Corporate Social Responsibility

In our continuous pursuit of excellence and building value for our stakeholders, we are constantly mindful of our responsibility as a corporate citizen towards our community, environment and organisation.

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

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.

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 2016, we launched the Naim Foundation Academic Excellence Awards to recognise outstanding students of 17 secondary schools in Sarawak to promote academic excellence among students.

Nevertheless, we realise that the concept of corporate responsibility encompasses much more than just philanthropy. More importantly, corporate responsibility is all about a passion to make a difference and inspire change for a sustainable future. It is in this spirit that our corporate responsibility efforts were formulated and carried out, now and in time to come.

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).

Quality, Health & Safety

Naim Wins Gold Award For Occupational Safety And Health Excellence 16 August 2017

We were adjudged as the 'Gold' award winner for the 13th Malaysia Occupational Safety and Health Practitioner's Association (MOSHPA) Occupational Safety and Health (OSH) Excellence Award 2017.

The award was for the category of the Heavy Civil Engineering Works in relation to our flagship development, Naim Sapphire on the Park condominium located at Batu Lintang Road, Kuching.

Corporate Social Responsibility (continued)

NAGA Achieves One Million Safe Man-Hours Status
26 September 2017

Our joint venture with Gamuda Berhad, NAGA celebrated the achievement of one million safe man-hours since starting the works for the Pan Borneo Highway project in September 2016, setting a new record for the whole mega project.

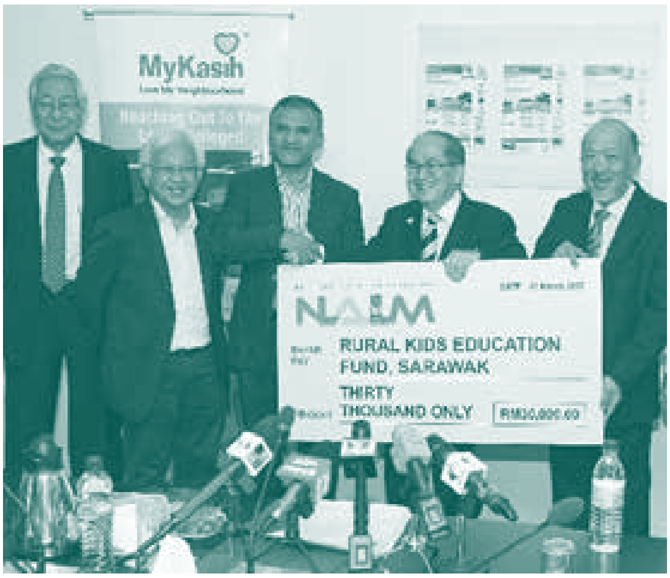
Naim Educates Valued Partners On Fire Safety
4 October 2017

A fire drill was organized by our HSE department in collaboration with the BOMBA Batu Lintang, Kuching for our Valued Partners. Besides a fire drill, Valued Partners were taught how to use a fire extinguisher, methods to prevent the spreading of fire and emergency measures in the event of fire.

Balingian Bridge, Mukah, Sarawak: The first in South East Asia to implement environmental friendly Scrap Tires Wall for the construction of the bridge approaches.

Environmental Responsibility
We are committed to giving back to our environment by integrating environmental care practices into our daily operations and also through voluntary activities. Some of our initiatives in this regard include 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 will continue to be mindful of our role as custodians of the ecosystems we operate in, to protect our environment for future generations.



Naim Aids Rural Kids Education Fund 31 March 2017
Naim contributed RM30,000 to Rural Kids Education Fund via its charity golf event. The charity event sought to raise RM1million to help children affected by the nature disasters in rural areas.

Naim Embarks On 'Go Green Rocks' Environmental Conservation Programme August & September 2017

We lent a hand to Mother Nature by participating in wetlands and tree planting activities in Kuching and Bintulu respectively. The activities form part of our collaboration with the Forest Department of Sarawak. More than 100 Valued Partners participated in the activities and successfully planted more than 1,000 tree saplings.

Naim Contributes To Dewan Usahawan Bumiputra Sarawak (DUBS) 28 October 2017
Naim contributed RM35,000 to Dewan Usahawan Bumiputra Sarawak (DUBS) for its annual Majlis Anugerah Usahawan Bumiputra Sarawak 2017, organised to recognize outstanding Bumiputera entrepreneurs in Sarawak as part of the Group's community outreach initiatives.

Naim Lends A Hand To Persatuan Melanau Kuching
29 October 2017
Naim contributed RM40,000 to Persatuan Melanau Kuching in support of its charity activities within the communities. The activities included incentives presented to 69 outstanding students.

Community
We strongly believe in making a difference in every life we touch and being a force for good within our communities. Our community engagements and related initiatives are not merely opportunities to mobilise our resources and skills to enrich and empower the communities – they are carried out with the objective of driving positive change at all levels.

Ultimately, we seek to strengthen our communities to create a better life and future for all.

Naim Contributes To Mosques And Suraus
19 June 2017

We handed over our annual Ramadan contributions to various mosques and suraus in Kota Samarahan, Miri and Bintulu.

The recipients of the contributions were Masjid Darul Ilmu and Surau Kampung Paoh Benyuk in Kota Samarahan, Masjid Ar Rayyan and Surau Sinar Islam in Miri and Masjid At Taqwa in Bintulu

Corporate Social Responsibility (continued)

Naim Helps Out In Charity Sales 26 July 2017

We participated in a charity sale and food fair organized by the Society of Parents of Children with Special Needs of Sarawak (PIBAKAT) held at Christian Ecumenical Worship Centre, Kuching. Our Valued Partners raised RM3,500 for the Society in the half day event.

Naim Presents Award To Top UCTS Student
12 October 2017

We presented an Industry Excellence Award to University College of Technology Sarawak's (UCTS) top civil engineering student, Ngang Kiu Kiong during the University's graduation ceremony.

The Award is part of our collaboration with the University to promote academic excellence and advancement in education within our communities.

Naim Presents Academic Excellence Awards
September –November 2017

Naim presented academic excellence awards to students of 17 secondary schools in Sarawak, as a form of recognition of their efforts. Besides academic excellence awards, Naim also presented various financial assistance contributions to deserving students.

Internship Programme

We believe that industrial training is an integral component in empowering the young. By providing them with firsthand 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. During the year, we provided internship for 46 students from universities, vocational schools and private education establishments.

Other Highlights

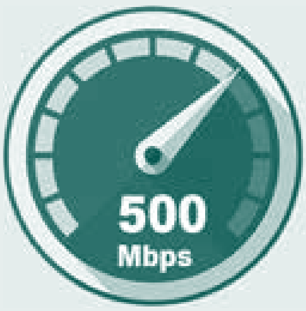
Corporate Diary 2017

Naim launches Naim Terrasse Single Storey Terrace Homes 30 January 2017

Located within the scenic Naim SouthLake Permyjaya development zone in Naim Bandar Baru Permyjaya township, Miri, the Naim Terrasse single storey terrace homes allow one to own an affordable house in an exclusive address. The launch was well-received.

Naim Bagged The 'Best Booth Award' At SHEDA EXPO 2017 17 July 2017

Naim's uniquely designed double-decker booth featuring contemporary classic living room adorned with beautiful art pieces by local artists won the 'Best Booth Award' duirng the Sarawak Housing and Real Estate Developers' Association (SHEDA) Expo. The booth was a testament of Naim's mission to bring the leisure-inspired lifestyle up another top notch in Sarawak.



Naim Bintulu Paragon Sets A New Benchmark in Digital Lifestyle 26 September 2017

Naim Bintulu Paragon has launched its high speed fiber internet that offers high speed wifi of 500 megabits per second (500Mbps), setting a new benchmark in digital lifestyle in Sarawak.

Naim Sponsors 'The Most Happening' Lantern Festival In Sarawak 26 September 2017

Naim contributed RM60,000 to The Federation of Registered Chinese Associations (FORCA) Bintulu Division, becoming the main sponsor for the Bintulu Tanglung Carnival 2017. The Bintulu Tanglung Carnival is one of the largest celebrations for Mid Autumn Festival in Sarawak.

Naim Among Malaysia Top 30 Property Developers
4 November 2017

Naim added another feather to its cap by being adjudged one of Malaysia's Top 30 property developers by The Edge Malaysia's Top Property Developers Awards 2017. Naim was the only East Malaysia-based property developer in the list of award recipients.

Opening of Darul Hana Bridge 11 November 2017

A colourful opening ceremony was organised for the opening of the much-awaited Darul Hana Bridge, Kuching newest landmark. Officiated by His Excellency The Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud, the project was a joint-venture project between Naim and PPES Work. The beautiful bridge connects the Kuching Waterfront area to the State Legislative Assembly Complex.

Naim Sapphire Deluxe's Show Units Open Doors To Public 19 November 2017

The commencement of public viewing for Naim Sapphire Deluxe's show units was officiated by YB Senator Datuk Professor Dr Sim Kui Hian, Minister of Local Government and Housing Sarawak. Naim Sapphire Deluxe is part of the affluent Naim Sapphire Condominium Homes situated at Batu Lintang Road Kuching. Themed the 'Classic French Beauty', 'Scandinavian Sanctuary' and 'Spacious Minimalist', the show units were well-received.

The event also saw the topping-up ceremony for Naim Sapphire Classic tower symbolising the upcoming completion of the said tower, and the launch of Naim's exciting 'Rewards Campaign'.

Naim In The News

Naim wins 4th consecutive Environmental Award

Naims wins Gold OSH Excellence Award

Peningkata… jenis harta…

More than RM700k raised for charity golf event

DEPUTY Chief Minister Datuk Amar Douglas Uggah Embas (third right) posing during the handing over of a mock cheque from Naim for the Rural Kids Education Fund together with MyKasih Foundation chairman Tan Sri Dr Ngau Boon Keat (left), Naim Holdings Berhad chairman Datuk Amar Abdul Hamed Sepawi (second left), organising chairman Datuk Richard Lee (second right), and other honourable guests.

BY DOREEN LING

KUCHING: A charity golf event will be held on 30 April this year to help rural children whose schools have been affected by the recent floods in the state through the 'Charity Golf for Rural Kids Education Fund'.

This was revealed by Deputy Chief Minister Datuk Amar Douglas Uggah Embas during a press conference held at Wisma Bapa Malaysia here yesterday.

Uggah, who is also the Minister of Modernisation of Agriculture and Rural Economy, revealed that about RM700,000 has already been raised for the fund project even before the official launching.

The charity golf event is co-sponsored by the MyKasih Foundation and also Samarahan Country Club, where the game will also be held.

"Whatever that we have raised will be channelled to the MyKasih Foundation because they have the mechanism of reaching out to the interior and they have a set system which has been found to be effective.

"This is one of the issues faced by both the government and private sector in trying to help achieve a very effective system," said Uggah, who is also the Chairman of the State Disaster Management Committee.

He also revealed that 112 schools were affected by the floods, which left school children being deprived of proper facilities and even basic amenities all over the state.

"The government has the heavy responsibility in restoring, rebuilding, and re-establishing the schools and communities affected and is doing everything possible to assist," he said.

Uggah added that he hopes this will not be the last time working with the foundation as there are more within the rural community that needs help.

"In the interior they still need assistance as some are still nomadic, some don't have legal documents, and so much more.

"Once we have established a system then we will try to reach out to them as one of my responsibilities as a minister of rural economy is to try to uplift the life of the people living in rural areas," he said.

Uggah also called for more support from Sarawakian companies and the general public to give their support.

The event also saw the presentation of cheques from various companies to the fund; Dialog Group Sdn Bhd, HSBC, IOI Group, Petra Energy Berhad, Naim, and Tradewinds Plantation.

Also present during the event were MyKasih Foundation chairman Tan Sri Dr Ngau Boon Keat and organising chairman Datuk Richard Lee.

The charity golf was started by a group of volunteers working in both Kuala Lumpur and Sarawak as a corporate social responsibility (CSR) project.

Naim Bintulu Paragon sets new record in digital lifestyle

TYT graces LAKMM Raya do

...an permintaan
...anah

NAIM bags SHEDA's Best Booth Award

...embinaan Pan Borneo bebas daripada kemalangan

...AGA JV capai 'One Million Man-Hours' sejak mulakan kerja pembinaan September 2016

"Keselamatan dan kesihatan pekerjaan ini penting kerana tanpa pekerja keseluruh projek itu mungkin akan mengalami masalah."

Naim volunteers help raise fund at Pibakat food fair

Naim laksana CSR Ramadan

Corporate Governance

Corporate Governance Overview Statement

A Note on Terminology: Naim Holdings Berhad is the ultimate holding company for Naim Land Sdn Bhd, Naim Engineering Sdn. Bhd. and other subsidiaries, 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.

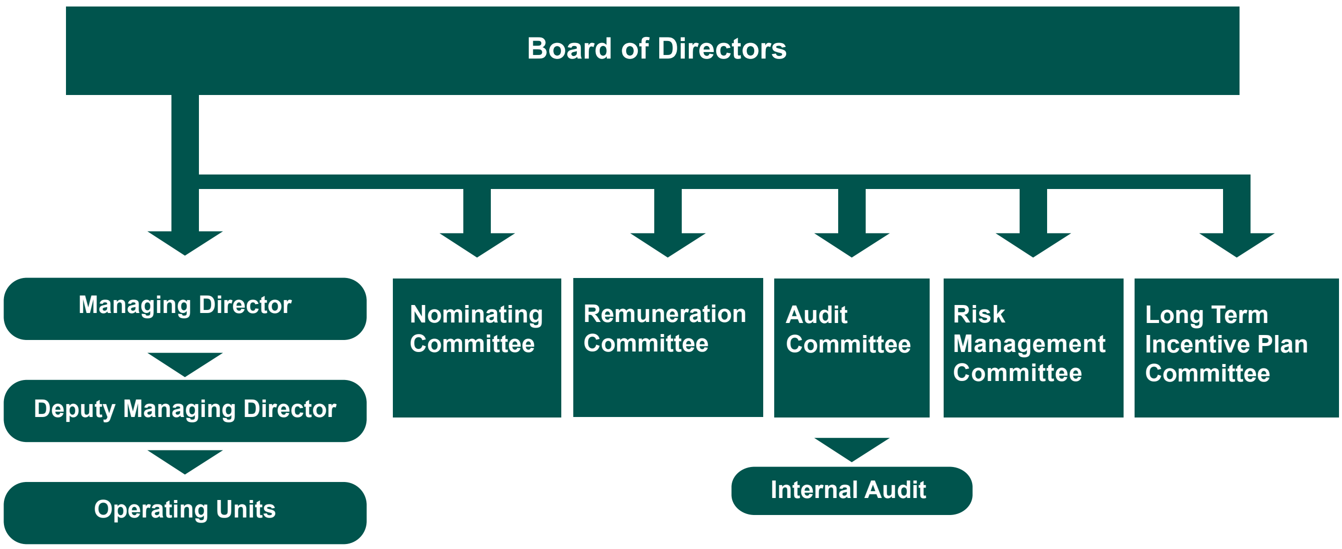
The Board is pleased to report to the shareholders and investors with an overview of the corporate governance practices of the Group during the financial year 2017. The Corporate Governance Overview Statement sets out the principal features of the Group corporate governance.

This statement is prepared in compliance with Bursa Malaysia Listing Requirements and it shall be read together with the Corporate Governance Report ("CG Report") 2017 of the Company. The CG Report provides the details on how the Company has applied each of the practices as set out in the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"). The CG Report is available on the Company's website: http://www.naim.com.my as well as via an announcement on the website of Bursa Malaysia.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS
Board's Roles and Responsibilities

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 responsible for the corporate governance practices of the Group. The Board has established a governance framework where specific powers of the Board are delegated to the Board Committees and the management as depicted below:



There is a clear division of roles and responsibilities of the Board and Management. Management is responsible for the day-to-day running of 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 Limit ("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.

The Board Committees are established 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 Board Committee comprises members of the Board of Directors, and is mandated to carry out specified functions, programmes or projects assigned by the Board. 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. Annual assessments of the performance of the Board, Board Committee and Board of Directors are carried out 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 decision.

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 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	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee	Long Term Incentive Plan Committee
Datuk Amar Abdul Hamed Bin Haji Sepawi		√ (Chairman)		√	
Datuk Hasmi Bin Hasnan			√		
Dato Ir. Abang Jemat Bin Abang Bujang	√		√ (Chairman)		√
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	√ (Chairman)	√	√	√	
Datin Mary Sa'diah Bin Zainuddin		√	√	√ (Chairman)	√
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli					√ (Chairman)
Chin Chee Kong	√				√
Tan Chuan Dyi (appointed as Audit Committee member on 24 August 2017)	√				
Total No. of members	**4**	**3**	**4**	**3**	**4**

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 five (5) board meetings were held in 2017 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	4/5	80
Datuk Hasmi Bin Hasnan Managing Director	5/5	100
Wong Ping Eng Deputy Managing Director	5/5	100
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis Senior Independent Non-Executive Director	5/5	100
Dato Ir. Abang Jemat Bin Abang Bujang Independent Non-Executive Director	5/5	100
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli Independent Non-Executive Director	5/5	100
Datin Mary Sa'diah Binti Zainuddin Independent Non-Executive Director	4/5	80
Chin Chee Kong Non-Independent Non-Executive Director	5/5	100
Tan Chuan Dyi Independent Non-Executive Director * Appointed to the Board on 23 February 2017	4/4	100

Directors who are unable to attend the Board meetings in person, may attend meetings via telephone, video conferencing or any other form of electronic or instantaneous communication as permitted by the Company's Constitution. Directors who intend to participate in the meetings through video conferencing should give prior notice to the Company to arrange for the setting up of the facilities.

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.

The Board, its Committees and Directors are allowed and encouraged to seek independent and/or professional advice, at the Group'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.

Board Composition

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

The Board's current composition is as follows:

Category	No. of directors	%
Executive Directors	2	22%
Non-Executive Directors	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% Non-Executive Director and the balance of 56% Independent Non-Executive Directors.

The MCCG 2017 recommends that at least half of the Board comprises independent directors. The Company complies with the aforesaid recommendation. In addition thereto, the Company also complies with Paragraph 15.02 Bursa Malaysia Securities Listing Requirements which requires at least two (2) directors or 1/3 of the Board to be independent directors.

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 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 Diversity

The Board acknowledges the importance of diversity in the Board, including gender, age, ethnicity, experience and skills. The current board composition in terms of experience, skills, ethnic, gender and age is as follows:

	Experience & Skills										Ethnic		Gender		Age		
	Property	Construction	Timber	Plantation	Energy / Oil & Gas	Audit/Accounting/Finance	Electrical/Telecommunication	Public Service / Education	Civil Engineering / Technology /Research / Education	Banking / Finance	Bumiputra	Non-Bumiputra	Male	Female	Below 60	Between 60 - 65	Above 65
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 Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli									√		√		√			√	
Datin Mary Sa'diah Binti Zainuddin					√						√			√		√	
Chin Chee Kong						√						√	√			√	
Tan Chuan Dyi										√		√	√		√		

Corporate Governance Overview Statement (continued)

The Board currently comprises seven (7) male directors, representing 78% of the Board, and two (2) female directors, representing 22% of the Board. The Board recognises the value of having gender diversity in the Board and 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 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.

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/her 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' 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	Programme Title	Date(s)
Datuk Amar Abdul Hamed Bin Haji Sepawi	• NAIM Winning Strategy Workshop	28 July 2017
Datuk Hasmi Bin Hasnan	• NAIM Winning Strategy Workshop	28 July 2017
Wong Ping Eng	• NAIM Sales Conference 2017 • Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries – MIA • NAIM Winning Strategy Workshop • Malaysia Code of Corporate Governance: A New Dimensions	16-17 March 2017 25 May 2017 28 July 2017 29 August 2017
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	• Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries - MIA • NAIM Winning Strategy Workshop • Fraud Risk Management Workshop - Bursa • Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa	25 May 2017 28 July 2017 26 September 2017 24 October 2017

Name of Director	Programme Title	Date(s)
Chin Chee Kong	● Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries – MIA ● NAIM Winning Strategy Workshop ● Premier Wealth Market Talk 2017 (Riding the wave of opportunities) ● Global Symposium on Development Financial Institutions organized by Bank Negara Malaysia and World Bank Group ● Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa ● ASEAN Capital Market Conference by Securities Commission ● KPMG Tax Summit at OneWorld Hotel ● Walking Through Contracts the MFRS 15 Way by KPMG @ Hilton ● Law Enforcement, AMLA, FEA and FSPB (Asian Banking School)	25 May 2017 28 July 2017 9 September2017 19-20 Sep 2017 24 October 2017 8 November 2017 9 November 2017 16 November 2017 9 December 2017
Tan Chuan Dyi	● Mandatory Accreditation Programme - ICLIF ● Changes Affecting Directors Under The Companies Act 2016 What Every Director Need to Know ● NAIM Winning Strategy Workshop ● Enhanced Understanding of Risk Management and Internal Control	30-31 March 2017 21 July 2017 28 July 2017 18 August 2017
Dato Ir. Abang Jemat Bin Abang Bujang	● NAIM Winning Strategy Workshop ● Fraud Risk Management Workshop – Bursa ● Case Study Workshop for Independent Directors – Bursa ● Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa	28 July 2017 26 September 2017 16 October 2017 24 October 2017
Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli	● Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries – MIA ● NAIM Winning Strategy Workshop ● Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa	25 May 2017 28 July 2017 24 October 2017
Datin Mary Sa'diah Binti Zainuddin	● Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries - MIA ● NAIM Winning Strategy Workshop ● Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa	25 May 2017 28 July 2017 24 October 2017

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.

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.

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 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. n 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 confirmation/disclosure, members of the Board are also required to declare or disclose their interest in any transactions involving Naim Group as 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

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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, in monitoring the Group's internal control system, internal audit process, related party transactions, conflict of interest situations, accounting policies, financial reporting and overseeing the performance, independence and objectivity of the external auditor and the quality of the audit.

The composition and performance of the Audit Committee is reviewed annually by the Nominating Committee and recommended to the Board for its approval.

The Chairman of the Audit Committee is not the Chairman of the Board. All members of the Audit Committee are financially literate.

The roles of the Audit Committee can be found in pages 77 to 81 of this Annual Report.

Risk Management and Internal Control Framework

The Board is responsible for the Group's system of risk management and internal control. The Group has a system of risk management and internal control to identify the risks and put controls in place to counter the risks. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.

The Group has established policies and framework for the oversight and management of material business risks. The Group Risk Management Department consolidates 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 on quarterly basis. High risks areas were reported and deliberated at Board Meetings.

Further information on the Group's risk management and internal framework is made available on the Statement of Risk Management and Internal Control on pages 82 to 84 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Company ensures that its communication with shareholders and other stakeholders is timely and transparent and provides equitable dissemination of information to shareholders and stakeholders. The Company aims to engage with shareholders transparently and regularly in order to build a mutual understanding of respective objectives. The communication modes include Annual report, quarterly results announcements via Bursa LINK, disclosures on the Company's website and other investor relation activities.

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

Corporate Website

The Company also maintain 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 Director/or Management through the email, investorrelations@naim.com.my posted at the aforesaid website. All queries and concerns of shareholders and stakeholders may be conveyed to Emeritus Prof. Dato' Abang Abdullah Bin Abang Mohamad Alli, Independent Director at this email address: aaaarm@naim.com.my

Conduct of General Meetings

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.

At the Annual General Meeting held on 29 May 2017, all the resolutions put forward were voted on by poll in accordance with paragraph 8.29A of the Bursa Malaysia Main Market Listing Requirements.

The Company had appointed the share registrar, Tricor Investor & Issuing House Services Sdn. Bhd. as the Poll Administrator and KSK Corporate Services Sdn. Bhd. as Independent Scrutineer to oversee the polling processes. All ordinary resolutions were passed by a majority of votes by members present either in person or by proxy.

All directors were present at the Annual General Meeting held on 29 May 2017. Pursuant to Section 285 Companies Act 2016, the external auditors, KPMG PLT were invited to attend the Annual General Meeting, so as to respond according to their knowledge and ability to any question which may be raised, and relevant to the audit of the financial statements.

This Corporate Governance Overview Statement was approved by the Board of Directors on 27 February 2018.

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 misstatements, whether due to fraud or error.

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 33 to 41 and Performance Overview from page 42 to 49.

Additional Compliance Information

1. **Utilisation of Proceeds**

During the financial year, there were no proceeds raised from any corporate proposal.

2. **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 2017 were as follows:

Item	Nature of services rendered	Company RM'000	Group RM'000
A.	Audit Fees	80	381
B.	Non-Audit Fees	22	214
	Total	102	595

The non-audit fees comprised the following:

Item	Nature of services rendered	RM'000
a.	Tax fee	179
b.	Other advisory fees	32
	Total	**214**

3. **Material Contracts involving interests of Directors/Chief Executive/Major Shareholders**

There were no material contracts entered into by the Group and/or its subsidiaries involving Directors or Chief Executive who is not a Director or Major Shareholders either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

4. **Employee Share Scheme - Long Term Incentive Plan ("LTIP")**

During the financial year ended 31 December 2017, no grants were issued.

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

Nominating Committee

The Nominating Committee 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 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
  The commercial knowledge, business acumen skill and experience of each Board member is evaluated 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.

The Terms of Reference of the Nominating Committee is available on the Company's website.

Remuneration Committee

The Remuneration 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

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 Director(s)	Percentage
Independent Non-Executive Directors	3	75%
Executive Director	1	25%
Total	**4**	**100%**

The Committee shall review the 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 members:

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-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 Group Risk Management Department ("GRMD") reviews and assesses the risk exposure and risk management activities of the various business units and support services. The GRMD also reviews the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks. The top high residual risks and their respective controls and treatment plans are deliberated at Risk Management Committee meetings and thereafter reported to the Board.

Corporate Governance Overview Statement (continued)

Long Term Incentive Plan Committee

The Long Term Incentive Plan Committee consists of the following members:

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 Long Term Incentive Plan ("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 prolonged business uncertainty under the prevailing volatile market conditions, the LTIP Committee has not commenced the implementation of the LTIP.

Audit Committee Report

Members

The Audit Committee comprises the following members:

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

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

Mr. Tan Chuan Dyi – Member
(appointed as Member of the Audit Committee on 24 August 2017)
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 Director(s)	Percentage
Independent Non-Executive Director	3	75%
Non-Independent Non- Executive Director	1	25%
Total	**4**	**100%**

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

The Chairman of the Audit Committee is not the Chairman of the Board.

Attendance of Meetings

The Audit Committee met seven (7) times during the year 2017 and the details of attendance are as follows:

Audit Committee Members	No. of Meetings attended	Attendance (%)
Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	7/7	100
Dato Ir. Abang Jemat Bin Abang Bujang	7/7	100
Mr. Chin Chee Kong	7/7	100
Mr. Tan Chuan Dyi[1]	2/2	100

Note
[1]Appointed on 24 August 2017

External auditors, internal auditors and relevant management staff are invited, when deemed necessary to attend the 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 twice during the year in executive sessions with the external auditors without the presence of management.

The Terms of Reference of the Audit Committee can also be found on the corporate website at www.naim.com.my.

1. SUMMARY OF ACTIVITIES

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

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 requirement.
- Reviewed and recommended for Board's approval the annual audited financial statements.
- Reviewed the internal control aspects of the Statement on Risk Management and Internal Control for recommendation to the Risk Management Committee for its consideration.

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.

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.

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.
- Ensured that the audit partners on the engagement are rotated every five years, with a two year cooling-off period.
- Considered and recommended to the Board for approval, the re-appointment of External Auditors, as well as their remuneration.
- Met up with external auditors twice, 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 risks 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, Madam Denise Yong, who has more than 16 years of work experience. The internal audit staff comprise those that possess tertiary qualifications in the field of Accountancy, Business Administration and Construction Management. The Department is made up of a total of five internal auditors.

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. 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.

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.

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 2017, the internal audit activities carried out included, inter alia, the following:

a Evaluated the system of internal controls and key operating process based on the approved annual plan.
b. Evaluated the efficiency of process, function and current practices and provided suitable recommendation 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 RM385,000 was incurred by the internal audit department in respect of the financial year under review.

3. TRAINING

Internal audit's training is an on-going process to develop, update and enhance the internal auditors' knowledge and skill to continually keep abreast with developments in the profession and industry. The internal auditors attended the following external seminars and internally facilitated sessions as follows:

Date	Description of Training
13 Jan 2017	Employers' Obligation on Employees Remuneration by KPMG
17-18 Feb 2017	ISO 9001:2015 & 14001:2015 IMS Awareness & Internal Audit Training by East-West Techn-Link Consultants (KL) Sdn Bhd
3 May 2017	Materials Management at Project Site by In-house
25 May 2017	Companies Act 2016 – Key Insights & Implication for Directors, Auditors/Accountants & Company Secretaries by Malaysian Institute of Accountants (MIA)
8 Jun 2017	Internal Audit – Awareness Session by In-house
9 Jun 2017	Employment Terms & Conditions – Refresher Session by HR Department
29 Jul 2017	Winning Strategy Workshop by HR Department

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 2017).

The Board of Naim believes in good corporate governance and managing the affairs of the Group in accordance with the MCCG 2017. 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 is continuously improved to ensure the relevance of the framework and conform to the current environment and business operations. The Group has adopted an ERM process, in line with the principles and Guidelines of ISO 31000: 2010 MS Risk Management. The process emphasizes the importance of communication and consultation at every stage to ensure that risks are adequately identified and to understand the basis on which decisions are made or certain risks are taken and agree on why particular actions may be required. This is to ensure that different views are appropriately considered when evaluating the risks. The process comprises the following steps:

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. 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 include 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 use of JDE system which comprises Supply Chain Management, Financial, Sub Contracting and Job Costing to improve efficiency.

- A new eProcurement & Approval (ePA) system was implemented during the year 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 for 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.

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, the Group's role 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.

Assurance to the Board

The Board has received assurance from the Managing Director and Deputy Managing Director that the Group's risk management and internal controls are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

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 Audit and Assurance Practice Guide ("AAPG") 3, 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 2017, 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.

AAPG 3 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 resolution of the Board of Directors dated 27 February 2018 and 12 April 2018.

Economic Outlook

Economic Outlook

Outlook for Malaysia

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

The developed economies, particularly, the US and the EU, are expected to tighten their monetary policy this year as their growth hastened. Nevertheless, it is not expected to have a significant impact on the real sector in Malaysia directly, but it will influence the direction of short-term capital flows worldwide. The uncertainty of the timing of monetary normalization poses a risk to the forecast. Other than that, political and policy uncertainties are among major downside risks to the global growth.

The World Bank (as reported in the Edge newspaper)
http://www.theedgemarkets.com/article/world-bank-forecasts-malaysia-2018-gdp-52

11 January 2018
The World Bank expects Malaysia's gross domestic product (GDP) growth to moderate to 5.2% in 2018, from an estimated 5.8% in 2017, on the back of a gradual slowdown in China which offsets a pickup of activity in the rest of the region.
Regional growth is projected to moderate slightly during the forecast horizon led by a cyclical rebound in several commodity exporters, the bank said in its Global Economic Prospects report.
It said the regional growth is projected to gradually slow to 6.2% in 2018 and 6.1% on average in 2019 to 2020 with the continuing gradual structural slowdown in China offsetting a cyclical pickup in the rest of the region.
Risks have become more balanced, but remain tilted to the downside

THE STAR
Malaysian economy grew 5.9% last year, slower pace seen this year
https://www.thestar.com.my/business/business-news/2018/02/15/steady-growth/

15 February 2018
The Malaysian economy grew faster than had been forecast last year, but economists are looking at the high base effect, a slower pace of export growth and external conditions to impact Malaysia's growth prospects this year.

Overall, economic growth as measured by gross domestic product (GDP) came in at 5.9% in the fourth quarter ended Dec 31, 2017 (4Q17) compared with the same quarter the previous year, and GDP also grew 5.9% for the full year in 2017. The fourth-quarter and full-year GDP performance was slightly above market expectations. The official prediction was for GDP growth to be between 5.2% and 5.7% in 2017.

Economists told StarBiz that growth would be robust in 2018 although at a slower pace, coming in above 5% after 2017's growth hit a three-year high. The government expects a growth of 5% to 5.5% this year.

Outlook for Sarawak

Malaysian Rating Corporation Berhad (MARC)
https://www.marc.com.my/index.php/economic-research/country-reports/country-reports-2018/925-state-risk-monitor-sarawak-20180125/file

With natural resource wealth a key economic strength, the state economy is vulnerable to volatile commodity prices, particularly that of oil and gas. This was amply demonstrated in 2016 by the 15.0% fall in state revenue because of significant falls in compensation in lieu of gas rights (-36.3%) and oil rights (- 29.5%). While major downturns in oil prices are largely driven by factors that include financial crisis, demand shocks and supply shocks, the oil price collapse starting in mid-2014 appears to be due to a mix of two factors, namely demand and supply shocks. There are, however, indications that the oil market situation is on the mend. Oil prices have surged on, for example, hopes of a rebalancing market. However, the possibility of this happening could be dashed by increasing US shale activity as both oil rig count and output have been steadily rising. This should not come as a surprise because the OPEC (Organization of the Petroleum Exporting Countries) production curbs have incentivised US shale oil producers to step up their oil drilling activities.

CH Williams, Talhar, Wong and Yeo
http://www.wtwy.com/files/reports/WTWY%20SP%20Bulletin%202H%202017.pdf

Overall, the economic growth momentum is expected to persist into 2018, leading GDP to grow between 4.8 per cent and 5.3 per cent in 2019. The unexpectedly aggressive monetary policy normalisation, slower than expected growth in China and upcoming general election were among factors that could risk GDP growth forecast for 2018.

Financial Statements

Directors' Report For The Year Ended 31 December 2017

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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.

Subsidiaries
The details of the subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(168,853)	14,705
Non-controlling interests	898	-
	(167,955)	14,705

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 and up to 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

Directors of the subsidiaries
The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned above) in office during the year and up to the date of this report:

Datu Haji Halmi Bin Ikhwan
Dato' Ir. Ha Tiing Tai
Dato' Ubull A/L Din Om
Lee Han Ming (appointed on 01.03.2018)
Hasmiah Binti Anthony Hasbi
Sivakumar A/L Ramasamy
Lau Kiu Huat (alternate to Datu Haji Halmi Bin Ikhwan)
Davidran A/L Somasundiram Prakasam
Ting Pin Sing
Lim Khong Guan
Abang Hasni Bin Abang Hasnan
Wong Ching Sen
Beh Boon Ewe
Alexander Manyin
Charles Arthur Bateman
Nona Zaharia Binti Fadzil
Lingoh Anak Gara
Siti Aishah Binti Othman
Robert Asing (resigned on 26.01.2018)
Dato Haji Bujang bin Tun Ahmad Zaidi (resigned on 21.09.2017)

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:

	Number of ordinary shares			
	At 1.1.2017	Bought	(Sold)	At 31.12.2017
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 Hasmi Bin Hasnan has deemed interests				
The Company	40,455,500	-	-	40,455,500
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
NAIM GAMUDA (NAGA) JV SDN. BHD.	7,000,000	-	-	7,000,000
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	999,999	-	-	999,999
Naim Quarry (Fiji) Limited	999,999	-	-	999,999
Naim Premix (Fiji) Limited	999,999	-	-	999,999
Lotus Paradigm Sdn. Bhd.	70	-	-	70

Datuk Hasmi Bin Hasnan, by virtue of his interests in the ordinary shares of the Company, is 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 2017 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 remuneration 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 28)] 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 36 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 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.

Directors' Report
For The Year Ended 31 December 2017 (continued)

Indemnity and insurance costs for Officers and Auditors

a. Directors and officers

The Directors and officers of the Group and of the Company are covered by Directors' and Officers' Liability Insurance ("DOL Insurance") for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM50 million in the aggregate.

The insurance premium for the DOL Insurance paid during the financial year amounted to RM59,000.

b. Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

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.

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 2017 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, other than the loss arising from the dilution in equity interest in an associate of RM8,321,000 (see Note 27)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 25 to the financial statements.

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: 12 April 2018

Statements Of Financial Position As At 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	103,648	89,130	5,470	5,815
Prepaid lease payments	4	2,342	2,370	-	-
Investment in subsidiaries	5	-	-	339,962	339,962
Investment in associates	6	353,006	422,918	158,530	130,815
Investment in joint ventures	7	5,543	4,906	-	-
Land held for property development	8	384,646	398,772	-	-
Investment properties	9	87,382	87,667	-	-
Intangible asset	10	4,876	5,557	-	-
Deferred tax assets	11	16,201	29,466	-	-
Other investments	12	2,974	2,974	-	-
Trade and other receivables	13	73,372	82,324	-	-
Total non-current assets		1,033,990	1,126,084	503,962	476,592
Inventories	14	79,563	103,525	-	-
Property development costs	15	542,082	441,545	-	-
Trade and other receivables	13	350,764	449,959	65,185	54,633
Deposits and prepayments	16	29,236	29,343	28	27
Current tax recoverable		13,142	12,453	208	367
Cash and cash equivalents	17	76,261	64,055	7,836	5,027
		1,091,048	1,100,880	73,257	60,054
Assets held for sale	18	651	757	-	-
Total current assets		1,091,699	1,101,637	73,257	60,054
Total assets		2,125,689	2,227,721	577,219	536,646
Equity					
Share capital	19	336,092	250,000	336,092	250,000
Reserves	20	792,133	1,064,572	86,213	157,600
Total equity attributable to owners of the Company		1,128,225	1,314,572	422,305	407,600
Non-controlling interests	5	19,602	18,704	-	-
Total equity		1,147,827	1,333,276	422,305	407,600
Liabilities					
Loans and borrowings	21	159,684	123,619	19,855	-
Trade and other payables	22	6,874	10,057	-	-
Deferred tax liabilities	11	25,501	26,199	-	-
Total non-current liabilities		192,059	159,875	19,855	-
Loans and borrowings	21	385,720	355,216	133,000	128,000
Trade and other payables	22	387,197	378,986	2,059	1,046
Provisions	23	11,600	-	-	-
Current tax payable		1,286	368	-	-
Total current liabilities		785,803	734,570	135,059	129,046
Total liabilities		977,862	894,445	154,914	129,046
Total equity and liabilities		2,125,689	2,227,721	577,219	536,646

The notes on pages 97 to 148 are an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income For The Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	24	365,203	428,030	30,139	727
Cost of sales		(451,213)	(396,097)	-	-
Gross (loss)/profit		(86,010)	31,933	30,139	727
Other operating income		48,583	18,619	24	202
Selling and promotional expenses		(8,925)	(9,500)	-	-
Administrative expenses		(28,791)	(34,503)	(10,768)	(9,245)
Other expenses		(5,292)	(3,013)	-	-
Results from operating activities	25	(80,435)	3,536	19,395	(8,316)
Finance income	26	8,902	9,377	3,001	2,408
Finance costs	26	(27,511)	(26,071)	(7,690)	(5,863)
Net finance costs		(18,609)	(16,694)	(4,689)	(3,455)
Other non-operating expense	27	(8,321)	-	-	-
Share of (loss)/profit (net of tax) of equity-accounted:					
- associates	6	(42,053)	15,946	-	-
- joint ventures	7	2,289	738	-	-
(Loss)/Profit before tax		(147,129)	3,526	14,706	(11,771)
Tax expense	29	(20,826)	(1,819)	(1)	66
(Loss)/Profit for the year		(167,955)	1,707	14,705	(11,705)
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		1,783	(782)	-	-
Realisation of reserves from deemed disposal of an associate		(2,454)	-	-	-
Share of other comprehensive income of equity-accounted associates		(16,823)	7,369	-	-
Total other comprehensive (loss)/income for the year		(17,494)	6,587	-	-
Total comprehensive (loss)/income for the year		(185,449)	8,294	14,705	(11,705)
(Loss)/Profit attributable to:					
Owners of the Company		(168,853)	717	14,705	(11,705)
Non-controlling interests	5	898	990	-	-
(Loss)/Profit for the year		(167,955)	1,707	14,705	(11,705)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(186,347)	7,304	14,705	(11,705)
Non-controlling interests	5	898	990	-	-
Total comprehensive (loss)/income for the year		(185,449)	8,294	14,705	(11,705)
Basic and diluted (loss)/earnings per ordinary share (sen)	30	(71.26)	0.30		

The notes on pages 97 to 148 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity
For The Year Ended 31 December 2017

		/Attributable to owners of the Company						/		
		/Non-distributable				/	*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Foreign currency translation reserve RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 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 (loss)/ 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	37(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/ At 1 January 2017		250,000	86,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
Foreign currency translation differences for foreign operations		-	-	1,783	-	-	-	1,783	-	1,783
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate		-	-	(2,444)	-	(10)	-	(2,454)	-	(2,454)
Share of other comprehensive income of associates		-	-	(16,855)	-	32	-	(16,823)	-	(16,823)
Total other comprehensive (loss)/income for the year		-	-	(17,516)	-	22	-	(17,494)	-	(17,494)
(Loss)/Profit for the year		-	-	-	-	-	(168,853)	(168,853)	898	(167,955)
Total comprehensive (loss)/income for the year		-	-	(17,516)	-	22	(168,853)	(186,347)	898	(185,449)
Transfer in accordance with Section 618(2) of the Companies Act 2016		19	86,092	(86,092)	-	-	-	-	-	-
At 31 December 2017		336,092	-	10,917	(34,748)	129	815,835	1,128,225	19,602	1,147,827
		========	========	========	========	========	========	========	========	========
		(Note 19)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)		(Note 5)	

The notes on pages 97 to 148 are an integral part of these financial statements.

Statement Of Changes In Equity
For The Year Ended 31 December 2017

		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 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 2016/1 January 2017		250,000	86,092	(34,748)	106,256	407,600
Transfer in accordance with Section 618(2) of the Companies Act 2016	19	86,092	(86,092)	-	-	-
Profit and total comprehensive income for the year		-	-	-	14,705	14,705
At 31 December 2017		336,092	-	(34,748)	120,961	422,305
		(Note 19)	(Note 20)	(Note 20)	(Note 20)	

The notes on pages 97 to 148 are an integral part of these financial statements.

Statements Of Cash Flows
For The Year Ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	(147,129)	3,526	14,706	(11,771)
Adjustments for:				
Amortisation of:				
- intangible assets (Note 10)	681	680	-	-
- investment properties (Note 9)	2,119	1,416	-	-
- prepaid lease payments (Note 4)	28	29	-	-
Depreciation of property, plant and equipment (Note 3.2)	7,108	7,963	355	386
Dividend income	(65)	(124)	(27,715)	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	(161)	49	-	-
- assets held for sale	(322)	20	-	-
- associates	8,321	(372)	-	-
Finance costs (Note 26)	27,511	26,071	7,690	5,863
Finance income (Note 26)	(8,902)	(9,377)	(3,001)	(2,408)
Property, plant and equipment written off	109	163	-	-
Assets held for sale written off	-	75	-	-
Net reversal of allowance for impairment loss on receivables	(11,995)	(2,294)	-	-
Share of results of equity-accounted associates/joint ventures	39,764	(16,684)	-	-
Unrealised foreign exchange loss/(gain)	2,898	(1,728)	485	(194)
Operating (loss)/profit before changes in working capital	(80,035)	9,413	(7,480)	(8,124)
Changes in working capital:				
Inventories	25,128	8,085	-	-
Land held for property development	-	5,172	-	-
Property development costs	(87,261)	(62,464)	-	-
Trade and other receivables, deposits and prepayments	122,175	12,777	(7,567)	(3,679)
Trade and other payables	13,665	12,355	(14)	(362)
Cash used in operations	(6,328)	(14,662)	(15,061)	(12,165)
Tax (paid) / refunded	(8,776)	(13,369)	158	99
Net cash used in operating activities	(15,104)	(28,031)	(14,903)	(12,066)
Cash flows from investing activities				
Acquisition of:				
- property, plant and equipment [Note (i)]	(26,240)	(12,399)	(10)	(177)
- investment properties *	-	(5,908)	-	-
- an associate [Note 38(i)]	-	(35)	-	-
Proceeds from disposal of:				
- property, plant and equipment	281	244	-	-
- assets held for sale	989	11	-	-
- an associate	-	372	-	-
Acquisition of non-controlling interest in an existing subsidiary [Note 37(ii)]	-	(400)	-	-
Increase in investment in an existing subsidiary [Note 37(ii)]	-	-	-	(8,750)
Increase in investment in joint venture	(2,700)	-	-	-
Increase in investment in an associate [Note 38(ii)]	-	(315)	-	-
Change in pledged deposits	(6,568)	(6,008)	-	-
Dividends received	65	124	-	-
Distribution of profits from a joint venture	5,100	-	-	-
Interest received	8,431	5,418	16	2,408
Net cash (used in)/from investing activities	(20,642)	(18,896)	6	(6,519)

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

Statements Of Cash Flows
For The Year Ended 31 December 2017 (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from financing activities				
Proceeds from issuance of new shares to non-controlling interests	-	3,000	-	-
Proceeds from loans and borrowings	107,089	127,000	39,855	42,000
Repayment of loans and borrowings	(40,478)	(54,262)	(15,000)	(18,000)
Repayment of finance lease liabilities	(42)	(33)	-	-
Interest paid	(24,700)	(23,877)	(6,664)	(5,807)
Net cash from financing activities	41,869	51,828	18,191	18,193
Net increase/(decrease) in cash and cash equivalents	6,123	4,901	3,294	(392)
Effect of exchange rate fluctuations on cash held	(485)	194	(485)	194
Cash and cash equivalents at beginning of year	57,656	52,561	5,027	5,225
Cash and cash equivalents at end of year [Note (ii)]	63,294	57,656	7,836	5,027

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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Paid using internal funds	26,240	12,399	10	177
In the form of finance lease	-	100	-	-
Total (see Note 3)	26,240	12,499	10	177

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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks with maturities less than three months (excluding deposits pledged)	15,292	17,518	-	-
Cash in hand and at banks	48,002	40,138	7,836	5,027
Total cash and cash equivalents as shown in the statements of cash flows (also see Note 17)	63,294	57,656	7,836	5,027

iii. ***Reconciliation of liabilities arising from financing activities (see Note 21)***

Group	Term loans RM'000	Revolving credits RM'000	Finance leases RM'000	Total RM'000
At 1 January 2017	139,720	339,000	115	478,835
Changes in financing cash flows	52,611	14,000	(42)	66,569
At 31 December 2017	192,331	353,000	73	545,404

Company	Term loans RM'000	Revolving credits RM'000	Finance leases RM'000	Total RM'000
At 1 January 2017	-	128,000	-	128,000
Changes in financing cash flows	29,855	(5,000)	-	24,855
At 31 December 2017	29,855	123,000	-	152,855

The notes on pages 97 to 148 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 as at and for the year ended 31 December 2017 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 2017 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 12 April 2018.

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 2016 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) has applied FRSs as their financial reporting framework to prepare their financial statements for the annual period ended on 31 December 2017.

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 to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share-based Payment - 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 to MFRS Standards 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
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*	1 January 2019
MFRS 17, *Insurance Contracts*	1 January 2021
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.

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 and financial liabilities, and on hedge accounting. 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.

Notes To The Financial Statements (continued)

1. **Basis of preparation** (continued)

a. **Statement of compliance** (continued)

iii. **MFRS 16, *Leases***
MFRS 16 replaces the 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) on the financial statements of the Group and of the Company in the year of initial application.

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(u)(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(u)(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 and 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.

iii. ***Recognition of deferred tax assets*** *(see Note 11)*
The Group recognises deferred tax assets to the extent that the temporary deductible differences can be utilised against future taxable profits. The estimation of future taxable profits requires 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.

Acquisitions 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 (continued)

a. Basis of consolidation (continued)

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** (continued)

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 transactions.

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** (continued)

c. **Financial instruments** (continued)

ii. ***Financial instrument categories and subsequent measurement*** (continued)

Financial assets (continued)

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** (continued)

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(v)].

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 operating 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.

Notes To The Financial Statements (continued)

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

   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 ventures, 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 ventures.

      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** (continued)

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).

2. Significant accounting policies (continued)

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).

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(w)]) 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** (continued)

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. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Significant accounting policies (continued)

u. 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.

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 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(v)].

vii. Management fee income

Income from the provision of management services is recognised as it accrues in profit or loss.

v. 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.

2. Significant accounting policies (continued)

w. 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.

x. 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.

y. 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.

z. 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	Freehold land RM'000	Leasehold land (unexpired lease term more than 50 years) RM'000	Leasehold land (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	Subtotal RM'000
	Outright purchase										
Cost											
At 1 January 2016	667	2,701	882	53,332	9,759	19,784	21,266	33,532	1,952	16,337	160,212
Additions	-	-	-	2,447	646	632	1,317	3,150	-	4,202	12,394
Disposals/Write-offs	-	-	-	-	(172)	(1,344)	(660)	(4)	-	-	(2,180)
Transfer to assets held for sale	-	-	-	-	-	-	-	(668)	-	-	(668)
Reclassifications	-	-	-	-	613	-	117	(1)	-	(729)	-
At 31 December 2016/ 1 January 2017	667	2,701	882	55,779	10,846	19,072	22,040	36,009	1,952	19,810	169,758
Additions	-	189	-	47	3,452	-	5,397	938	-	16,217	26,240
Disposals/Write-offs	-	-	-	-	(157)	(199)	(355)	(100)	-	-	(811)
Reclassifications	-	45	-	(45)	-	-	-	-	-	-	-
Transfer to:											
- investment properties (Note 9)	-	-	-	(1,887)	-	-	-	-	-	-	(1,887)
- assets held for sale	-	-	-	(60)	-	(54)	(143)	(2,773)	-	-	(3,030)
At 31 December 2017	667	2,935	882	53,834	14,141	18,819	26,939	34,074	1,952	36,027	190,270
Depreciation											
At 1 January 2016	-	69	279	4,940	5,315	15,997	14,347	30,434	1,604	-	72,985
Depreciation for the year	-	145	16	2,029	1,673	1,391	2,561	1,568	131	-	9,514
Disposals/Write-offs	-	-	-	-	(159)	(923)	(639)	(3)	-	-	(1,724)
At 31 December 2016/ 1 January 2017	-	214	295	6,969	6,829	16,465	16,269	31,999	1,735	-	80,775
Depreciation for the year	-	(99)	16	1,639	2,343	1,276	2,350	1,396	130	-	9,051
Disposals/Write-offs	-	-	-	-	(56)	(181)	(344)	-	-	-	(581)
Reclassifications	-	-	-	-	7	-	(7)	-	-	-	-
Transfer to:											
- investment properties (Note 9)	-	-	-	(53)	-	-	-	-	-	-	(53)
- assets held for sale	-	-	-	(46)	-	(50)	(83)	(2,283)	-	-	(2,462)
At 31 December 2017	-	115	311	8,509	9,123	17,510	18,185	31,112	1,865	-	86,730
Carrying amounts											
At 31 December 2016/ 1 January 2017	667	2,487	587	48,810	4,017	2,607	5,771	4,010	217	19,810	88,983
At 31 December 2017	667	2,820	571	45,325	5,018	1,309	8,754	2,962	87	36,027	103,540

Finance lease assets Motor vehicles RM'000	Total RM'000
88	160,300
105	12,499
-	(2,180)
-	(668)
	-
193	169,951
-	26,240
-	(811)
-	-
-	(1,887)
-	(3,030)
193	190,463
13	72,998
33	9,547
-	(1,724)
46	80,821
39	9,090
-	(581)
-	-
-	(53)
-	(2,462)
85	86,815
147	89,130
108	103,648

3. **Property, plant and equipment** (continued)

Company	Building RM'000	Furniture and fittings RM'000	Office equipment RM'000	Total RM'000
Cost				
At 1 January 2016	5,776	1,128	355	7,259
Additions	176	-	1	177
Disposals/Write-offs	-	(1)	(2)	(3)
At 31 December 2016/1 January 2017	5,952	1,127	354	7,433
Additions	-	-	10	10
Disposals/Write-offs	-	(4)	-	(4)
At 31 December 2017	5,952	1,123	364	7,439
Depreciation				
At 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 2016/1 January 2017	615	717	286	1,618
Depreciation for the year	119	201	35	355
Disposals/Write-offs	-	(4)	-	(4)
At 31 December 2017	734	914	321	1,969
Carrying amounts				
At 31 December 2016/1 January 2017	5,337	410	68	5,815
At 31 December 2017	5,218	209	43	5,470

3.1 Titles to properties

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Carrying amount				
Buildings	74	76	-	-

3.2 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Recognised in profit or loss (Note 25)	7,108	7,963	355	386
Capitalised in:				
- construction work- in-progress (Note 13.3)	1,667	1,221	-	-
- property development costs (Note 15)	315	363	-	-
	9,090	9,547	355	386

3.3 Assets charged to banks as security for borrowings *(see also Note 21.1)*

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Land and buildings to be erected thereon	32,070	20,478	-	-
Freehold land	667	667	-	-
Motor vehicles	108	147	-	-
	32,845	21,292	-	-

3. Property, plant and equipment (continued)

3.4 Additions to the assets under construction include:

	Group 2017 RM'000	Group 2016 RM'000
Personnel expenses (including key management personnel):		
- contributions to state plans	172	-
- wages, salaries and others	1,449	-
Interest expenses	866	485
	=========	=========

4. Prepaid lease payments - Group

	Leasehold land (unexpired lease term more than 50 years) RM'000
Cost	
At 1 January 2016, 31 December 2016/1 January 2017 and 31 December 2017	3,056
	=========
Amortisation	
At 1 January 2016	657
Amortisation for the year (Note 25)	29
At 31 December 2016/1 January 2017	686
Amortisation for the year (Note 25)	28
At 31 December 2017	714
	=========
Carrying amounts	
At 31 December 2016/1 January 2017	2,370
	=========
At 31 December 2017	2,342
	=========

5. Investment in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost	339,962	339,962
	=========	=========

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 (%) 2017**	**2016**
<u>Direct subsidiaries</u>			
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
<u>Subsidiaries of NLSB</u>			
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
Vista Megalink Sdn. Bhd.	Provision of management services	100.0	100.0
Naim Cendera Lapan Sdn. Bhd.	Quarry licensee and operator	100.0	100.0

Notes To The Financial Statements (continued)

5. **Investment in subsidiaries** (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2017	2016
Subsidiaries of NLSB (continue)			
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
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
Bina Hartamas Sdn. Bhd. **	Dormant	100.0	100.0
Lotus Paradigm Sdn. Bhd.	Dormant	70.0	70.0
Exclusive Paragon Sdn. Bhd. **	Dormant	- @	100.0
Platinum Amber Sdn. Bhd. **	Dormant	- @	100.0
Subsidiaries of NESB			
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.	Civil contractor	70.0	70.0
Naim Premix Sdn. Bhd.	Manufacture and sale of asphalt. Become dormant after year end	100.0	100.0
Naim Binaan Sdn. Bhd.	Dormant. Previously engaged as civil contractor as well as sale of RC pile	100.0	100.0
Unique Composite Sdn. Bhd.	Manufacture and sale of asphalt. Become dormant after year end	80.0	80.0
Naim Equipment Sdn. Bhd.	Dormant	100.0	100.0
Naim Recruitment & Agency Sdn. Bhd. **	Dormant	100.0	100.0
Equaflow Sdn. Bhd. **	Dormant	- @	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.*
@ *These subsidiaries have been struck off from the Registrar of Company during the current year [(also see Note 37 (iii)].*

5. **Investment in subsidiaries** (continued)

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

2017	**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	17,129	3,877	(1,404)	19,602
Profit/(Loss) allocated to NCI	394	768	(264)	898
	=========	=========	=========	=========

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 2017		
Non-current assets	1,334	-
Current assets	52,477	55,985
Current liabilities	(10,988)	(43,062)
Net assets	42,823	12,923
	=========	=========
Year ended 31 December 2017		
Revenue	972	162,675
Profit and total comprehensive income for the year	986	2,559
	=========	=========
Cash flows (used in)/from:		
- operating activities	(2,194)	4,542
- investing activities	2,258	89
Net increase in cash and cash equivalents	64	4,631
	=========	=========

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
	=========	=========	=========	=========

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
	=========	=========

5. Investment in subsidiaries (continued)

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

Summarised financial information before intra-group elimination (continued)

	DISB RM'000	NAGA RM'000
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)	(9,611)
- investing activities	140	38
- financing activities	-	9,999
Net (decrease)/increase in cash and cash equivalents	(405)	426

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

6. Investment in associates

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At cost				
Unquoted shares in Malaysia	13,306	13,306	-	-
Quoted shares in Malaysia	158,530	130,815	158,530	130,815
Share of post-acquisition reserves	181,170	278,797	-	-
	353,006	422,918	158,530	130,815
Market value				
Quoted shares in Malaysia	198,752	249,824	198,752	249,824

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 (%) 2017	2016
Dayang Enterprise Holdings Bhd. ("DEHB")	Provision of 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	26.42	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
GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN. BHD. ("GNEC") **@	One of civil contractors to the Group	35.00	35.00
Perdana Petroleum Berhad ("PPB")	Provision of marine support services for the oil & gas industry	9.89 ^	-
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

\# *Held through NLSB*
** *Held through NESB*
@ *Financial year end of 31 July*
^ *Pursuant to a dividend-in-specie ("DIS") distribution exercise by DEHB, the Group now holds about 9.89% of the equity in PPB upon receiving the DIS distribution in November 2017. This contributes to the increase in the investment in associate of the Group and Company by RM27,715,000 during the year.*

Although the Group's direct shareholding is less than 20% in PPB, the Directors have determined that the Group has significant influence, partly because it has 2 board representative in PPB. On another note, the Group also owns about 26.42% in DEHB, who currently owns about 60.5% ownership interest in PPB and has control over PPB. The pro-forma group effective interest in PPB, taking into accounts of the Group's share of the equity interest in PPB held through DEHB, is about 25.87%.

All associates' financial year ends on 31 December, other than that marked with @. For the purpose of applying the equity method for associates with different financial year from the group's, the last available audited financial statements and/or management accounts up to 31 December 2017 have been used.

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

The following table summarises the information of the Group's material associates, adjusted for any material 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

2017

	Group			
	DEHB RM'000	**SPSB RM'000**	**GNEC RM'000**	**PPB RM'000**
As at 31 December				
Non-current assets	2,216,962	233,945	12,698	1,319,541
Current assets	480,441	128,942	97,496	108,677
Non-current liabilities	(428,666)	(91,844)	(763)	(116,858)
Current liabilities	(1,118,356)	(225,220)	(99,438)	(812,581)
Non-controlling interests	(201,118)	-	-	(136)
Net assets	949,263	45,823	9,993	498,643

	Group					
	DEHB RM'000	**SPSB RM'000**	**GNEC RM'000**	**PPB RM'000**	**Other immaterial associates RM'000**	**Total RM'000**
Year ended 31 December						
(Loss)/Profit for the year	(144,320)	(5,775)	7,805	(181,948)		
Other comprehensive loss	(60,928)	-	-	(62,836)		
Total comprehensive (loss)/ income for the year	(205,248)	(5,775)	7,805	(244,784)		
Included in the total comprehensive income is:						
Revenue	695,485	22,823	22,163	147,787		

Reconciliation of net assets to carrying amount

	DEHB RM'000	**SPSB RM'000**	**GNEC RM'000**	**PPB RM'000**	**Other immaterial associates RM'000**	**Total RM'000**
As at 31 December						
Group's share of net assets	253,880	17,871	3,497	49,314	10,057	334,619
Goodwill	21,462	-	-	-	-	21,462
Elimination of unrealised profit	-	-	-	-	(3,075)	(3,075)
Carrying amount in the statement of financial position	275,342	17,871	3,497	49,314	6,982	353,006
Group's share of results for the year ended 31 December						
Group's share of:						
- (loss)/profit	(39,330)	(2,252)	2,732	(1,230)	(1,973)	(42,053)
- other comprehensive income	(16,517)	-	-	(306)	-	(16,823)
Group's share of total comprehensive (loss)/income	(55,847)	(2,252)	2,732	(1,536)	(1,973)	(58,876)
Other information						
Dividend received	27,715	-	-	-	-	27,715

6. Investment in associates (continued)

Summary of financial information (continued)

2016

	Group DEHB RM'000	Group SPSB RM'000	Group 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

	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	12,041	402,137
Goodwill	23,608	-	-	-	23,608
Elimination of unrealised profit	-	-	-	(2,827)	(2,827)
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

Other information
No dividend was received during the last financial year.

7. Investment in joint ventures - Group

	Group 2017 RM'000	Group 2016 RM'000
At cost		
Capital contribution	4,500	1,800
Share of post-acquisition reserves	1,043	3,106
	5,543	4,906
	=========	=========

During the year, the Group has make additional contribution of RM2,700,000 in an existing joint venture in proportion to the Group's interest.

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:

	Group Effective voting interest (%)	
Name of entity	**2017**	**2016**
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

* *Dormant since the completion of the projects undertaken by joint ventures.*

The following table summarises the information of the Group's material joint ventures, adjusted for any material 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>2017</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				
Current assets	38,820	4,413		
Current liabilities	(27,157)	(5,466)		
Net assets/(liabilities)	11,663	(1,053)		
	=========	=========		
Year ended 31 December				
Profit/(Loss) and total comprehensive income/(loss) for the year	6,100	(4)		
	=========	=========		
Included in the total comprehensive income/(loss)				
Revenue	63,565	-		
Interest income	234	-		
Tax expense	746	-		
	=========	=========		
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	5,948	(473)	68	5,543
	=========	=========	=========	=========
Group's share of results for the year ended 31 December				
Group's share of profit/(loss) and share of total comprehensive income/(loss)	2,364	(2)	(73)	2,289
	=========	=========	=========	=========
Other information				
Distribution of profit received	5,100	-	-	5,100
	=========	=========	=========	=========

7. Investment in joint ventures - Group (continued)

Summary of financial information (continued)

2016	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/(loss)				
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

Other information
No distribution of profits was made during the last financial year.

8. Land held for property development - Group

	RM'000
At cost	
At 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 2016/1 January 2017	398,772
Transfer to property development costs (Note 15)	(14,126)
At 31 December 2017	384,646

Security
Certain parcels of leasehold land with carrying amounts of RM40,160,000 (2016: RM13,452,000) are charged to banks as security for certain term loan facilities (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 2016	16,955	54,585	4,924	76,464
Additions	18,635	-	356	18,991
At 31 December 2016/1 January 2017	35,590	54,585	5,280	95,455
Transfer from property, plant and equipment (Note 3)	-	1,887	-	1,887
Reclassification	-	5,280	(5,280)	-
At 31 December 2017	35,590	61,752	-	97,342
	=========	=========	=========	=========
Amortisation				
At 1 January 2016	1,580	4,792	-	6,372
Amortisation for the year (Note 25)	310	1,106	-	1,416
At 31 December 2016/1 January 2017	1,890	5,898	-	7,788
Amortisation for the year (Note 25)	485	1,634	-	2,119
Transfer from property, plant and equipment (Note 3)	-	53	-	53
At 31 December 2017	2,375	7,585	-	9,960
	=========	=========	=========	=========
Carrying amounts				
At 31 December 2016/1 January 2017	33,700	48,687	5,280	87,667
	=========	=========	=========	=========
At 31 December 2017	33,215	54,167	-	87,382
	=========	=========	=========	=========
Fair value (see Note 9.3)				
At 31 December 2016/1 January 2017	99,624	68,300	-*	167,924
	=========	=========	=========	=========
At 31 December 2017	99,624	75,467	-	175,091
	=========	=========	=========	=========

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

9.1 Investment property with a carrying amount of RM46,921,000 (2016: RM47,946,000) 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 2017 RM'000	2016 RM'000
Rental income	7,126	6,867
Direct operating expenses:		
- income generating investment properties	5,020	4,892
- non-income generating investment properties	60	53
	=========	=========

9. Investment properties - Group (continued)

9.3 Fair value information

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

Group	2017 Level 2 RM'000	2017 Level 3 RM'000	2017 Total RM'000	2016 Level 2 RM'000	2016 Level 3 RM'000	2016 Total RM'000
Leasehold land	55,059	44,565	99,624	55,059	44,565	99,624
Buildings*	6,582	68,885	75,467	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 commercial retail 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 2016, 31 December 2016/1 January 2017 and 31 December 2017	10,206
Amortisation	
At 1 January 2016	3,969
Amortisation for the year (Note 25)	680
At 31 December 2016/1 January 2017	4,649
Amortisation for the year (Note 25)	681
At 31 December 2017	5,330
Carrying amounts	
At 31 December 2016/1 January 2017	5,557
At 31 December 2017	4,876

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fair value adjustment on acquisition of subsidiaries *	-	-	(24,546)	(25,262)	(24,546)	(25,262)
Property, plant and equipment	-	-	(2,884)	(2,945)	(2,884)	(2,945)
Financial instruments	-	-	-	(242)	-	(242)
Capital allowances carried forward	1,370	2,235	-	-	1,370	2,235
Tax losses carried forward	7,301	10,575	-	-	7,301	10,575
Other items	9,459	18,906	-	-	9,459	18,906
Tax assets/(liabilities)	18,130	31,716	(27,430)	(28,449)	(9,300)	3,267
Set off of tax	(1,929)	(2,250)	1,929	2,250	-	-
Net tax assets/(liabilities)	16,201	29,466	(25,501)	(26,199)	(9,300)	3,267
	=========	=========	=========	=========	=========	=========

* *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 RM16,201,000 (2016: RM29,466,000) 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 1.1.2016 RM'000	Recognised in profit or loss RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017 RM'000
Fair value adjustment on acquisition of subsidiaries	(25,815)	553	(25,262)	716	(24,546)
Property, plant and equipment	(2,605)	(340)	(2,945)	61	(2,884)
Financial instruments	218	(460)	(242)	242	-
Capital allowances carried forward	1,222	1,013	2,235	(865)	1,370
Tax losses carried forward	2,428	8,147	10,575	(3,274)	7,301
Other items	21,361	(2,455)	18,906	(9,447)	9,459
	(3,191)	6,458	3,267	(12,567)	(9,300)
	=========	=========	=========	=========	=========
		(Note 29)		(Note 29)	

Unrecognised deferred tax assets

Deferred tax assets of RM47,834,000 (2016: RM16,338,000) 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	
	2017 RM'000	2016 RM'000
Property, plant and equipment	(1,474)	(4,012)
Capital allowances carried forward	13,412	13,040
Tax losses carried forward	189,470	65,496
Other items	-	(288)
	201,408	74,236
	=========	=========

The unabsorbed capital allowances carried forward and unutilised tax losses carried forward of entities incorporated in Malaysia amounting to RM190,328,000 (2016: RM35,745,000) 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.

Pursuant to the Fiji tax law, the unutilised tax losses of the subsidiaries incorporated in Fiji 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 2017 is RM12,554,000 (2016: RM11,596,000).

12. Other investments

	Group 2017 RM'000	Group 2016 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

For the unquoted shares, it is impractical to estimate the fair value as at year end (also see Note 33.4).

13. Trade and other receivables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current				
Trade receivable				
Trade receivable under a deferred payment scheme (Note 13.1)	73,372	82,324	-	-
Current				
Trade receivables				
Trade receivables	67,865	62,593	-	-
Less: Allowance for impairment losses	(420)	(420)	-	-
	67,445	62,173	-	-
Amount due from an associate (Note 13.5)	2,645	2,316	-	-
Contract progress billings receivables (Note 13.2)	93,639	77,305	-	-
Trade receivable under a deferred payment scheme (Note 13.1)	7,578	7,011	-	-
Accrued billings	18,660	12,072	-	-
Amount due from contract customers (Note 13.3)	124,245	239,167	-	-
	314,212	400,044	-	-
Other receivables				
Other receivables	41,783	67,314	180	(5)
Less: Allowance for impairment losses	(8,194)	(20,189)	-	-
	33,589	47,125	180	(5)
Amount due from:				
- subsidiaries (Note 13.4)	-	-	64,980	54,614
- associates (Note 13.5)	2,963	2,790	25	24
	36,552	49,915	65,185	54,633
Total current	350,764	449,959	65,185	54,633
Grand total	424,136	532,283	65,185	54,633

13. Trade and other receivables (continued)

13.1 The trade receivable of RM80,950,000 (2016: RM89,335,000) arose 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% (2016: 7.80% to 8.05%) per annum and is expected to be collected as follows:

	Group	
	2017 RM'000	**2016 RM'000**
More than 1 year	73,372	82,324
Within 1 year	7,578	7,011
	80,950	89,335

13.2 Contract progress billings receivables

Included in the contract progress billings receivables of the Group are retention sums of RM44,465,000 (2016: RM46,755,000) relating to construction work-in-progress.

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

	Group	
	2017 RM'000	**2016 RM'000**
Within 1 year	28,558	19,638
1 - 2 years	12,351	11,473
2 - 3 years	-	8,645
More than 3 years	3,556	6,999
	44,465	46,755

13.3 Construction work-in-progress

	Group	
	2017 RM'000	**2016 RM'000**
Aggregate costs incurred to-date	1,856,285	1,589,152
Attributable (loss)/profits, net of foreseeable losses	(22,418)	88,669
	1,833,867	1,677,821
Progress billings	(1,713,710)	(1,458,090)
	120,157	219,731
Represented by:		
Amount due from contract customers	124,245	239,167
Amount due to contract customers reclassified under trade and other payables (Note 22)	(4,088)	(19,436)
	120,157	219,731

Additions to aggregate costs incurred during the year include:

	Group	
	2017 RM'000	**2016 RM'000**
Depreciation of property, plant and equipment (Note 3.2)	1,667	1,221
Personnel expenses (including key management personnel):		
- contributions to state plans	1,749	2,817
- wages, salaries and others	16,018	29,073
Rental of premises	412	1,375
Rental of equipment	4,633	14,071

13. Trade and other receivables (continued)

13.4 Included in amount due from subsidiaries is a sum of RM58,259,000 (2016: RM47,328,000) which is unsecured and bears interest at rates ranging from 5.02% to 5.28% (2016: 4.74% 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
	=========	=========	=========

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 2017 RM'000	Group 2016 RM'000
At cost		
Developed properties held for sale	71,415	95,462
Manufactured/Trading inventories (construction and building materials)	7,152	6,770
Raw materials and consumables	983	1,278
	79,550	103,510
At net realisable value		
Manufactured/Trading inventories	13	15
	79,563	103,525
	=========	=========
Recognised in profit or loss:		
- inventories recognised as cost of sales	56,983	34,416
	=========	=========

15. Property development costs - Group

	RM'000
At 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
	----------------

15. Property development costs - Group (continued)

	RM'000
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 2016/1 January 2017	
Property development costs	
Land	48,732
Development costs	505,965
	554,697
Accumulated costs charged to profit or loss	(113,152)
	441,545
Additions	
Transfer from land held for development (Note 8)	14,126
Development costs incurred during the year	143,540
	157,666
Recognised to cost of sales/Transfers	
Costs charged to profit or loss	(55,963)
Transfer of completed properties to inventories	(1,166)
	(57,129)
At 31 December 2017	
Property development costs	
Land	62,833
Development costs	645,900
	708,733
Accumulated costs charged to profit or loss	(166,651)
	542,082

Property development costs incurred during the financial year include:

	Group 2017 RM'000	Group 2016 RM'000
Depreciation of property, plant and equipment (Note 3.2)	315	363
Personnel expenses (including key management personnel):		
- contributions to state plans	1,569	2,179
- wages, salaries and others	12,280	20,071
Rental of equipment	168	275
Rental of premises	650	165

16. Deposits and prepayments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits	23,099	25,936	24	24
Prepayments	6,137	3,407	4	3
	29,236	29,343	28	27

16.1 Included in the deposits of the Group is an amount of RM19,110,000 (2016: RM19,110,000) paid in prior year 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 RM633,000 (2016: RM1,400,000) paid for the purchase of construction materials. The amount will be progressively deducted against actual physical goods delivered.

17. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks with maturities less than three months	15,292	17,518	-	-
Cash in hand and at banks	47,853	40,137	7,836	5,027
Housing Development Accounts (Note 17.1)	149	1	-	-
Total cash and cash equivalents	63,294	57,656	7,836	5,027
Cash pledged with licensed banks (Note 17.2)	12,967	6,399	-	-
	76,261	64,055	7,836	5,027

17.1 A balance of RM149,000 (2016: RM1,000) is maintained in designated Housing Development Accounts ("HDA") pursuant to the Sarawak's Housing Development (Control and Licensing) Ordinance, 2013 and Regulations, 2014 in connection with the Group's property development projects. The utilisation of these balances are restricted before completion of housing development projects and fulfilment of all relevant obligations to the purchasers, such that the cash can only be withdrawn from such HDA accounts for the purpose of completing the particular projects in the manner as defined under the ordinance.

17.2 Cash pledged as security

a. Deposits of RM967,000 (2016: RM79,000) are pledged as security to licensed banks for the issuance of bank guarantee for housing projects.

b. A sum of RM12,000,000 (2016: RM6,320,000) is placed in designated sinking fund bank accounts as part of the requirements for term loan facilities granted to the Group for the purpose of interest and principal payments at intervals of 1 to 3 months periods, as the case may be.

18. Assets held for sale - Group

	2017	2016
	RM'000	RM'000
Assets classified as held for sale		
Property, plant and equipment	651	757

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	
	2017 RM'000	2016 RM'000	2017 '000	2016 '000
Ordinary shares				
Authorised:				
Opening balance	500,000	500,000	500,000	500,000
Abolishment of the concept of authorised share capital **	(500,000)	-	(500,000)	-
Closing balance	-	500,000	-	500,000
Issued and fully paid:				
Opening balance	250,000	250,000	250,000	250,000
Transfer in accordance with Section 618(2) of the Companies Act 2016 **	86,092	-	86,092	-
Closing balance	336,092	250,000	336,092	250,000

** *The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM86,092,000 become part of the Company's share capital pursuant to the transitional provision as set out in Section 618(2) of the Act.*

There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share premium	-	86,092	-	86,092
Retained earnings	815,835	984,688	120,961	106,256
Treasury shares	(34,748)	(34,748)	(34,748)	(34,748)
Foreign currency translation reserve	10,917	28,433	-	-
Other reserves	129	107	-	-
	792,133	1,064,572	86,213	157,600

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.

As explained in Note 19, pursuant to Section 74 of the Companies Act 2016 ("the Act"), all shares issued before or upon the commencement of the Act shall have no par or nominal value. The amounts standing to the credit of the share premium account of RM86,092,000 has become part of the Company's share capital in accordance with the transitional provision as set out in Section 618(2) of the Act.

Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the Annual General Meeting held on 26 May 2017, 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 2017, the Group held 13,056,000 (2016: 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 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current				
Secured term loans	159,636	123,545	19,855	-
Finance lease liabilities (Note 21.2)	48	74	-	-
	159,684	123,619	19,855	-
Current				
Unsecured revolving credits	353,000	339,000	123,000	128,000
Secured term loans	32,695	16,175	10,000	-
Finance lease liabilities (Note 21.2)	25	41	-	-
	385,720	355,216	133,000	128,000
Total	545,404	478,835	152,855	128,000

21.1 Security

Term loans – Group and Company

- 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 - Group and Company

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

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

Finance leases - Group

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

21.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017 Future minimum lease payments RM'000	2017 Interest RM'000	2017 Present value of minimum lease payments RM'000	2016 Future minimum lease payments RM'000	2016 Interest RM'000	2016 Present value of minimum lease payments RM'000
Less than one year	29	3	25	46	5	41
Between one to two years	22	2	20	29	4	25
Between two to five years	28	1	28	52	3	49
	79	6	73	127	12	115

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

Non-current	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other payable				
Other payable (Note 22.3)	6,874	10,057	-	-
Current				
Trade payables				
Trade payables (Note 22.1)	142,618	142,745	-	-
Progress billings	20,108	11,583	-	-
Amount due to:				
- contract customers (Note 13.3)	4,088	19,436	-	-
- associates	10,576	5,784	-	-
Trade accruals	183,903	156,466	-	-
	361,293	336,014	-	-
Other payables				
Accruals	2,641	1,222	1,643	813
Advance payments received from property buyers and contract customers	4,864	13,434	-	-
Other payables (Note 22.3)	16,058	10,426	35	233
Amounts due to subsidiaries (Note 22.2)	-	-	381	-
Provision for liquidated and ascertained damages (LAD) payable for late delivery of construction projects	2,341	17,890	-	-
	25,904	42,972	2,059	1,046
Total current	387,197	378,986	2,059	1,046
Grand total	394,071	389,043	2,059	1,046

22.1 Included in trade payables of the Group are retention sums and performance bonds amounting to RM72,084,000 (2016: RM74,018,000).

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

22.3 Included in other payables of the Group is also an amount of RM10,057,000 (2016: RM13,083,000) 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. Provisions

	Group RM'000
Provisions for maintenance	
At 1 January 2016, 31 December 2016/1 January 2017	-
Current year provision	11,600
At 31 December 2017	11,600

Provisions for maintenance are made during the year to cater for some anticipated contract maintenance/rectification works at site for certain completed projects.

24. Revenue

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Contract revenue	217,846	242,164	-	-
Sale of development properties and vacant land	113,281	149,182	-	-
Sale of goods	27,522	29,817	-	-
Rental income of investment properties	6,554	6,867	-	-
Management fee income	-	-	2,424	727
Dividend income from:				
- an associate (quoted)	-	-	27,715	-
	365,203	428,030	30,139	727

25. Results from operating activities

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Results from operating activities is arrived at after crediting:				
Dividend income from:				
- associate (quoted in Malaysia)	-	-	27,715	-
- unquoted shares in Malaysia	62	124	-	-
- quoted shares in Malaysia	3	-	-	-
Gain on disposal of:				
- property, plant and equipment	161	-	-	-
- assets held for sale	322	-	-	-
- an associate	-	372	-	-
Foreign exchange gain				
- unrealised	-	1,728	-	194
- realised	21	-	24	5
Rental income from property lease	717	12	-	-
Reversal of allowance for impairment loss on receivables (net of allowance)	11,995	2,294	-	-
Write back of provision for liquidated and ascertained damages	31,207	10,322	-	-
and after charging:				
Amortisation of:				
- intangible assets (Note 10)	681	680	-	-
- investment properties (Note 9)	2,119	1,416	-	-
- prepaid lease payments (Note 4)	28	29	-	-
Auditors' remuneration:				
- Audit fees				
- KPMG Malaysia	343	356	80	80
- Overseas affiliates of KPMG Malaysia	21	25	-	-
- Other auditors	17	21	-	-
- Non-audit fees				
- KPMG Malaysia	35	23	18	23
- Local affiliates of KPMG Malaysia	177	1,246	4	7
- Other auditors	2	9	-	-
Depreciation of property, plant and equipment (excluding those capitalised in property development and construction cost) (Note 3.2)	7,108	7,963	355	386
Loss on disposal of:				
- property, plant and equipment	-	49	-	-
- assets held for sale	-	20	-	-
Property, plant and equipment written off	109	163	-	-
Assets held for sale written off	-	75	-	-
Personnel expenses(including key management personnel):				
- contributions to state plans	2,128	1,922	-	-
- wages, salaries and others	16,710	14,647	-	-
Foreign exchange loss				
- realised	-	89	-	-
- unrealised	2,898	-	485	-
Rental of premises	321	498	234	234

26. Finance income and costs

Recognised in profit or loss

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income of financial assets that are not at fair value through profit or loss				
- fixed deposits and cash funds	471	467	16	-
- interest income from deferred payment scheme	6,964	7,431	-	-
- other finance income	1,467	1,479	-	-
- subsidiaries	-	-	2,985	2,408
	8,902	9,377	3,001	2,408
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- loans and borrowings	26,703	23,330	7,326	5,863
- other finance costs	808	2,741	-	-
- subsidiaries	-	-	364	-
	27,511	26,071	7,690	5,863

27. Other non-operating expense

This represents one -off accounting loss arising from the dilution in equity interest in an associate, Dayang Enterprise Holdings Bhd. ("DEHB") of RM8,321,000 [see Note 38(ii)].

28. Compensations to key management personnel

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Company				
- Fees	714	859	714	859
- Short-term employee benefits	4,195	6,559	3,256	1,213
	4,909	7,418	3,970	2,072
Other key management personnel (including subsidiaries' directors)				
- Fees	155	180	-	-
- Short-term employee benefits	8,040	9,263	347	361
	8,195	9,443	347	361
Total	13,104	16,861	4,317	2,433

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 RM87,000 (2016: RM71,000).

Notes To The Financial Statements (continued)

29. Tax expense

Major components of tax expense include:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax expense				
- current year	8,176	7,785	-	-
- prior year	83	492	1	(66)
	8,259	8,277	1	(66)
Deferred tax expense/(income) (Note 11)				
- current year	13,083	(6,110)	-	-
- prior year	(516)	(348)	-	-
	12,567	(6,458)	-	-
Total tax expense recognised in profit or loss	20,826	1,819	1	(66)

Reconciliation of tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit for the year	(167,955)	1,707	14,705	(11,705)
Total tax expense	20,826	1,819	1	(66)
(Loss)/Profit excluding tax	(147,129)	3,526	14,706	(11,771)
Share of tax of equity- accounted:				
- associates	24,606	8,832	-	-
- joint ventures	746	444	-	-
	25,352	9,276	-	-
	(121,777)	12,802	14,706	(11,771)
Tax calculated using Malaysian tax rate of 24% (2016: 24%)	(29,226)	3,073	3,529	(2,825)
Effect of different tax rates in foreign jurisdiction	(453)	(4)	-	-
Income of foreign source not subject to Malaysian tax	-	14	-	-
Non-deductible expenses	42,154	6,391	-	2,825
Non-taxable income	(11,880)	(163)	(3,529)	-
Movements in unrecognised deferred tax assets	31,496	1,640	-	-
Effect of share of an associate's deferred tax expense underprovided in prior years	14,520	-	-	-
	46,611	10,951	-	-
(Over-)/Underprovision in prior years	(433)	144	1	(66)
	46,178	11,095	1	(66)
Less: Share of tax of equity-accounted associates and joint ventures	(25,352)	(9,276)	-	-
Total tax expense	20,826	1,819	1	(66)

30. Earnings per ordinary share - Group

Basic/Diluted earnings per ordinary share

The calculation of basic/diluted loss per ordinary share of (71.26 sen) [2016: basic/diluted earnings per share of 0.30 sen] was based on the loss attributable to ordinary shareholders of RM168,853,000 (2016: profit of RM717,000) and the weighted average number of ordinary shares outstanding of 236,944,000 (2016: 236,944,000), net of treasury shares bought back in previous years of 13,056,000 (2016: 13,056,000).

31. Dividends

No dividends were paid during the current and previous financial year.

32. 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.

	Property development		**Construction**		**Others**		**Inter-segment elimination**		**Consolidated**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue from external customers	113,281	149,182	217,846	242,164	34,076	36,684	-	-	365,203	428,030
Inter segment revenue	-	-	-	-	7,758	5,937	(7,758)	(5,937)	-	-
Total segment revenue	113,281	149,182	217,846	242,164	41,834	42,621	(7,758)	(5,937)	365,203	428,030
Segment profit/(loss)	6,357	15,822	(94,268)	(18,836)	(810)	(566)	(824)	(964)	(89,545)	(4,544)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(2,252)	(286)	759	135	-	-	-	-	(1,493)	(151)
- joint ventures	-	-	2,289	738	-	-	-	-	2,289	738
	4,105	15,536	(91,220)	(17,963)	(810)	(566)	(824)	(964)	(88,749)	(3,957)
Unallocated expenses									(9,499)	(8,614)
Loss on deemed disposal of interests in an associate, DEHB									(8,321)	-
Share of results (net of tax) of associates, DEHB group* (in oil and gas segment)									(40,560)	16,097
Tax expense									(20,826)	(1,819)
(Loss)/Profit for the year									(167,955)	1,707
Other comprehensive (loss)/income, net of tax									(17,494)	6,587
Total comprehensive (loss)/income for the year									(185,449)	8,294
Total comprehensive income attributable to non-controlling interests									(898)	(990)
Total comprehensive (loss)/income attributable to owners of the Company									(186,347)	7,304

* *Share of results of DEHB Group comprised the share of results from two associates, DEHB and PPB*

32. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Included in the measure of segment profit/(loss) are:										
Depreciation and amortisation [including depreciation capitalised in property development and construction costs]	4,610	2,807	2,480	2,241	4,828	6,624	-	-	11,918	11,672
Interest income	(633)	(219)	(7,771)	(8,691)	(27)	-	-	-	(8,431)	(8,910)
Interest expense	10,004	7,781	13,051	14,273	4,455	4,017	-	-	27,511	26,071
(Net reversal of)/ Net allowance for impairment loss on receivables	-	-	(11,995)	(2,467)	-	173	-	-	(11,995)	(2,294)
Write back of provision for liquidated and ascertained damages	-	-	(31,207)	(10,322)	-	-	-	-	(31,207)	(10,322)
	========	========	========	========	========	========	========	========	========	========

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
	2017	2016	
	RM'000	RM'000	
Private entities	77,742	141,530	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.

33. Financial instruments

33.1 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").

Group	2017 Carrying amount RM'000	2017 L&R/ (FL) RM'000	2017 AFS RM'000	2016 Carrying amount RM'000	2016 L&R/ (FL) RM'000	2016 AFS RM'000
Financial assets						
Other investments	2,974	-	2,974	2,974	-	2,974
Trade and other receivables ^	296,481	296,481	-	289,345	289,345	-
Cash and cash equivalents	76,261	76,261	-	64,055	64,055	-
Total	375,716	372,742	2,974	356,374	353,400	2,974
Financial liabilities						
Loans and borrowings	(545,404)	(545,404)	-	(478,835)	(478,835)	-
Trade and other payables*	(362,235)	(362,235)	-	(326,332)	(326,332)	-
Provisions	(11,600)	(11,600)	-	-	-	-
Total	(919,239)	(919,239)	-	(805,167)	(805,167)	-

^ *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*

Company	2017 Carrying amount RM'000	2017 L&R/ (FL) RM'000	2016 Carrying amount RM'000	2016 L&R/ (FL) RM'000
Financial assets				
Trade and other receivables	65,185	65,185	54,633	54,633
Cash and cash equivalents	7,836	7,836	5,027	5,027
Total	73,021	73,021	59,660	59,660
Financial liabilities				
Loans and borrowings	(152,855)	(152,855)	(128,000)	(128,000)
Trade and other payables	(2,059)	(2,059)	(1,046)	(1,046)
Total	(154,914)	(154,914)	(129,046)	(129,046)

33.2 Net gains and losses arising from financial instruments

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net gains/(losses) on:				
Loans and receivables	20,924	12,401	2,540	2,607
Financial liabilities measured at amortised cost	(32,630)	(24,670)	(7,690)	(5,863)
	(11,706)	(12,269)	(5,150)	(3,256)

33. Financial instruments (continued)

33.3 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Amount due from two (2016: three) subsidiaries	-	-	58,381	52,645
Trade receivables from two (2016: one) counterparties	115,315	89,335	-	-
	115,315	89,335	58,381	52,645

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysia	296,166	288,599	65,185	54,633
Fiji	315	746	-	-
	296,481	289,345	65,185	54,633

33. **Financial instruments** (continued)

33.3 ***Financial risk management*** (continued)

a. **Credit risk** (continued)

Receivables (continued)

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
2017			
Not past due	145,577	-	145,577
Past due 0-30 days	29,880	-	29,880
Past due 31-60 days	12,097	-	12,097
Past due 61-90 days	17,840	-	17,840
Past due 91-180 days	7,541	-	7,541
Past due more than 180 days	73,500	(8,614)	64,886
Total receivables	286,435	(8,614)	277,821
2016			
Not past due	158,928	-	158,928
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	95,154	(20,609)	74,545
Total receivables	297,882	(20,609)	277,273

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

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	20,609	22,903
Recognised	5	196
Reversed	(12,000)	(2,490)
At 31 December	8,614	20,609

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 RM64,980,000 (2016: RM54,614,000) 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.

Notes To The Financial Statements (continued)

33. Financial instruments (continued)

33.3 Financial risk management (continued)

a. Credit risk (continued)

Financial guarantees (continued)

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 2017 RM'000	Company 2016 RM'000
Bank guarantees	108,786	123,669
Other loans and borrowings outstanding and recognised in financial statements	392,476	350,720
Total	501,262	474,389
	=========	=========

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
2017							
Trade and other payables							
- interest-bearing	10,057	5.22	11,124	3,708	3,708	3,708	-
- non interest-bearing	352,178	-	352,178	329,976	21,612	590	-
Provisions	11,600	-	11,600	11,600	-	-	-
Loans and borrowings							
- Secured term loans	192,331	3.85 – 6.00	227,207	41,979	47,996	83,574	53,478
- Unsecured revolving credits	353,000	4.95 – 5.76	358,401	358,401	-	-	-
- Finance lease liabilities	73	5.47 and 5.77	79	29	22	28	-
	=========		=========	=========	=========	=========	=========
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	-
	=========		=========	=========	=========	=========	=========

33. **Financial instruments** (continued)

33.3 Financial risk management (continued)

b. **Liquidity risk** (continued)

Maturity analysis (continued)

<u>Company</u>	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
2017							
Other payables							
- Non interest-bearing	2,059	-	2,059	2,059	-	-	-
Loans and borrowings							
- Secured term loan	29,855	5.51%	31,730	11,175	17,680	2,875	-
- Unsecured revolving credits	123,000	5.05% - 5.76%	125,148	125,148	-	-	-
Financial guarantees *	-	-	501,262	501,262	-	-	-
	=========		=========	=========	=========	=========	=========
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	-	-	-
	=========		=========	=========	=========	=========	=========

* *Being corporate guarantees granted for banking facilities of certain subsidiaries [see Note 33.3(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Denominated in USD</u>				
Cash and cash equivalents	4,407	4,868	4,257	4,807
	=========	=========	=========	=========

A 10% (2016: 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.

33. Financial instruments (continued)

33.3 Financial risk management (continued)

c. Market risk (continued)

i. Currency risk (continued)

Exposure to foreign currency risk (continued)

	Profit or loss	
	2017	**2016**
	RM'000	**RM'000**
USD		
- Group	(335)	(370)
- Company	(324)	(365)
	=========	=========

A 10% (2016: 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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	97,209	106,932	-	-
Financial liabilities	(435,365)	(422,198)	(123,000)	(128,000)
	=========	=========	=========	=========
Floating rate instruments				
Financial assets	-	-	58,259	47,328
Financial liabilities	(120,097)	(69,720)	(29,855)	-
	=========	=========	=========	=========

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.

33. **Financial instruments** (continued)

33.3 ***Financial risk management*** (continued)

c. **Market risk** (continued)

ii. ***Interest rate risk*** (continued)

Interest rate risk sensitivity analysis (continued)

b. Cash flow sensitivity analysis for variable rate instruments

	Profit or loss			
	2017		2016	
	100bp increase RM'000	100bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Floating rate instruments				
- Group	(2,733)	2,733	(2,304)	2,304
- Company	(258)	258	360	(360)
	=========	=========	=========	=========

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.

33.4 ***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
2017						
Financial assets						
Other investments						
- Quoted shares	11	-	-	-	11	11
Trade and other receivables	-	-	80,950	80,950	80,950	80,950
	=========	=========	=========	=========	=========	=========
Financial liabilities						
Loans and borrowings						
- Unsecured revolving credits	-	-	353,000	353,000	353,000	353,000
- Secured term loans	-	-	192,653	192,653	192,653	192,331
- Finance lease liabilities	-	73	-	73	73	73
	=========	=========	=========	=========	=========	=========
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
	=========	=========	=========	=========	=========	=========

Notes To The Financial Statements (continued)

33. Financial instruments (continued)

33.4 Fair value information (continued)

Company	Fair value of financial instruments not carried at fair value (Level 3) RM'000	Carrying amount RM'000
2017		
Financial liabilities		
Loan and borrowings		
- Unsecured revolving credits	123,000	123,000
- Secured term loan	29,903	29,855
	=========	=========
2016		
Financial liabilities		
Loan and borrowings		
- Unsecured revolving credits	128,000	128,000
	=========	=========

The Group does not have any outstanding financial derivatives as at 31 December 2017.

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).

34. 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.

35. Capital expenditure commitments

	Group 2017 RM'000	Group 2016 RM'000
Property, plant and equipment		
- Authorised but not contracted for	2,231	4,117
- Contracted for but not provided for	29,852	34,937
	32,083	39,054
	=========	=========

36. 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 28), are disclosed below:

Transactions with subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Nature of transaction		
Management fee income	(2,424)	(727)
Management fee expenses	2,303	3,822
Expenses on rental of premises	234	234
Interest income	(2,985)	(2,408)
Interest expense	364	-
	=========	=========

Transactions with associates

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Nature of transaction				
Dividend income	-	-	27,715	-
Rental expense on machinery and equipment	593	1,972	-	-
Sale of construction materials	(1,271)	(3,543)	-	-
Transportation charges	54	156	-	-
Construction costs payable	132,456	18,835	-	-
Construction contract sum billed	(15,511)	(6,739)	-	-
Sale of property, plant and equipment	(1,200)	-	-	-
Management fee income	(693)	(117)	-	-
	=========	=========	=========	=========

Notes To The Financial Statements (continued)

36. Related parties (continued)

Transaction with joint ventures

	Group 2017 RM'000	Group 2016 RM'000
Nature of transaction		
Distribution of profit	5,100	-
	=========	=========

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

	Group 2017 RM'000	Group 2016 RM'000
Nature of transaction		
Rental of premises	648	648
Advertisement	35	42
Miscellaneous income	26	33
	=========	=========

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

	Group 2017 RM'000	Group 2016 RM'000
Nature of transaction		
Consultant fee paid	95	120
	=========	=========

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 2017 RM'000	Group 2016 RM'000
Amount due from	5	643
Amount due to	(777)	(229)
	=========	=========

The above related party transactions are based on negotiated terms.

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

i. ***Acquisition of new subsidiary***

In the previous financial year, a direct subsidiary, Naim Engineering Sdn. Bhd. ("NESB") subscribed for 7,000,000 ordinary shares of RM1.00 each in NAIM GAMUDA (NAGA) JV SDN. BHD., representing 70% of the equity interest therein, for a cash consideration of RM7,000,000. The acquisition, at its date of incorporation, has no material impact on the results of the Group.

ii. ***Changes in investments in existing subsidiaries***

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

  In the previous financial year, Naim Capital Sdn. Bhd. subscribed for additional 4,998 ordinary shares of RM1.00 each in Naim Capital Housing Sdn. Bhd. ("NCHSB").

  The Company also subscribed for additional new 8,750,000 ordinary shares of RM1.00 each in Naim Assets Sdn. Bhd. ("NASB") during the previous financial year. NASB then, at the same time, subscribed for additional 9,900,000 ordinary shares of RM1.00 each in Naim Hotel Sdn. Bhd. ("NHSB").

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

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

  In the previous financial year, Naim Land Sdn. Bhd. acquired the remaining equity interest of 40% in Bina Hartamas Sdn. Bhd. ("BHSB") which it did not own from minority financial shareholders for a cash consideration of RM400,000. The resultant equity interest held by the Group in BHSB 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. ***Striking off of dormant subsidiaries***

During the year three (3) dormant subsidiaries namely Exclusive Paragon Sdn. Bhd., Platinum Amber Sdn. Bhd. and Equaflow Sdn. Bhd. have been struck off from the Registrar of Company.

38. Acquisitions and disposals of associates

i. ***Acquisition of new associates***

Pursuant to a dividend-in-specie ("DIS") distribution exercise by Dayang Enterprise Holdings Bhd. ("DEHB"), the Group now holds about 9.89% of the equity (equivalent to 76,986,000 shares) in Perdana Petroleum Berhad ("PPB") upon receiving the DIS distribution in November 2017. This investment was measured initially at its fair value and was subsequently accounted for as an equity-accounted associate to the Group. This deemed acquisition in PPB gave rise to a bargain purchase gain (i.e. negative goodwill) of about RM23,136,000, which was immediately recognised in profit or loss as income.

On the other hand, the Group recognised in profit or loss a fair value loss of RM23,136,000, with the corresponding entry being adjusted against the carrying amount of the Group's investment in DEHB as a result of the DIS distribution by DEHB as mentioned above.

As the bargain purchase gain and fair value loss arose from the same transaction (i.e. DIS by DEHB), they have not been separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

In the previous year, 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. ***Decrease/(Increase) in investment in existing associates***

The Group's equity interest in DEHB decreased from 29.06% to 26.42% following a private placement exercise effected by DEHB in April 2017. The dilution in equity interest was accounted for as deemed disposal with the resulting loss of RM8,321,000 recognised as part of other non-operating expense in the profit or loss (see Note 27).

In the previous year, Miri Specialist Hospital Sdn. Bhd. ("MSHSB") which was 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.

NESB also subscribed for additional 315,000 ordinary shares of RM1.00 each in GNEC for a cash consideration of RM315,000 during the previous year.

The additional subscriptions in MSHSB and GNEC did not have any impact to the Group as there were no changes in the Group's equity interest in MSHSB and GNEC.

iii. ***Voluntary winding up of an associate***

In the previous year, 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.

Notes To The Financial Statements (continued)

39. Material litigation

Land issue

On 20 March 2017, Naim Land Sdn. Bhd, ("NLSB") received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years.

NLSB filed its Defence to the claim on 26 May 2017 and had on 3 July 2017 filed a Notice of Application for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. Parties had exchanged affidavits in respect of the said application and ruling on the same was delivered on 17 January 2018; wherein the Judge ruled that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and set down the matter for trial from 21 to 25 May 2018. NLSB had filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling.

In the opinion of Directors, NLSB would successfully defend the case based on historical similar NCR cases made thereagainst.

Statement By Directors Pursuant To Section 251(2) Of The Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 91 to 148 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

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: 12 April 2018

Statutory Declaration Pursuant To Section 251(1)(B) Of The Companies Act 2016

I, **Wong Ping Eng (MIA CA 18927)** 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 91 to 148 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration 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 12 April 2018

……………………………………

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 2017 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 91 to 148.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 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(u)(i), Accounting policy-Revenue for Construction Contracts and Note 24, Revenue for construction contracts

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue arising 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. 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.	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. 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(u)(ii), Accounting policy-Revenue for Property Development and Note 23, Revenue for property development activities

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE 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.	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 recognized 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 2016 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 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 Matters

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

Lee Hean Kok
Approval Number: 02700/12/2019 J
Chartered Accountant

Kuching,

Date: 12 April 2018

Other Information

Analysis Of Shareholdings As At 31 March 2018

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 SHAREHOLDINGS	% OF SHAREHOLDERS	NO OF SHARES HELD	% OF ISSUED CAPITAL
1 – 99	16	0.36	508	0.00
100 – 1,000	849	19.21	549,900	0.23
1,001 – 10,000	2,367	53.55	11,856,612	5.00
10,001 – 100,000	1,024	23.17	31,458,300	13.28
100,001 – 11,847,199 (*)	160	3.62	97,213,030	41.03
11,847,200 and above (**)	4	0.09	95,865,650	40.46
Total	**4,420**	**100.00**	**236,944,000#**	**100.00**

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*

Analysis Of Shareholdings As At 31 March 2018 (continued)

NO	NAME	NO. OF SHARES HELD	% SHAREHOLDING
1	ISLAND HARVESTS SDN BHD	30,619,600	12.92
2	TAPAK BERINGIN SDN BHD	27,000,000	11.40
3	LEMBAGA TABUNG HAJI	24,827,200	10.48
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HASMI BIN HASNAN (PB)	13,418,850	5.66
5	VALUECAP SDN BHD	11,103,000	4.69
6	HASMI & ASSOCIATES MANAGEMENT SDN BHD	9,672,750	4.08
7	ABDUL HAMED BIN SEPAWI	7,150,000	3.02
8	HWS PROPERTIES SDN BHD	4,312,250	1.82
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	4,207,700	1.78
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	4,029,900	1.70
11	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HASMI BIN HASNAN	3,250,000	1.37
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	2,751,000	1.16
13	ABDUL HAMED BIN SEPAWI	2,586,600	1.09
14	LEE SEE JIN	2,387,400	1.01
15	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	1,936,700	0.82
16	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	1,905,900	0.80
17	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,826,300	0.77

NO	NAME	NO. OF SHARES HELD	% SHAREHOLDING
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,747,900	0.74
19	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,264,500	0.53
20	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	1,119,200	0.47
21	AMSEC NOMINEES (TEMPATAN) SDN BHD ASSAR ASSET MANAGEMENT SDN BHD FOR TABUNG BAITULMAL SARAWAK (MAJLIS ISLAM SARAWAK) (FM-ASSAR-TBS)	1,000,000	0.42
22	PELITA HOLDINGS SDN BHD	1,000,000	0.42
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE ZHEN XAO (6000085)	820,000	0.35
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	779,100	0.33
25	TAN KOK CHUAN	676,500	0.29
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)	653,300	0.28
27	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	648,100	0.27
28	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG (UCITS CLIENT AC)	645,800	0.27
29	LIM KHUAN ENG	630,000	0.27
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN BAKI	604,000	0.25

Analysis Of Shareholdings As At 31 March 2018 (continued)

SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDERS	DIRECT NO. OF SHARES HELD	%	INDIRECT NO. OF SHARES HELD	%
1. ISLAND HARVESTS SDN BHD	30,619,600	12.92	-	-
2. TAPAK BERINGIN SDN BHD	27,406,900	11.57	-	-
3. LEMBAGA TABUNG HAJI	24,827,200	10.48	-	-
4. DATUK HASMI BIN HASNAN	16,668,850	7.03	40,455,500	17.07
5. DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI	9,736,600	4.11	27,967,700	11.80

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	4.11	27,967,700	11.80
2. DATUK HASMI BIN HASNAN	16,668,850	7.03	40,455,500	17.07
3. WONG PING ENG	5,000	0.002	-	-
4. DATU (DR.) HAJI ABDUL RASHID BIN MOHD AZIS	-	-	-	-
5. DATO IR. ABANG JEMAT BIN ABANG BUJANG	-	-	-	-
6. EMERITUS PROFESSOR 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)	26,143 *
Part of Lot 4173 Bintulu Town District	Hotel Building Under Construction	06.11.2008 Expiring 04.07.2111	1,969 (12,662)	32,070
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	20,785
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	32,688
INVESTMENT PROPERTY				
Lot 3244, Block 11 Kuala Baram Land Dsitrict	Commercial Land & Retail Building	20.07.1995 Expiring 19.07.2094	34,130 (25,560)	46,921

** Including outdoor facilities*

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of Members of NAIM HOLDINGS BERHAD will be held at Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak on Monday, 28 May 2018 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 2017. **[Please refer to Explanatory Note a]**

2. Approval of Directors' remuneration

i. To approve the payment of Directors' remuneration for the Non-Executive Chairman.
ORDINARY RESOLUTION 1

ii. To approve the payment of Directors' remuneration for the Non-Executive Directors.
ORDINARY RESOLUTION 2

3. Re-Election of Directors

To re-elect the following Directors who retire in accordance with Article 85 of the Constitution of the Company:

Datuk Amar Abdul Hamed Bin Haji Sepawi **ORDINARY RESOLUTION 3**
Datuk Hasmi Bin Hasnan **ORDINARY RESOLUTION 4**
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli **ORDINARY RESOLUTION 5**

4. Re-Appointment of Auditors

To re-appoint 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:

5. ORDINARY RESOLUTION 7 – RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

"That subject to the passing of Resolution 5 and pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017, 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 7

6. ORDINARY RESOLUTION 8 - 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 8

7. ORDINARY RESOLUTION 9 - PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK")

"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 retained profits for the financial year ended 31 December 2017 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 9

8. 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 27 April 2018

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 21 May 2018 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

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 1 and 2 – Directors' Remuneration

Pursuant to Section 231(1) of the Companies Act 2016, ("the Act"), the fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders of the Company at a general meeting. In this respect, the Board of Directors of the Company hereby seek the shareholders' approval for the Directors' remuneration in two (2) separate resolutions as follows:

- Ordinary resolution 1 payment of Directors' remuneration for the Non-Executive Chairman
- Ordinary resolution 2 payment of Directors' remuneration for the Non-Executive Directors

Details of the estimated Directors' Remuneration for Non-Executive Directors for the period from May 2018 to April 2019 are as follows:

Description	Non-Executive Chairman RM	Non-Executive Director RM
Fixed allowance per month	97,640	Not applicable
EPF contribution per month	15,623	Not applicable
Directors' Fee per month	Not applicable	10,000
Additional Directors' Fee per month for Senior Independent Non-Executive director	Not applicable	1,000
Meeting allowance per Board meeting	2,000	2,000
Meeting allowance per Board Committees meeting	1,500	1,500
Proposed Ex-gratia payment to a resigning senior independent director who has served more than 13 years in the Company	Not applicable	219,066
Other Benefits	Car, driver, petrol, medical coverage, professional & club memberships, travel, communication, D&O@ Liability Insurance coverage and other claimable benefits	reimbursement for travel expenses (to attend meetings), communication, D&O@ Liability Insurance coverage and other claimable benefits

Notes: @ - Directors & Officers

The Executive Directors are not entitled to Directors' fees and meeting allowances for attending Board and Board Committee meetings.

c. **Ordinary Resolutions 3, 4 and 5 – Re-Election of Directors**

Article 85 provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the Annual General Meeting of the Company. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Directors retiring under Article 85 are as follows:

i. Datuk Amar Abdul Hamed Bin Haji Sepawi,

ii. Datuk Hasmi Bin Hanan and

iii. Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli
and being eligible have offered themselves for re-election.

The respective profiles of the above Directors are set out in the Profile of Directors pages 16 to 24.

The details of interest in securities of the Company (if any) held by the Directors are stated on page 158 of the Annual Report.

d. **Ordinary Resolution 6 – Re-appointment of Auditors**

The Audit Committee and the Board have considered the re-appointment of KPMG PLT as Auditors of the Company and collectively agree that KPMG PLT meets the criteria of adequacy of experience and resources of the firm and the audit team assigned to the audit as prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

e. **Ordinary Resolution 7 – Retention of Independent Non-Executive Director**

In line with the practice 4.2 of the Malaysian Code of Corporate Governance 2017, the Nominating Committee has assessed the independence of Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli who has served as Independent Non- Executive Director of the Company for a cumulative term of more than nine (9) years, and upon its recommendation, the Board of Directors have recommended Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli to continue to act as an Independent Non- Executive Director of the Company based on the following justifications:

i. 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, he would be able to continue to provide objective and independent judgment to the Board.

ii. He has been performing his duty diligently and in the best interest of the Company.

iii. Having been in the Company for ten (10) years, he is familiar in the Group's business operations and has devoted sufficient time and attention to his professional obligations and facilitated informed and balanced decision making process.

f. Ordinary Resolution 8 – Authority to Allot and Issue Share pursuant to Sections 75 and 76 of the Companies Act 2016

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 Fifteenth (15th) Annual General Meeting held on 29 May 2017 and which will lapse at the conclusion of the Sixteenth (16th) 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.

g. Ordinary Resolution 9 – Proposed Renewal of Authority for the Company to Purchase its Own Shares

The Proposed Ordinary Resolution 9, if passed will empower the Directors of 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 for the time being. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting in the Company.

The Share Buy-Back Statement in relation to The Proposed Renewal of Authority for the Company to Purchase of its Own Shares dated 27 April 2018 is enclosed for further information.

B U I L D I N G   V A L U E   I N   E V E R Y   W A Y

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 16th Annual General Meeting of the Company to be held at Damai Beach Resort, Teluk Bandung Santubong, 93756 Kuching, Sarawak, Malaysia on Monday, 28 May 2018 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 for the Non-Executive Chairman		
Ordinary Resolution 2	Approval of Directors' fees and remuneration for the Non-Executive Directors		
Ordinary Resolution 3	Re-election of Director: Datuk Amar Abdul Hamed Bin Haji Sepawi		
Ordinary Resolution 4	Re-election of Director: Datuk Hasmi Bin Hasnan		
Ordinary Resolution 5	Re-election of Director: Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli		
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 Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli as Independent Director		
Ordinary Resolution 8	Authority to allot and issue shares		
Ordinary Resolution 9	Proposed renewal of authority for the company to purchase its 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 ________________ 2018.

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 21 May 2018 shall be eligible to attend the meeting or appoint proxy to attend and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

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STAMP

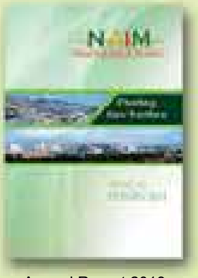
Share Registrar

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

2. Fold here / Lipat di sini

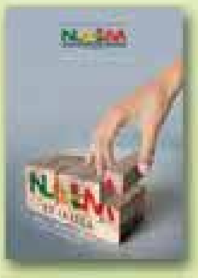
From Where We Began . . .



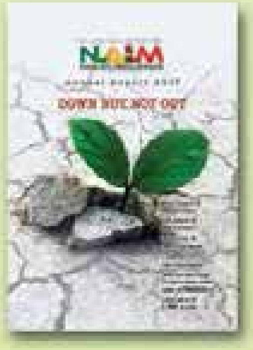
Annual Report 2013
NAIM HOLDINGS BERHAD

Annual Report 2014
NAIM HOLDINGS BERHAD

Annual Report 2015
NAIM HOLDINGS BERHAD

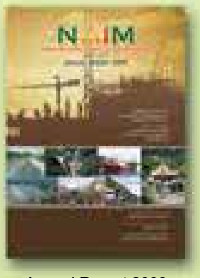


Annual Report 2016
NAIM Holdings BERHAD



Annual Report 2017
NAIM Holdings
BERHAD

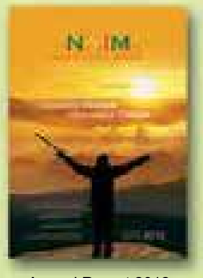
Annual Report 2008
NAIM HOLDINGS BERHAD
(Formerly known as Naim Cendera Holdings Berhad)



Annual Report 2009
NAIM HOLDINGS BERHAD

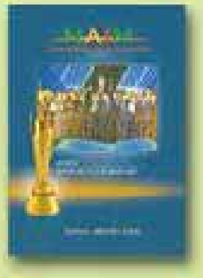
Annual Report 2010
NAIM HOLDINGS BERHAD

Annual Report 2011
NAIM HOLDINGS BERHAD



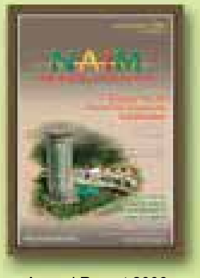
Annual Report 2012
NAIM HOLDINGS BERHAD

Annual Report 2003
NAIM CENDERA
HOLDINGS BERHAD



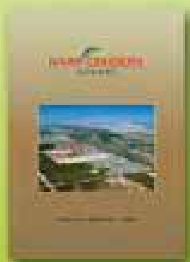
Annual Report 2004
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 2005
NAIM CENDERA
HOLDINGS BERHAD

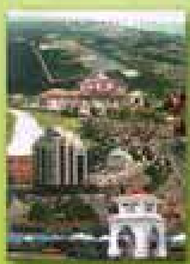


Annual Report 2006
NAIM CENDERA
HOLDINGS BERHAD

Annual Report 2007
NAIM CENDERA
HOLDINGS BERHAD

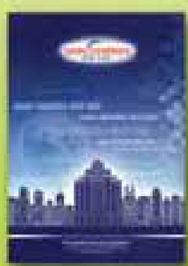


Annual Report 1998
NAIM CENDERA SDN BHD

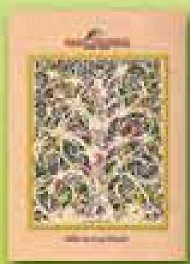


Annual Report 1999
NAIM CENDERA SDN BHD

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

Kuching | Bintulu | Miri | Sibu | Kuala Lumpur