Recognition of revenue from property development activities

Refer to Note 1(d)(ii), Basis of Preparation, Note 2(t)(ii), Accounting policy-Revenue for Property Development and Note 23, Revenue for property development activities

KEY AUDIT MATTER

Revenue derived from property development is accounted for based on the stage of completion of properties sold, measured by reference to the proportion of property development costs incurred for work performed to-date bear to the estimated total property development costs.

As disclosed in Note 1(d) to the financial statements, the accurate recording of revenue is highly dependent on judgment exercised by management in assessing the completeness and accuracy of estimated costs to complete, the ability to deliver properties within the contracted time and the penalties for late deliveries.

We focused on this area as a key audit matter due to the degree of management judgment involved in the estimation of revenue over the course of the project life. Changes in judgments and the related estimates throughout a property development life can result in material adjustments to revenue and profit margin recognised on uncompleted houses.

The key risk areas are as follows:

i. Risk of inaccurate estimation of the costs to complete the properties, which affects the accuracy of revenue recognition;
ii. Risk of customers not able to commit to the purchases and result in the cancellation of sales; and
iii. Risk of penalties not factored in revenue recognition.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In these key risk areas, our audit procedures included, amongst others:

We evaluated the controls designed and applied by the Group in the process of determining the revenue recognised in the financial statements.

We challenged the basis of estimations applied by the project management teams in regard to the required costs to complete the properties and assessed whether there were management biasness. Our procedures includes evaluating the historical accuracy of the Group's estimation process by comparing actual costs with the estimated costs that had previously been estimated, and tested estimated costs to contracts and/or suppliers' quotations.

We checked to the property sales cancellation report after the financial year end to determine that sales cancellation are appropriately reflected in revenue recognition. We identified buyers that defaulted payments and their commitments to complete the purchase by inspecting correspondences with the buyers.

We assessed if any penalties are payable arising from delay in completion of properties by interviewing the project management teams and evaluating the property development progress against the contracted completion date.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 157 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Nicholas Chia
Approval Number: 3102/03/18 (J)
Chartered Accountant

Kuching,

Date: 19 April 2017

Other Information

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Analysis Of Shareholdings
As At 31 March 2017

Authorised Share Capital	:	RM500,000,000 comprising RM500,000,000 shares
Issued and Paid-up Share Capital	:	RM250,000,000 comprising RM250,000,000 shares
Class of Shares	:	Ordinary Shares
Voting rights	:	1 vote per ordinary share

Size of Holdings	No of	% of Shareholdings	No of Shareholders Held	% of Shares Issued Capital
1 – 99	16	0.35	486	0.000
100 – 1,000	899	19.48	596,912	0.25
1,001 – 10,000	2,572	55.74	12,463,200	5.26
10,001 – 100,000	987	21.39	30,226,700	12.76
100,001 – 11,847,199 (*)	136	2.95	98,734,802	41.67
11,847,200 and above (**)	4	0.09	94,921,900	40.06
Total	**4,614**	**100.000**	**236,944,000#**	**100.000**

Remark: * - *Less than 5% of issued shares*
** - *5% and above of issued shares*
# - *The number of 236,944,000 ordinary shares was arrived at after deduction the number of 13,056,000 treasury shares retained by the Company from the original issued and paid-up share capital of 250,000,000 ordinary shares of the Company*

TOP 30 SHAREHOLDERS

No	Name	No. of Shares Held	% Shareholding
1.	ISLAND HARVESTS SDN BHD	30,619,600	12.25
2.	TAPAK BERINGIN SDN. BHD.	27,000,000	10.80
3.	LEMBAGA TABUNG HAJI	24,827,200	9.93
4.	VALUECAP SDN BHD	12,475,100	4.99
5.	HASMI & ASSOCIATES MANAGEMENT SDN BHD	9,672,750	3.87
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR HASMI BIN HASNAN (PBCL-0G0281)	7,500,000	3.00
7.	DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI	7,150,000	2.86
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HASMI BIN HASNAN (PB)	5,918,850	2.37
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	5,037,600	2.02
10.	HWS PROPERTIES SDN BHD	4,312,250	1.72
11.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	4,029,900	1.61
12.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HASMI BIN HASNAN	3,250,000	1.30
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	2,751,000	1.10
14.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	2,707,400	1.08

No	Name	No. of Shares Held	% Shareholding
15.	DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI	2,586,600	1.03
16.	LEE SEE JIN	2,387,400	0.95
17.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	2,244,700	0.90
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	2,091,600	0.84
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	1,905,900	0.76
20.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,872,900	0.75
21.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,541,700	0.62
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)	1,203,500	0.48
23.	AMSEC NOMINEES (TEMPATAN) SDN BHD ASSAR ASSET MANAGEMENT SDN BHD FOR TABUNG BAITULMAL SARAWAK (MAJLIS ISLAM SARAWAK) (FM-ASSAR-TBS)	1,000,000	0.40
24.	CARTABAN NOMINEES (TEMPATAN) SDN BHD TMF TRUSTEES MALAYSIA BERHAD FOR RHB PRIVATE FUND – SERIES 6	1,000,000	0.40
25.	PELITA HOLDINGS SDN BHD	1,000,000	0.40
26.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	890,400	0.36
27.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	779,100	0.31
28.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	648,100	0.26
29.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANQUE ET CAISSE D’EPARGNE DE L’ETAT, LUXEMBOURG (UCITS CLIENT AC)	645,800	0.26
30.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR INVESTERINGSFORENINGEN SPARINVEST VALUE EMERGING MARKETS	637,200	0.25

Analysis Of Shareholdings
As At 31 March 2017 (continue)

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1. ISLAND HARVESTS SDN. BHD.	30,619,600	12.25	-	-
2. TAPAK BERINGIN SDN. BHD.	27,406,900	10.96	-	-
3. LEMBAGA TABUNG HAJI	24,827,200	9.93	-	-
4. DATUK HASMI BIN HASNAN	16,668,850	6.67	40,455,500	16.18
5 DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI	9,736,600	3.89	27,967,700	11.19

DIRECTORS' DIRECT AND INDIRECT INTEREST IN THE COMPANY

	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1. DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI	9,736,600	3.89	27,967,700	11.19
2. DATUK HASMI BIN HASNAN	16,668,850	6.67	40,455,500	16.18
3. WONG PING ENG	5,000	0.002	-	-
4. DATO IR. ABANG JEMAT BIN ABANG BUJANG	-	-	-	-
5 DATU (DR.) HAJI ABDUL RASHID BIN MOHD AZIS	-	-	-	-
6. EMERITUS PROF. DATO' ABANG ABDULLAH BIN ABANG MOHAMAD ALLI	-	-	-	-
7. DATIN MARY SA'DIAH BINTI ZAINUDDIN	-	-	-	-
8. CHIN CHEE KONG	-	-	-	-
9. TAN CHUAN DYI	-	-	-	-

Top 10 Properties

Lot No/Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	Carrying Amount RM'000
PROPERTIES UNDER PROPERTY, PLANT AND EQUIPMENT				
Lot 6180, Block 11 Kuala Baram Land Dsitrict	Clubhouse	20.07.1995 Expiring 26.05.2114	29,220 (7,270)	26,363 *
Part of Lot 4173 Bintulu Town District	Building Under Construction	06.11.2008 Expiring 04.07.2111	1,980 (12,990)	20,478
PROPERTIES UNDER LAND HELD FOR DEVELOPMENT				
Part of Lot 8837, Block 11 Kuala Baram Land District	Land For Development	20.07.1995 Expiring 26.06.2114	459,680	17,224
Lot 5234, Block 25 Muara Tuang Land District	Land For Development	29.05.2008 Expiring 15.01.2112	1,808,000	26,709
Lot 4288, Block 26 Kemena Land District	Land For Development	14.11.2014 Expiring 13.11.2113	114,680	17,204
Part of Lot 4173 Bintulu Town District	Land For Development	06.11.2008 Expiring 04.07.2011	55,000	15,665
Lot 789, Block 20 Kemena Land District	Land For Development	20.11.2013 Expiring 19.11.2112	1,803,000	83,110
Lot 2861, Block 20 Kemena Land District	Land For Development	20.11.2013 Expiring 19.11.2112	2,253,000	103,720
Part of Lot 820, Block 13 Kuala Baram Land District	Land For Development	21.08.1997 Expiring 20.08.2096	747,860	27,841
INVESTMENT PROPERTY				
Lot 3244, Block 11 Kuala Baram Land Dsitrict	Commercial Land & Building	20.07.1995 Expiring 19.07.2094	34,130 (25,560)	47,946

** Including outdoor facilities*

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of Members of **NAIM HOLDINGS BERHAD** will be held at Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak on Monday, 29 May 2017 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESSES

1. Adoption of Financial Statements

To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31 December 2016. **[Please refer to Explanatory Note a]**

2. Approval of Directors' fees and remuneration

To approve the payment of Directors' fees and remuneration for the Non-Executive Directors and the Non-Executive Chairman. **ORDINARY RESOLUTION 1**

3. Re-Election of Director

To re-elect the following Director who retire in accordance with Article 85 of the Constitution of the Company:

Dato Ir. Abang Jemat Bin Abang Bujang **ORDINARY RESOLUTION 2**
Wong Ping Eng **ORDINARY RESOLUTION 3**

To re-elect the following Director who retire in accordance with Article 92 of the Constitution of the Company:

Tan Chuan Dyi **ORDINARY RESOLUTION 4**

4. Re-Appointment of Director

To re-appoint Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis. **ORDINARY RESOLUTION 5**

5. Re-Appointment of Auditors

To re-appoint Messrs. KPMG PLT as Auditors and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 6**

SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

6. ORDINARY RESOLUTION 7 – RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

"That authority be and is hereby given to Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **ORDINARY RESOLUTION 7**

7. **ORDINARY RESOLUTION 8 – RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

"That authority be and is hereby given to Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

ORDINARY RESOLUTION 8

8. **ORDINARY RESOLUTION 9 - AUTHORITY TO ALLOT AND ISSUE SHARES**

"THAT, subject always to the Companies Act, 2016, the Constitution of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of total number of issued shares/total number of voting shares of the Company for the time being and that Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."

ORDINARY RESOLUTION 9

9. **ORDINARY RESOLUTION 10 - PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES ("PROPOSED RENEWAL")**

"THAT, subject always to the Companies Act, 2016 and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares in the Company's issued ordinary share capital from time to time through Bursa Malaysia Securities Berhad as the Directors may deem fit and expedient in the interest of the Company provided that:

i. the aggregate number of ordinary shares purchased shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company;

ii. the amount not exceeding the Company's audited share premium and/or retained profits for the financial year ended 31 December 2016 will be allocated by the Company for the purchase of own shares; and

iii. the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares for the purpose of employees' share scheme or transfer the shares as purchase consideration;

AND THAT such authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this ordinary resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and to do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase."

ORDINARY RESOLUTION 10

Notice Of Annual General Meeting (continue)

10. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

BONG SIU LIAN (MAICSA 7002221)
HASMIAH BINTI ANTHONY HASBI (SAA0772-KH004)
Company Secretaries

Kuching, Sarawak
Dated this 28 April 2017

NOTES:

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respects of each omnibus account it holds.
7. Only members registered in the Record of Depositors as at 22 May 2017 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.

Explanatory Notes on Ordinary and Special Businesses

a. Item 1 of the Agenda

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, not put forward for voting.

b. Ordinary Resolutions 2, 3 and 4 – Re-Election of Director

The following are Directors retiring pursuant to Article 85 and Article 92 of the Constitution of the Company:

i. Article 85 – Retirement by rotation

Dato Ir. Abang Jemat Bin Abang Bujang
Wong Ping Eng

ii. Article 92 – Retirement after appointment to fill casual vacancy

Tan Chuan Dyi

The respective profiles of the above Directors are set out in the Profile of Directors pages 18 to 26.

The details of interest in securities of the Company (if any) held by the Directors are stated on page 168 of the Annual Report.

c. Ordinary Resolution 5 – Re-Appointment of Director

With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors.

At 14th Annual General Meeting of the Company held on 26 May 2016, Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of 15th Annual General Meeting. His term of office will end at the conclusion of the 15th Annual General Meeting and he has offered himself for re-appointment.

The proposed Ordinary Resolution 5, if passed, will enable Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis to continue to act as Director of the Company and he shall thereafter be subject to retirement by rotation at a later date.

The Nomination Committee of the Company has assessed the criteria and contribution of Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis and recommended for his re-appointment. The Board has endorsed the Nomination Committee's recommendation that Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis re-appointed as Director of Company.

d. Ordinary Resolutions 7 and 8 – Retention of Independent Non-Executive Directors

In line with the recommendation 3.3 of the Malaysian Code of Corporate Governance 2012, the Nominating Committee has assessed the independence of Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis and Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli who have served as Independent Non- Executive Directors of the Company for a cumulative term of more than nine (9) years, and upon its recommendation, the Board of Directors has recommended Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis and Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli to continue to act as an Independent Non- Executive Directors of the Company based on the following justifications:

i. Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis and Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli continues to fulfill the criteria under the definition of independent director pursuant to paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad, and hence, they would be able to continue to provide objectively and independent judgment to the Board.

ii. They have been performing their duty diligently and in the best interest of the Company.

iii. Having been in the Company for more than nine (9) years, they are familiar in the Group's business operations and have devoted sufficient time and attention to their professional obligations and facilitated informed and balanced decision making process.

e. Ordinary Resolution 9 – Authority to Allot and Issue Share

This resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares/total number of voting shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

This mandate is a renewal of the last mandate granted to the Directors at the Fourteenth (14th) Annual General Meeting held on 26 May 2016 and which will lapse at the conclusion of the Fifteenth (15th) Annual General Meeting.

The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

f. Ordinary Resolution 10 – Proposed Renewal of Authority to Purchase Own Shares

The Proposed Ordinary Resolution 10, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting in the Company.

Please refer to the Statement to Shareholders in relation to The Proposed Renewal of Authority for Purchase of Own Shares dated 28 April 2017 for further information.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD

COMPANY NO. 585467 - M (INCORPORATED IN MALAYSIA)

Form Of Proxy

CDS account no. of authorized nominee

I/We ____

(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No./ID No./Company No. ______________________ (new) ______________________ (old)

of ____

(FULL ADDRESS)

being a member of NAIM HOLDINGS BERHAD, hereby appoint ______________________

____

(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

NRIC NO./Passport No ______________________ (new) ______________________ (old) of

____

(FULL ADDRESS)

Or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 15th Annual General Meeting of the Company to be held at Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Monday, 29 May 2017 at 10.00 a.m. or any adjournment thereof, in the manner indicated below:

Resolutions		FOR	AGAINST
Ordinary Resolution 1	Approval of Directors' fees and remuneration		
Ordinary Resolution 2	Re-election of Director : Dato Ir. Abang Jemat Bin Abang Bujang		
Ordinary Resolution 3	Re-election of Director : Wong Ping Eng		
Ordinary Resolution 4	Re-election of Director : Tan Chuan Dyi		
Ordinary Resolution 5	Re-appointment of Director : Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis		
Ordinary Resolution 6	Re-appointment of Auditors : Messrs KPMG PLT as Auditors and authorising the Directors to fix their remuneration		
Special Businesses			
Ordinary Resolution 7	Retention of Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis as Independent Director		
Ordinary Resolution 8	Retention of Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli as Independent Director		
Ordinary Resolution 9	Authority to allot and issue shares		
Ordinary Resolution 10	Proposed renewal of authority to purchase own shares		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as the voting is indicated, the proxy/proxies will vote abstain from voting as he/she/they think(s) fit.)

Dated this ______________ day of ________________ 2017.

Number of shares held:

____

Signature of Shareholder(s)/Common Seal

Notes:

1. A member entitled to attend, speak and vote at the same meeting may appoint a proxy to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.
2. To be valid the Proxy form duly completed must be deposited at the Office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respects of each omnibus account it holds.
7. Only members registered in the Record of Depositors as at 22 May 2017 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.

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STAMP

Share Registrar

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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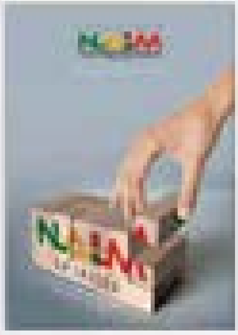
From Where We Began . . .

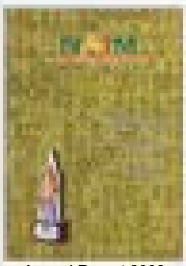
Annual Report 2013
NAIM HOLDINGS BERHAD

Annual Report 2014
NAIM HOLDINGS BERHAD

Annual Report 2015
NAIM HOLDINGS BERHAD

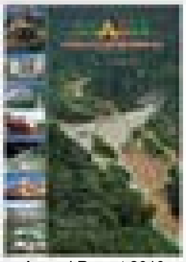


Annual Report 2016
NAIM HOLDINGS BERHAD



Annual Report 2008
NAIM HOLDINGS BERHAD
(Formerly known as Naim Cendera Holdings Berhad)

Annual Report 2009
NAIM HOLDINGS BERHAD

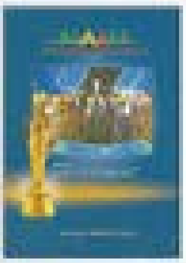


Annual Report 2010
NAIM HOLDINGS BERHAD

Annual Report 2011
NAIM HOLDINGS BERHAD

Annual Report 2012
NAIM HOLDINGS BERHAD

Annual Report 2003
NAIM CENDERA
HOLDINGS BERHAD



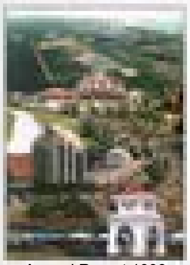
Annual Report 2004
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 2005
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 2006
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 2007
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 1998
NAIM CENDERA SDN BHD



Annual Report 1999
NAIM CENDERA SDN BHD

Annual Report 2000
NAIM CENDERA SDN BHD

Annual Report 2001
NAIM CENDERA SDN BHD

Annual Report 2002
NAIM CENDERA SDN BHD

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD

COMPANY NO. 585467 - M

Registered and Head Office

9th Floor Wisma Naim, 2½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.
Tel: +6 082 411667 Fax: +6 082 429869 E-mail: enquiries@naim.com.my
Website: www.naim.com.my

Kuala Lumpur | Kuching | Bintulu | Miri