Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" Section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Naim Shares, you should at once hand the Documents to the agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue, which is the subject of this Abridged Prospectus, should be addressed to our 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.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of each of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of the Documents.

The approval for the Rights Issue has been obtained from the Shareholders at our EGM held on 13 November 2018. The approval for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities has been obtained from Bursa Securities vide its letter dated 10 October 2018. However, this is not an indication that Bursa Securities recommends the Rights Issue. The listing and quotation of the Rights Shares are in no way reflective of the merits of the Rights Issue.

The Documents are only despatched to Shareholders whose names appear in the Record of Depositors as at 5.00 p.m. on 24 December 2018 at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 24 December 2018. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdictions other than Malaysia or to any person whom it may be unlawful to make such an offer, solicitation or invitation. Entitled Shareholders and/or their renouncee(s)/transferee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professional advisers as to whether the acceptance and/or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue would result in a contravention of any laws of such countries or jurisdiction. Neither our Company, AmInvestment Bank nor any other professional advisers to the Rights Issue shall accept any responsibility or liability if any acceptance and/or renunciation (as the case may be) made by Entitled Shareholders and/or their renouncee(s)/transferee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. For further information, see "Foreign Addressed Shareholders" as set out in Section 10.9 of this Abridged Prospectus.

Our Board has seen and approved all the documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

AmInvestment Bank, being the Principal Adviser of the Rights Issue, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD
(Company No. 585467-M)
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 355,416,000 NEW ORDINARY SHARES IN NAIM HOLDINGS BERHAD ("NAIM") ("RIGHTS SHARES") AT THE ISSUE PRICE OF RM0.45 PER RIGHTS SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 24 DECEMBER 2018

Principal Adviser

AmInvestment Bank

AmInvestment Bank Berhad
(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	: Monday, 24 December 2018 at 5.00 p.m.
Last date and time for the:	
Sale of Provisional Rights Shares	: Thursday, 3 January 2019 at 5.00 p.m.
Transfer of Provisional Rights Shares	: Tuesday, 8 January 2019 at 4.00 p.m.
Acceptance and payment	: Friday, 11 January 2019 at 5.00 p.m.
Excess Application and payment	: Friday, 11 January 2019 at 5.00 p.m.

This Abridged Prospectus is dated 24 December 2018

Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" Section of this Abridged Prospectus.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

BURSA SECURITIES HAS APPROVED THE LISTING AND QUOTATION OF THE RIGHTS SHARES ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS FOR THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SHARES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SHARES IN ANY OTHER COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

For the purpose of this Abridged Prospectus, unless where the context otherwise requires, the following definitions will apply throughout this Abridged Prospectus:-

Abridged Prospectus	:	This abridged prospectus dated 24 December 2018 issued by our Company in relation to the Rights Issue
Abd Jalal	:	Abd Jalal Bin Abd Rahim
Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Additional Undertaking	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders, to subscribe for up to 79,979,247 Excess Rights Shares by way of excess applications, to the extent that the aggregate subscription of Rights Shares under the Rights Issue received by the Company is not less than the Minimum Subscription Level
AmInvestment Bank or Principal Adviser	:	AmInvestment Bank Berhad (Company No. 23742-V), being the Principal Adviser for the Rights Issue
Authorised Nominee	:	A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of Naim
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CDS Account(s)	:	The securities account(s) established by Bursa Depository for the recording of deposit and withdrawal of securities and for the dealing in such securities by the depositor
CMSA	:	Capital Markets and Services Act, 2007
Closing Date	:	11 January 2019 at 5:00 p.m., being the last date and time for the acceptance of and payment for the Provisional Rights Shares and the Excess Application
Datuk Amar	:	Datuk Amar Abdul Hamed Bin Haji Sepawi
Datuk Hasmi	:	Datuk Hasmi Bin Hasnan
Director(s)	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, within the meaning of Section 2 of the Act
Documents	:	This Abridged Prospectus together with the NPA and the RSF
EGM	:	Extraordinary General Meeting of our Company held on 13 November 2018
Entitled Shareholder(s)	:	Shareholders whose names appear in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	:	5:00 p.m. on 24 December 2018

DEFINITIONS *(CONT'D)*

Entitlement Undertaking	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders to subscribe in full for their respective entitlements under the Rights Issue based on their shareholdings as at the Entitlement Date. Based on the aggregate shareholdings of the Undertaking Shareholders of 94,828,650 Naim Shares as at the LPD, the total number of Rights Shares to be subscribed pursuant to the Entitlement Undertaking shall amount to 142,242,975 Rights Shares
EPS	:	Earnings per Share
Excess Application	:	Applications for Excess Rights Shares in excess of the Provisional Rights Shares, the procedures of which are set out in Section 10.6 of this Abridged Prospectus
Excess Rights Shares	:	Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s)/transferee(s), (if applicable) prior to the Closing Date
Exemption	:	Exemption under Paragraph 4.08(1)(b) of the Rules to Datuk Amar, Datuk Hasmi and their PACs from the obligation to undertake the Mandatory Offer
Foreign Addressed Shareholders	:	Shareholders who have not provided an address in Malaysia for the service of documents which will be issued in connection with the Rights Issue
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year(s) ended/ending, as the case may be
GDV	:	Gross development value
Hasmi & Associates	:	Hasmi & Associates Management Sdn Bhd (Company No. 241811-U)
Interested Directors	:	Collectively, Datuk Amar and Datuk Hasmi
Interested Major Shareholders	:	Collectively, Datuk Amar, Datuk Hasmi, Island Harvests and Tapak Beringin
Island Harvests	:	Island Harvests Sdn Bhd (Company No. 160788-K)
Issue Price	:	Issue price of RM0.45 per Rights Share
Jamiah	:	Jamiah Bt Hasenan @ Hasnah Bt Hasnan
Lambaian Kukuh	:	Lambaian Kukuh Sdn Bhd (Company No. 235328-U)
Lembah Rakyat	:	Lembah Rakyat Sdn Bhd (Company No. 320520-H)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LAT	:	Loss after tax
LPD	:	30 November 2018, being the latest practicable date prior to the printing of this Abridged Prospectus

Mandatory Offer	:	The obligation of Datuk Amar, Datuk Hasmi and their PACs under Paragraph 4.01 of the Rules to undertake a mandatory take-over offer to acquire all the remaining Naim Shares not already held by them upon completion of the Rights Issue in view of the Undertakings
Market Day(s)	:	Any day(s) between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Scenario	:	Assuming all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Rights Issue
Minimum Scenario	:	Assuming only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their entitlement under the Rights Issue
Minimum Subscription Level	:	A minimum level of subscription which entails a minimum issuance of 222,222,222 Rights Shares to raise a minimum gross proceeds of approximately RM100.00 million
NA	:	Net assets attributable to the owners
N/A	:	Not applicable
Naim or **Company**	:	Naim Holdings Berhad (Company No. 585467-M)
Naim Group or **Group**	:	Collectively, Naim and its subsidiaries
Naim Share(s)	:	Ordinary shares in the share capital of Naim
NPA	:	Notice of provisional allotment of Rights Shares pursuant to the Rights Issue
PACs	:	Persons acting in concert with Datuk Amar and Datuk Hasmi pursuant to Section 216(3) of the CMSA as at the LPD, namely Island Harvests, Tapak Beringin, Hasmi & Associates, Lambaian Kukuh, Lembah Rakyat, Jamiah and Abd Jalal
PAT	:	Profit after tax
Provisional Rights Shares	:	Rights Shares provisionally allotted to the Entitled Shareholders and/or their renouncee(s)/transferee(s), (if applicable) pursuant to the Rights Issue
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository
Reporting Accountants	:	KPMG PLT, being the Reporting Accountants for the Rights Issue
Rights Issue	:	Renounceable rights issue of up to 355,416,000 Rights Shares at the Issue Price on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held by the Entitled Shareholders on the Entitlement Date
Rights Share(s)	:	Up to 355,416,000 new Naim Shares to be issued pursuant to the Rights Issue
RM and **sen**	:	Ringgit Malaysia and sen

RSF	:	Rights subscription form for the Rights Issue
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991 of Malaysia as amended from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 of Malaysia
SC	:	Securities Commission Malaysia
Shareholders	:	Registered holders of Naim Shares
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (Company No. 11324-H)
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Tapak Beringin	:	Tapak Beringin Sdn Bhd (Company No. 320889-X)
TERP	:	Theoretical ex-rights price
Treasury Shares	:	13,056,000 Naim Shares held in Naim as treasury shares
Undertakings	:	Irrevocable and unconditional undertakings provided by the Undertaking Shareholders vide their letters dated 21 September 2018 to:- (i) subscribe for their Entitlement Undertaking; and (ii) apply for the Additional Undertaking
Undertaking Shareholders	:	Collectively, Datuk Amar, Datuk Hasmi, Island Harvests, Hasmi & Associates, Lambaian Kukuh, Tapak Beringin and Lembah Rakyat
VWAP	:	Volume weighted average market price
WPE	:	Wong Ping Eng

All references to "our Company" or "Naim" in this Abridged Prospectus are to Naim Holdings Berhad and reference to "our Group" are to our Company and our subsidiaries. All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, our Group or any of our subsidiaries.

All references to "you" and "your" in this Abridged Prospectus are to the Entitled Shareholders and/or where the context otherwise requires, their renouncee(s) and/or transferee(s), where applicable.

Words importing the singular will, where applicable, include the plural and vice versa, and words importing the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. References to persons will include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation, statute, guidelines, code, rules and regulations is a reference to that/those legislation, statute, guidelines, code, rules and regulations as amended or re-enacted from time to time. Any reference to a time of day or date in this Abridged Prospectus will be a reference to Malaysian time and date, unless otherwise stated.

Certain amounts and percentage figures included in this Abridged Prospectus have been subject to rounding adjustments. Any discrepancy between the figures shown in this Abridged Prospectus and figures published by our Company, such as quarterly reports or annual reports, is due to rounding.

DEFINITIONS *(CONT'D)*

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates, indications and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as representation or warranty that our Company's plans and objectives will be achieved.

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TABLE OF CONTENTS

Company No. 585467-M

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (*Designation*)	Age	Address	Nationality	Profession
Datuk Amar Abdul Hamed Bin Haji Sepawi *(Chairman)*	69	9, Luak Bay, 98000 Miri, Sarawak	Malaysian	Businessman
Datuk Hasmi Bin Hasnan *(Managing Director)*	65	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	Malaysian	Businessman
Wong Ping Eng *(Deputy Managing Director)*	45	No. 17, Taman Hui Sing 5A3, Jalan Sherif Masahor, 93350 Kuching, Sarawak	Malaysian	Company Director
Dato Ir. Abang Jemat Bin Abang Bujang *(Independent Non-Executive Director)*	65	No. 357, Taman Wunmas, Lorong Merak, 4 km Jalan Matang, 93050 Kuching, Sarawak	Malaysian	Company Director
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli *(Independent Non-Executive Director)*	66	B702, Puteri Palma Condo, IOI Resort, 62502 Putrajaya, Wilayah Persekutuan Putrajaya	Malaysian	Company Director
Datin Mary Sa'diah Binti Zainuddin *(Independent Non-Executive Director)*	62	No. 3A, Lot 3510, Jalan Bako, Petra Jaya, 93050 Kuching, Sarawak	Malaysian	Company Director
Tan Chuan Dyi *(Independent Non-Executive Director)*	47	17, Jalan Tasik 7, Lake Fields, Taman Tasik Damai, 57000 Sungai Besi, W.P. Kuala Lumpur	Malaysian	Company Director
Sulaihah Binti Maimunni *(Independent Non-Executive Director)*	61	No. 2A, Jalan Kenyalang 11/15B, D' Villa Equestrian, Kota Damansara, 47810 Petaling Jaya, Selangor	Malaysian	Company Director
Chin Chee Kong *(Non-Independent Non-Executive Director)*	61	111 Lorong 4, Jalan Arang, 93250 Kuching, Sarawak	Malaysian	Company Director

CORPORATE DIRECTORY *(CONT'D)*

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Chuan Dyi	Chairman	Independent Non-Executive Director
Dato Ir. Abang Jemat Bin Abang Bujang	Member	Independent Non-Executive Director
Chin Chee Kong	Member	Non-Independent Non-Executive Director

COMPANY SECRETARIES	:	Bong Siu Lian (MAICSA 7002221) Hasmiah Binti Anthony Hasbi (SAA0772-KH004) 9th Floor, Wisma Naim, 2½ Mile, Rock Road 93200 Kuching Sarawak, Malaysia Tel: 082-411 667
REGISTERED/ HEAD/MANAGEMENT OFFICE	:	9th Floor, Wisma Naim, 2½ Mile, Rock Road 93200 Kuching Sarawak, Malaysia Tel: 082-411 667 Email: enquiries@naim.com.my Website: www.naim.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	KPMG PLT Level 2, Lee Onn Building Jalan Lapangan Terbang 93250 Kuching Sarawak, Malaysia Tel: 088-363 020
SOLICITORS FOR THE RIGHTS ISSUE	:	Mah-Kamariyah & Philip Koh 3A07, Block B, Phileo Damansara II 15, Jalan 16/11, Off Jalan Damansara 46350 Petaling Jaya Selangor, Malaysia Tel: 03-7956 8686
PRINCIPAL ADVISER	:	AmInvestment Bank Berhad 22nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia Tel: 03-2036 2633

CORPORATE DIRECTORY *(CONT'D)*

PRINCIPAL BANKERS *(in alphabetical order)*	:	AmBank Islamic Berhad No. 162, 164, 166 & 168, 1st Floor Jalan Abell 93100 Kuching, Sarawak, Malaysia Tel: 082-244 791
	:	AmBank (M) Berhad No. 162, 164, 166 & 168, 1st Floor Jalan Abell 93100 Kuching, Sarawak, Malaysia Tel: 082-244 791
	:	CIMB Bank Berhad 6th Floor, Wisma STA 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching, Sarawak, Malaysia Tel: 082-344 109
	:	CIMB Islamic Bank Berhad 6th Floor, Wisma STA No. 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching, Sarawak, Malaysia Tel: 082-344 109
	:	United Overseas Bank (M) Berhad CT160, Ground Floor, Block C, iCom Square, Jalan Pending 93450 Kuching Sarawak, Malaysia Tel: 082-527 777
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 Tel: 03-2783 9299
STOCK EXCHANGE LISTED	:	Main Market of Bursa Securities

Company No. 585467-M

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD
(Company No. 585467-M)
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

Registered Office
9th Floor, Wisma Naim
2½ Mile, Rock Road
93200 Kuching
Sarawak

24 December 2018

Board of Directors

Datuk Amar Abdul Hamed Bin Haji Sepawi *(Chairman)*
Datuk Hasmi Bin Hasnan *(Managing Director)*
Wong Ping Eng *(Deputy Managing Director)*
Dato Ir. Abang Jemat Bin Abang Bujang *(Independent Non-Executive Director)*
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli *(Independent Non-Executive Director)*
Datin Mary Sa'diah Binti Zainuddin *(Independent Non-Executive Director)*
Tan Chuan Dyi *(Independent Non-Executive Director)*
Sulaihah Binti Maimunni *(Independent Non-Executive Director)*
Chin Chee Kong *(Non-Independent Non-Executive Director)*

To: The Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 355,416,000 RIGHTS SHARES AT THE ISSUE PRICE OF RM0.45 PER RIGHTS SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING NAIM SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 24 DECEMBER 2018

1. INTRODUCTION

On 30 August 2018, AmInvestment Bank had, on behalf of our Board, announced that the Company proposes to undertake the Rights Issue and Exemption.

On 12 September 2018, our Board (save for the Interested Directors and WPE) had appointed Inter-Pacific Securities Sdn Bhd as the independent adviser to advise the non-interested directors and non-interested shareholders of Naim in relation to the Exemption.

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On 10 October 2018, AmInvestment Bank had, on behalf of our Board, announced that Bursa Securities, vide its letter dated 10 October 2018, had resolved to approve the listing and quotation of up to 355,416,000 Rights Shares to be issued pursuant to the Rights Issue, subject to, amongst others, the following conditions:-

No.	Conditions	Status of compliance
(a)	Naim and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	To be complied.
(b)	Naim and AmInvestment Bank to inform Bursa Securities upon the completion of the Rights Issue;	To be complied.
(c)	Naim/AmInvestment Bank to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the general meeting for the Rights Issue prior to the listing and quotation of the new ordinary shares to be issued pursuant to the Rights Issue; and	Complied.
(d)	Naim and AmInvestment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed.	To be complied with upon completion of the Rights Issue.

On 13 November 2018, AmInvestment Bank had, on behalf of our Board, announced that our Shareholders had approved the Rights Issue and Exemption at the EGM. A certified true copy of the extract of the ordinary resolutions approving the Rights Issue and Exemption at the EGM is attached as Appendix I of this Abridged Prospectus.

On 3 December 2018, AmInvestment Bank had, on behalf of our Board, announced that SC, vide its letter dated 30 November 2018, had approved the Exemption.

On 10 December 2018, AmInvestment Bank had, on behalf of our Board, announced that the Entitlement Date had been fixed on 24 December 2018.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by AmInvestment Bank or our Company.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

The Rights Issue entails an issuance of up to 355,416,000 Rights Shares at the Issue Price on the basis of three (3) Right Shares for every two (2) existing Naim Shares held by the Entitled Shareholders on the Entitlement Date.

In accordance with the terms and conditions of the Rights Issue as approved by the relevant authorities and the Shareholders, and subject to the terms and conditions of this Abridged Prospectus and the accompanying documents, our Company shall provisionally allot up to 355,416,000 Rights Shares to the Entitled Shareholders on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held as at the Entitlement Date.

As the Rights Issue will be undertaken on a Minimum Subscription Level, the Undertaking Shareholders will, pursuant to the Additional Undertaking, subscribe for any Excess Rights Shares which are not taken up or are not validly taken up to ensure that a minimum of RM100.0 million is raised from the Rights Issue to be utilised for the purposes as set out in Section 4 of this Abridged Prospectus.

As at the LPD, the issued share capital of Naim is RM336,092,130 comprising 250,000,000 Naim Shares (including 13,056,000 Treasury Shares).

For the avoidance of doubt, the Treasury Shares will have no rights to participate in the Rights Issue. In this regard, our Company has undertaken via an undertaking dated 30 August 2018 that it will not dispose any of the Treasury Shares or carry out any further buy-back of Naim Shares at any time prior to the completion of the Rights Issue.

The Rights Issue is renounceable in full or in part. The Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

Any unsubscribed Rights Shares will be made available to the other Entitled Shareholders and/or their transferee(s)/renouncee(s) under Excess Application and to such other persons as our Board shall determine. It is the intention of our Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the following priority:-

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;

(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Application; and

(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) (if applicable) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Application.

In the event there is any remaining balance of the Excess Rights Shares applied for by the Entitled Shareholders and/or renounce(s)/transferee(s) who have applied for the Excess Rights Shares after carrying out steps (i) to (iv) as set out above, steps (ii) to (iv) will be repeated again in the same sequence to allocate the remaining balance of the Excess Rights Shares to the Entitled Shareholders and/or renounce(s)/ transferee(s) who have applied for the Excess Rights Shares until such balance is fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the RSF in such manner as our Board deems fit, expedient and in the best interests of our Company, subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out in steps (i) to (iv) above are achieved. Our Board also reserves the rights at its absolute discretion to accept any Excess Application in full or in part, without assigning any reason.

In determining the Shareholders' entitlements to the Rights Shares under the Rights Issue, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board in its absolute discretion deems fit or expedient or in the best interests of our Company.

Shareholders whose names appear on our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive the Documents.

As you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Rights Shares which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application of any Excess Rights Shares under Excess Application, should you wish to do so.

Upon allotment and issuance by our Company, the Rights Shares will be credited directly into the respective CDS Account(s) of yourself and/or your renouncee(s)/transferee(s) who have successfully subscribed for the Rights Shares. No physical share certificates will be issued but notices of allotment will be issued to the successful applicants. We will allot and issue the Rights Shares and despatch notices of allotment to successful applicants within eight (8) Market Days from the last day for acceptance and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities.

The official listing and quotation of the Rights Shares will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) who have subscribed for the Rights Shares, have been duly credited and notices of allotment have been despatched to them.

2.2 Basis of determining the Issue Price

The issue price of RM0.45 per Rights Share was determined by our Board after taking into consideration, amongst others, the following:-

(i) the prevailing market conditions and current and historical market price of Naim Shares; and

(ii) the resultant TERP of Naim Shares of RM0.55 computed based on the five (5)-day VWAP of the Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Rights Issue of RM0.6876, whereby the Issue Price represents a discount of 18.18% to the TERP.

For information purposes, the Issue Price's discount to the TERP computed based on the 1-month, 3-months, 6-months and 12-months VWAP of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Rights Issue, are as follows:-

Up to 27 August 2018	VWAP (RM)	TERP (RM)	Discount	
			RM	%
1-month	0.6906	0.55	0.10	18.18
3-months	0.6725	0.54	0.09	16.67
6-months	0.7283	0.56	0.11	19.64
12-months	0.9522	0.65	0.20	30.77

Our Board has taken into cognisance the following in determining the discount represented by the Issue Price:-

(i) our Group's funding requirements of raising a minimum RM100.0 million for purposes as set out in Section 4 of this Abridged Prospectus;

(ii) the discount is within the range of discount to TERP of precedent rights issues in the market for the past one (1) year up to the LPD;

(iii) the future prospects of our Group as further discussed in Section 7.4 of this Abridged Prospectus;

(iv) the historical share price movement of Naim Shares that has been on a declining trend, which is in line with the trend observed from the Bursa Malaysia Property Index for the past one (1) year. For instance, the Issue Price represented a 30.77% discount via-a-vis the TERP computed based on the 12-month VWAP of Naim Shares as depicted above; and

(v) the unaudited NA per Naim Share of RM4.18 as at 30 June 2018, of which the Issue Price represents a discount of approximately 89%.

2.3 Major shareholders' undertakings and underwriting arrangement

Our Board has determined to undertake the Rights Issue on the Minimum Subscription Basis, after taking into consideration the minimum amount of funds of RM100.0 million that our Company intends to raise via the Rights Issue to be channelled towards the proposed utilisation of proceeds as set out in Section4 of this Abridged Prospectus.

In order to meet the Minimum Subscription Level, our Company has obtained a written irrevocable and unconditional undertaking letter dated 21 September 2018 from each of the Undertaking Shareholders to:-

(i) subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date pursuant to the Entitlement Undertaking; and

(ii) apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s)/transferee(s) by way of Excess Application pursuant to the Additional Undertaking.

As at the LPD, the Undertaking Shareholders collectively hold 94,828,650 Naim Shares, representing approximately 40.02% of the issued share capital of Naim.

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The details of the Undertakings are illustrated as follows:-

Minimum Scenario

Undertaking Shareholders	Shareholdings as at the LPD		Entitlement Undertaking		Additional Undertaking		Direct shareholdings after the Rights Issue	
	No. of Naim Shares	% [(i)]	No. of Rights Shares	% [(ii)]	No. of Rights Shares	% [(iii)]	No. of Naim Shares	% [(iv)]
Datuk Amar	9,736,600	4.11	14,604,900	10.27	8,211,927	10.27	32,553,427	7.09
Datuk Hasmi	16,668,850	7.03	25,003,275	17.58	14,058,643	17.58	55,730,768	12.14
Island Harvests	30,619,600	12.92	45,929,400	32.29	25,824,817	32.29	102,373,817	22.30
Hasmi & Associates	9,672,750	4.08	14,509,125	10.20	8,158,075	10.20	32,339,950	7.04
Lambaian Kukuh	163,150	0.07	244,725	0.17	137,602	0.17	545,477	0.12
Tapak Beringin	27,406,900	11.57	41,110,350	28.90	23,115,200	28.90	91,632,450	19.96
Lembah Rakyat	560,800	0.24	841,200	0.59	472,983	0.59	1,874,983	0.41
Total	**94,828,650**	**40.02**	**142,242,975**	**100.00**	**79,979,247**	**100.00**	**317,050,872**	**69.06**

Notes:-

(i) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(ii) Based on 142,242,975 Rights Shares to be issued pursuant to the Entitlement Undertaking and assuming none of the Entitled Shareholders, other than the Undertaking Shareholders, subscribed for their entitlement under the Rights Issue.

(iii) Based on 79,979,247 excess Rights Shares to be issued pursuant to the Additional Undertaking by the Undertaking Shareholders.

(iv) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Minimum Scenario.

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Maximum Scenario

Undertaking Shareholders	Shareholdings as at the LPD		Entitlement Undertaking		Additional Undertaking		Direct shareholdings after the Rights Issue	
	No. of Naim Shares	% (i)	No. of Rights Shares	% (ii)	No. of Rights Shares	%	No. of Naim Shares	% (iii)
Datuk Amar	9,736,600	4.11	14,604,900	4.11	-	-	24,341,500	4.11
Datuk Hasmi	16,668,850	7.03	25,003,275	7.03	-	-	41,672,125	7.03
Island Harvests	30,619,600	12.92	45,929,400	12.92	-	-	76,549,000	12.92
Hasmi & Associates	9,672,750	4.08	14,509,125	4.08	-	-	24,181,875	4.08
Lambaian Kukuh	163,150	0.07	244,725	0.07	-	-	407,875	0.07
Tapak Beringin	27,406,900	11.57	41,110,350	11.57	-	-	68,517,250	11.57
Lembah Rakyat	560,800	0.24	841,200	0.24	-	-	1,402,000	0.24
Total	**94,828,650**	**40.02**	**142,242,975**	**40.02**	**-**	**-**	**237,071,625**	**40.02**

Notes:-

(i) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(ii) Based on 355,416,000 Rights Shares to be issued under the Rights Issue and assuming all the Entitled Shareholders subscribed to their entitlement.

(iii) Based on the total issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Maximum Scenario.

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In view that our Company has obtained the Undertakings from the Undertaking Shareholders which will fulfill the Minimum Subscription Level, Naim does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders.

Each of the Undertaking Shareholders has respectively confirmed via the Undertakings that they have sufficient financial resources to take up the number of Rights Shares as specified in their respective Undertakings. AmInvestment Bank has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares pursuant to their respective Undertakings.

In the event that none of the Entitled Shareholders subscribe for their respective entitlements other than the Undertaking Shareholders, the shareholdings of Datuk Amar, Datuk Hasmi and their PACs in Naim will, over a six (6)-month period, collectively increase by more than 2% upon the completion of the Rights Issue and trigger the creeping threshold pursuant to Paragraph 4.01(b) of the Rules. In addition, pursuant to the Undertakings, Datuk Hasmi's shareholdings in Naim (both direct and indirect) will increase from 24.10% as at the LPD to 41.60% upon completion of the Rights Issue under the Minimum Scenario, which would result in Datuk Hasmi obtaining control of Naim pursuant to Paragraph 4.01(a) of the Rules. In relation to the above, Datuk Amar, Datuk Hasmi and their PACs will accordingly be obliged to undertake the Mandatory Offer, of which Datuk Amar, Datuk Hasmi and their PACs had sought for the Exemption.

In relation to the above, our Shareholders had approved the Exemption at the EGM. Further, Datuk Amar, Datuk Hasmi and their PACs had on 16 November 2018 submitted an application to the SC in relation to the Exemption and the SC had vide its letter dated 30 November 2018 approved the Exemption.

2.4 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issuance, rank *pari-passu* in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

2.5 Last date and time for acceptance and payment

The Closing Date is 5.00 p.m. on **Friday, 11 January 2019.**

3. OTHER CORPORATE PROPOSALS APPROVED BUT PENDING COMPLETION

Our Board confirms that save for the Rights Issue, there are no other outstanding corporate proposals that have been announced through Bursa Securities but have yet to be completed as at the LPD.

For information purposes, the Exemption has been approved by the SC vide its letter dated 30 November 2018.

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4. UTILISATION OF PROCEEDS

Based on the issue price of RM0.45 per Rights Share, the Rights Issue is expected to raise gross proceeds of approximately RM100.00 million under the Minimum Scenario and up to approximately RM159.94 million under the Maximum Scenario.

Our Company intends to utilise the proceeds raised from the Rights Issue in the following manner:-

Details	Note	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Estimated timeframe for utilisation (from the date of listing of the Rights Shares)
Working capital for:-				
- Property development activities	(i)	70,000	114,937	Within 18 months
- Operating and administrative expenses	(ii)	4,200	4,200	Within 12 months
Repayment of borrowings	(iii)	25,000	40,000	Within 12 months
Estimated expenses in relation to the Rights Issue	(iv)	800	800	Within 3 months
Total estimated proceeds		**100,000**	**159,937**	

Notes:-

(i) Our Company intends to utilise up to approximately RM114.9 million to fund the working capital for its property development activities. Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. At this juncture, our Company has identified the following property development projects to be funded via the proceeds from the Rights Issue:-

Project	Note	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Kuching Paragon	(a)	21,000	36,000
Bintulu Paragon	(b)	24,000	39,000
Bandar Baru Permyjaya	(c)	25,000	39,937
Total		**70,000**	**114,937**

Notes:-

(a) Comprises the condominium development, namely Sapphire On The Park @ Kuching Paragon, as part of our Group's Kuching Paragon integrated development in Kuching, Sarawak. The estimated GDV of the project is RM190.0 million. The development, which has commenced in 1st quarter of 2018 with physical completion of 40% as at the LPD, is expected to be completed by 1st quarter of 2021.

(b) Comprises the condominium development, namely The Peak @ Bintulu Paragon, as part of our Group's Bintulu Paragon integrated development in Bintulu, Sarawak. The estimated GDV of the project is RM150.0 million. The development, which has commenced in 2nd quarter of 2015 with physical completion of 65% as at the LPD, is expected to be completed by 2nd quarter of 2019.

(c) Comprises part of the on-going Southlake project (estimated GDV of approximately RM200.0 million, of which 54 units of affordable and medium-priced residential units with an estimated GDV of RM20.0 million were recently launched in October 2018) as well as part of the upcoming affordable and medium-priced residential development (with an estimated GDV of approximately RM50.0 million) at our Group's Bandar Baru Permyjaya mixed development in Miri.

As at the LPD, the development of the on-going Southlake project is in various stage of physical completion, ranging from 20% to 95% and our Group expects to complete the on-going Southlake project by 2020.

The development works for the upcoming affordable and medium-priced residential projects are expected to commence in phases from 1st quarter of 2019 and our Group estimates to complete the projects by 1st quarter of 2021.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for our Group's working capital requirements.

(ii) The proceeds are proposed to be used for our Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of our Group at the relevant point in time.

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(iii) Our Company intends to utilise up to RM40.0 million to partially repay our Group's outstanding borrowings. As at the LPD, our Group's total borrowings amounted to RM556.67 million comprising mainly term loans and revolving credit. The partial repayment of the said borrowings is expected to result in interest costs savings of approximately RM1.44 million (under Minimum Scenario) and RM2.23 million (under Maximum Scenario). Further details of the repayment and interest savings are set out in the table below:-

Bank	Outstanding amount as at LPD (RM'000)	Prevailing interest rate per annum (%)	Proposed repayment amount		Estimated interest savings per annum	
			Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Bank Islam Malaysia Berhad	40,000	5.26	5,000	5,000	263	263
Bank of China (Malaysia) Bhd	25,000	6.06	10,000	10,000	606	606
Bank Muamalat Malaysia Berhad	50,000	5.67	10,000	19,000	567	1,077
CIMB Islamic Bank Berhad	80,000	5.22	-	3,000	-	157
United Overseas Bank (M) Berhad	50,000	5.48	-	3,000	-	164
Total			**25,000**	**40,000**	**1,436**	**2,267**

(iv) The estimated expenses include professional fees and fees payable to the relevant authorities, printing cost of circular to shareholders and abridged prospectus as well as advertisement cost, the breakdown of which is as follows:-

Type of expenses	RM'000
Professional fees	700
Fees payable to the relevant authorities	60
Printing and advertisement cost	40
Total	**800**

Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for our Group's working capital requirements.

The actual proceeds to be raised from the Rights Issue will depend on the number of Rights Shares to be issued.

5. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue is intended to raise proceeds to be utilised in the manner as set out in Section 4 of this Abridged Prospectus. After due consideration of the various options available as well as the capital structure of our Company, our Board is of the opinion that the Rights Issue is the most appropriate means of fundraising based on the following:-

(i) the Rights Issue will enable our Company to raise the requisite funds without incurring additional interest expense, as compared to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing;

(ii) the Rights Issue will enable the issuance of new Naim Shares without diluting shareholders' equity interest, assuming that all Entitled Shareholders subscribe in full for their respective entitlements under the Rights Issue;

(iii) the Rights Issue will provide all Entitled Shareholders with the opportunity to further participate in the prospects and future growth of Naim Group on a pro-rata basis; and

(iv) the Rights Issue will strengthen the financial position and capital base of Naim by reducing its gearing level and increasing its NA thereby providing greater financial flexibility. Our Board believes that the Rights Issue will help to position our Group on a better financial footing to undertake more projects in the future, in tandem with its strategy to improve our Group's financial performance.

6. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors before making your decision on whether to subscribe for your entitlements to the Rights Issue.

6.1 Risks relating to our property development division

6.1.1 Performance of the property market

Our property development business is largely dependent on the performance of the property market in Malaysia. Any material developments affecting the property market such as changes in demographic trends, employment and income level, economic uncertainties, the deterioration in property demand and the property rental market may have an impact on our business operations and financial performance.

Furthermore, the performance of the property market is also affected by the regulatory environment. The Government has introduced several cooling measures to curb speculation in the property market in its effort to promote a more stable and sustainable property market which include the following:-

(i) Real Property Gains Tax ("**RPGT**") was reinstated in 2010. The effective maximum RPGT rates were raised from 5% in 2010 to 30% in 2014. The RPGT for disposal of real estate will be increased to 10% from 5% for companies, non-citizens and non-permanent resident and 5% from 0% for citizens and permanent residents on 1 January 2019;

(ii) in 2010, BNM announced a maximum loan-to-value ratio of 70% for third home purchases by consumers;

(iii) banks can no longer provide financing for projects with developer interest bearing scheme, wherein interest payments on the loan obtained by the buyers are borne by the property developers until the property has been completely constructed; and

(iv) as set out in the recent Budget 2019, stamp duty on the transfer of properties valued at more than RM1,000,000 will be increased from 3% to 4% on 1 January 2019.

Any further introduction of cooling measures by the Government as well as tightening of lending criteria by the banks may lead to imbalance of supply of, and demand for, properties in Malaysia which can cause property overhang. As such, the above measures may affect the demand for our properties which in turn may negatively impact our property development business.

6.1.2 Scarcity of commercially viable land banks for development

We rely to a large extent on our existing land bank, as well as on our ability to identify and acquire suitable land bank with development potential to deliver sustainable growth and profitability. However, we also face competition from other property developers in identifying and acquiring strategically located land banks at commercially viable prices. The competition among industry players has to a certain extent, created scarcity in strategically located land. This may result in higher land acquisition cost, which may potentially affect our profitability and prospects.

There can be no assurance that we will be able to continue to identify new land banks on commercially viable prices and on suitable terms. In the face of competition, it would also be more challenging to secure opportunities to jointly develop lands with land owners on commercially viable profit sharing terms and with good development potential to spur our growth.

6.1.3 Competition risk

Our Group experiences competition from other property developers in Malaysia. Competitive pressures may arise in terms of supply of raw materials and labour, pricing of the property as well as the sale and marketing of the property. Future performance will depend significantly on the ability of our Group to respond to the ever changing economic conditions and market demands, the launch of the property development projects of our Group and marketing strategies that will be able to fulfil the needs and requirements of the target markets of our Group. We expect to remain competitive despite the increased competition due to our established brand name, track record and promotional campaigns. Our Group will continue to take measures to mitigate competition risks such as conducting market intelligence surveys to understand home buyers' needs, monitoring and adjusting development products and implementing innovative marketing strategies in response to changing economic conditions and market demands.

While we seek to remain competitive in terms of pricing, design, quality and strategic marketing, there is no assurance that such measures can effectively mitigate the potential adverse effects of competition on our future financial performance and position.

6.1.4 Risk of property overhang and/or unsold properties

Property overhang is commonly caused by oversupply and/or low take-up rate of new property launches by property developers. Other factors contributing to property overhang may include economic downturn and unfavourable market conditions. Any prolonged rise in the property overhang situation would inevitably result in us potentially holding a high number of unsold properties.

Apart from the general property overhang situation, an increase in the number of unsold properties in the property market may also be due to other factors such as weak response to the launched properties, location of the development and changes in consumer preferences.

We seek to minimise the abovementioned risk through, among others, careful planning of the type of property development projects to be undertaken by our Group, offering competitively priced properties and diligently monitoring the developments in the Malaysian property market.

Although our Group take such measures into account in planning our new projects and managing our ongoing projects, there can be no assurance that the risk of property overhang will not have a material impact on our financial performance.

6.1.5 Project completion risk

Timely completion and hand-over of our projects is critical in ensuring costs are contained and our Group's reputation is safeguarded. However, delays in completion could result from unforeseen circumstances such as shortage of construction materials, adverse weather conditions, major labour disputes, unfavourable credit terms, delays in obtaining the necessary approvals from local authorities, major changes in local authorities' approval policies and/or other unforeseen circumstances.

If any of the above mentioned circumstances occur for a prolonged period, our Group may incur additional costs such as liquidated and ascertained damages payable to purchasers, rectification costs to repair defects or higher material/labour costs and these may result in our financial performance being impacted.

6.1.6 Compulsory land acquisition by the government

There is an inherent risk that our Group's development or project lands may be compulsorily acquired by the Government for public use or due to public interest.

If all or any portion of our development or project lands are compulsorily acquired by the Government at any point in time, the amount of compensation paid to our Group may be less than the market value of the lands and/or the purchase consideration that we have paid in acquiring such lands. Accordingly, our Group's business, financial condition, results of operations and prospects could be adversely affected.

6.1.7 Cost fluctuation

Our profitability may be affected by fluctuation of construction costs which are inherent to our industry. Higher cost of materials (including steel, cement and tiles), labour costs, contractor fees and overheads, will reduce our profit margin in the event we are unable to pass these increased costs to customers in the form of higher selling prices.

There can be no assurance that any changes in development cost will not have any impact on our financial performance.

6.2 Risks relating to our construction division

6.2.1 Competition from other construction players

The Malaysian construction industry is highly competitive, and our Group faces competition from various construction companies, both local and international companies. Competitive position is based on various factors such as pricing, financial position and strength, ability to obtain adequate financing, reputation for safety, quality and track record for timely completion of project. Due to such competitive pressures, our Group's financial performance may be affected by highly competitive pricing in the process of securing a construction contract. This may, in turn, lead to lower project profit margin and hence, lower profitability to our Group.

There can be no assurance that aforesaid factors will not have any adverse impact on our chances of securing construction contracts which in turn may negatively impact our construction business.

6.2.2 Delay in the completion of projects

Timely completion of construction projects is dependent on many external factors, some of which may be beyond the control of our Group such as obtaining various regulatory approvals as scheduled, sourcing and securing quality construction materials, weather conditions and satisfactory performance of our sub-contractors who are appointed to complete the construction or development projects. Any failure or delay in completing the projects within the timeframe agreed with our customers may expose our Group to additional cost and potential claims which may impact our profitability. Such claims may also affect our Group's reputation and financial performance.

6.2.3 Sustainability of order book

Our Group's revenue for the construction segment is largely dependent on the sustainability of our order book. As at the LPD, our Group has an outstanding order book of approximately RM1.84 billion, which is expected to sustain our Group's construction earnings until 2023 (subject to any changes to the Desa Bahagia Phase 3 and Sultan Tengah project as further detailed in Section 7.4 of this Abridged Prospectus).

Depending on the business and economic environment, customers may cancel or delay their projects, which in turn, could adversely affect our Group's revenue and future financial performance. In addition, there may also be variation orders by our customers in relation to, *inter alia*, the specification of the contract, contract sum and/or contract period, which may affect the profitability of the projects.

There can be no assurance that project delays, cancellations and/or variations of the contracts will not have any adverse impact on our Group's financial and operational performance and no assurance on the ability to replenish our order book by securing other construction projects on a timely basis.

6.2.4 Risk associated with joint venture(s) ("JV")

Our Group has always sought to exercise due care and proactively nurture cooperative and close working relationships with our partners and stakeholders as part of the commitment to ensure the success of the JV that our Group have entered into. Nonetheless, deterioration in relations with the JV partners may result in adverse conditions. Although the terms and conditions of JV are regulated by JV agreements, there can be no assurance that the JV partners will continue their partnerships with our Group or be able to complete their committed developments under the partnerships or that disputes will not materially and adversely affect the relationships with the JV partners, JV businesses or our Group's financial position.

If any of the JV partners discontinues their arrangement with our Group and/or unable to provide the expected expertise, this may have an impact on the JV. As a result, existing or planned projects may not be completed in a timely manner.

6.2.5 Defect liability

Our construction contracts normally stipulate a defects liability period for work done of up to 24 months from the date of official hand-over of the completed projects, depending on the nature of the contract. This makes the contractor liable for the work carried out and for any repairs, reconstruction or rectification of any faults or defects which may surface or be identified during the defects liability period. Nevertheless, by working closely with our customers to ensure the work specifications are met, coupled with the experience and expertise of our Group, we aim to reduce the defects of our works to a minimal level. However, there is no assurance that any repair, reconstruction or rectification works during the defects liability period will not have a material impact on our Group's financial performance.

6.2.6 Cost overrun

Our Group carries out internal cost and budgeting estimates of raw material, labour costs, sub-contracting costs and overheads based on the indicative pricings given by our suppliers and subcontractors, as well as our own estimates of costs for tender of construction projects.

Nonetheless, we are subject to unforeseen circumstances during the contract period which may cause project cost to overrun such as fluctuation in prices of raw materials, increase in minimum wages of foreign workers, increase in prices of subcontractor service, unfavourable weather conditions or unanticipated construction constraints at the worksite or, additional costs which are not previously factored into the costing.

There is no assurance that unforeseeable circumstances as mentioned above in our projects will not have a material adverse impact on our Group's business and financial performance.

6.3 Risks relating to our investment in associates that are involved in the oil and gas industry

Our Group is partly exposed to the oil and gas industry by virtue of our 26.4% stake in Dayang Enterprise Holdings Bhd ("**DEHB**") and its subsidiary, Perdana Petroleum Berhad ("**PPB**") (in which our Group holds an effective equity interest of 25.9%). DEHB group of companies ("**DEHB Group**") are principally involved in the provision of offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning works as well as chartering of marine vessels and provision of related support services.

For the FYE 31 December 2017, DEHB Group recorded its first ever losses of approximately RM153.18 million mainly due to a prolonged and depressed down cycle in the price of crude oil which led to reduction of work orders and contracts across the value chain. In addition, the profitability of PPB was affected by the challenging offshore supply vessels' market as vessel utilisation rate and charter rates were affected by, *inter alia*, volatile oil prices.

Nonetheless, for the 9-months FPE 30 September 2018, DEHB Group has seen a turnaround in profitability as it recorded a PAT of RM46.73 million mainly due to higher work orders received and performed under topside maintenance contracts. PPB has also recorded an increase in revenue for the FPE 30 September 2018 mainly due to higher vessel utilisation rate.

As reported in DEHB's unaudited quarterly report for the FPE 30 September 2018, DEHB Group has total borrowings of RM1.11 billion, of which, RM630.93 million relates to borrowings by PPB. PPB had on 4 July 2018 announced that the company has obtained approval from the Corporate Debt Restructuring Committee of Bank Negara Malaysia ("**CDRC**") for assistance to mediate between PPB group and its lenders to renegotiate their respective financing facilities ("**Proposed Debt Restructuring Scheme**"), of which discussions are still on-going.

Notwithstanding the improvement observed in the financial performance of DEHB Group and PPB, there is no assurance that the future financial performance of DEHB Group and PPB will not be affected by factors such as fluctuation in oil price, charter rates of vessels as well as the outcome of the Proposed Debt Restructuring Scheme, which consequently may have a material adverse impact on our Group's financial performance.

6.4 General risks relating to our Group

6.4.1 Non-renewal of/failure to obtain licenses, permits and certifications

Our Group operates in a regulated industries which are subject to changes from time to time. Our property development business is highly reliant on our ability to obtain approvals and renewals of major licenses, such as development orders, building plan approvals, developer licenses, advertising permits and other licenses issued by the respective authorities.

The Malaysian construction industry is also highly regulated, with various government bodies governing the approval of licenses and certification to contractors providing construction services in Malaysia. As such, our construction business is also bound by the terms of the licenses awarded by these authorities, which dictate the types and nature of construction projects which we can undertake.

There is no assurance that existing permits and licenses will be renewed, or renewed within the anticipated time frame, or that any new licenses required by our Group will be obtained or obtained in a timely manner or maintained without interruption after being obtained.

6.4.2 Political, economic, market and regulatory risk

Our business operations in Malaysia is subject to the jurisdiction of various governmental agencies and/or ministries in Malaysia. Any adverse developments in political, economic, regulatory and social conditions in Malaysia where our Group operates could materially affect the financial and business prospects of our Group. Such uncertainties that could unfavourably affect our Group include, *inter-alia,* economic downturn, changes in monetary and fiscal policy, changes in foreign currency regulations or introduction of new rules or regulations, financial crisis, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

While we strive to continue to take precautionary measures such as implementing prudent business, financial and risk management policies, much of the above changes are beyond our Group's control and there can be no assurance that any adverse developments will not materially affect the operational conditions and performance of our Group.

6.4.3 Exposure to retention and succession risk of our Group's key personnel

As in any other business, our Group's success depends, to a certain extent, on the abilities and ongoing efforts of our Group's key personnel, including our existing directors and senior management who are instrumental in our Group's growth and expansion. The future success of our Group will depend on our ability to attract and retain qualified and skilled personnel. The loss of any key personnel without a suitable and timely replacement, may affect our Group's ability to compete effectively in the industries in which our Group operates.

6.4.4 Borrowings, covenants and fluctuations in interest rates

Our Group has various bank borrowings and loan facilities to finance, among others, our day to day operations and our property development and construction projects. As payments of interest on the bank borrowings is dependent on prevailing interest rates, future fluctuations of interest rates could materially affect our Group's profitability.

In addition, the agreements that our Group has entered into for bank credit facilities and securities in relation thereto, contain covenants which may limit our Group's future operating and financing flexibility. Any breach of any such covenant may give rise to a right by the financiers to terminate the relevant credit facilities and/or enforce any securities granted in relation to the particular credit facility.

6.5 Risks relating to the Rights Issue

6.5.1 Market risk

The market price of Naim Shares as traded on Bursa Securities may experience fluctuations. Various factors could influence the fluctuations of market price of Naim Shares, which include, the prevailing market sentiment, the liquidity of Naim Shares, the volatility of equity markets, interest rate movements, the outlook of the industries in which our Group operates in as well as the corporate developments and future financial performance of our Group. In view of this, there can be no assurance that Naim Shares will trade at or above the Issue Price or the TERP of Naim Shares upon or subsequent to the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

6.5.2 Potential dilution

Entitled Shareholders who do not or are unable to subscribe fully for their entitlement pursuant to the Rights Issue will have their proportionate percentage of shareholdings and voting interests in our Company reduced and the percentage of the enlarged issued share capital represented by their shareholdings in our Company will also be reduced accordingly. Consequently, their proportionate entitlement to any future distribution, rights and/or, allotment that our Company may make after completion of the Rights Issue will correspondingly be diluted.

6.5.3 Delay in or abortion of the Rights Issue

The Rights Issue may be aborted or delayed or its implementation not completed due to, amongst others, material adverse change in events/circumstances, such as flood, storm and epidemic, which are beyond the control of our Group arising prior to or during the implementation of the Rights Issue.

Pursuant to Section 243 of the CMSA, if the Rights Issue is aborted, our Company will undertake the necessary procedures to ensure the refund of monies is made in full without interest, in respect of the accepted application for the subscription of the Rights Shares including the Excess Rights Shares within fourteen (14) days after our Company is required to do so. If such monies are not refunded within fourteen (14) days after our Company becomes liable to repay, our Company will repay such monies with interest at the rate of ten percent (10%) per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

In the event that the Rights Shares have been allotted to you and/or your renouncee(s) and/or transferee(s) (if applicable) and the Rights Issue is subsequently cancelled/terminated, it is possible that a return of the monies to the holders of the Rights Shares can only be effected by way of cancellation of our share capital as provided under the Act. Such cancellation may be carried out with the approval of our shareholders by way of special resolution in a general meeting and confirmation by the High Court of Malaya or supported by a solvency statement made by all directors of our Company. There can be no assurance that such monies can be refunded in a timely manner under such circumstances.

6.6 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and our Group's objectives for future operations, are forward-looking statements. Although our Board believes that these statements and assumptions are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies and the environment in which our Group will operate in the future. Such forward-looking statements reflect our Group's current views with respect to the future events and are not a guarantee of future performance.

Our Group's actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors including the risk factors highlighted in Sections 6.1, 6.2, 6.3 and 6.4.

7. INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP

Information in Sections 7.1, 7.2 and 7.3 have been extracted from the most recent available government publications and other publicly available resources.

7.1 Overview and outlook of the Malaysian economy

For the third quarter of 2018, the Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

Domestic demand expanded at a faster pace during the quarter (6.9%; 2Q 2018: 5.6%), driven by private sector activity. Private consumption growth accelerated to 9.0% (2Q 2018: 8.0%). Household spending was boosted in July and August 2018, following the zerorisation of the Goods and Services Tax (GST) rate, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Continued expansion in income and employment provided key support to household spending.

On the sectoral front, growth was mainly affected by lingering commodity-specific supply shocks. Nevertheless, the impact on overall growth was mitigated by expansions in the other economic sectors, mainly the services, manufacturing and construction sectors which account for 82% of the economy.

(Source: BNM Quarterly Bulletin – 3rd Quarter 2018, Bank Negara Malaysia)

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018. Growth will be mainly driven by resilient domestic demand amid favourable external sector. Given the robust economic development, GNI per capita is estimated to increase 5.1% to RM42,777 (2017:7.7%; RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

On the demand side, household spending will remain as the key source of growth, benefiting from higher income following stable employment conditions and firmer commodity prices. Private investment is forecast to remain resilient primarily attributed to capital outlays in the services and manufacturing sectors. Private sector continues to spearhead growth, while public sector remains committed towards its fiscal consolidation path. The external sector is expected to remain resilient supported by sustained demand from major trading partners. Inflation will remain benign between 2.5% and 3.5% while the economy continues to operate under full employment.

On the supply side, growth is expected to be broad-based with positive contribution from all sectors in the economy. Growth in the construction sector will be driven by major civil engineering projects while the mining sector is projected to continue expanding at a moderate pace supported by natural gas production.

(Source: Economic Report 2018, Ministry of Finance)

7.2 Overview and prospects of the property and construction sector in Malaysia

Based on the Property Market Report for the First Half of 2018 issued by the National Property Information Centre ("**NAPIC**") Valuation and Property Services Department of Ministry of Finance, the volume and value of property transactions in Malaysia for the first half of 2018 vis-à-vis the first half of 2017 are as follows:-

Sub-Sector	Volume of Transactions			Value of Transactions		
	H1 2017 (unit)	H1 2018 (unit)	Y-O-Y Change (%)	H1 2017 (RM' Billion)	H1 2018 (RM' Billion)	Y-O-Y Change (%)
Residential	94,969	94,202	(0.8)	32.84	31.66	(3.6)
Commercial	10,398	10,759	3.5	12.00	15.82	31.8
Industrial	2,421	2,514	3.8	5.39	7.41	37.5
Agricultural	36,167	33,565	(7.2)	6.48	6.79	4.8
Development Land and others	9,571	8,849	(7.5)	11.12	6.06	(45.5)
Total	**153,526**	**149,889**	**(2.4)**	**67.83**	**67.74**	**(0.1)**

(Source: Property Market Report First Half 2018 by NAPIC Valuation and Property Services Department of Ministry of Finance)

Based on the table above, the total volume of transactions of properties in Malaysia for the first half of 2018 decreased by 2.4% vis-à-vis first half of 2017, whilst the value of transactions decreased by 0.1% for the same period.

In particular, the volume of transactions for residential and commercial properties decreased by 0.8% (residential) and increased by 3.5% (commercial) respectively for the first half of 2018 vis-à-vis the first half of 2017. In addition, the value of transactions for residential properties decreased by 3.6% whilst the value of transactions for commercial properties increased by 31.8% during the period.

In terms of the overhang situation, the overhang units in Malaysia for the first half of 2018 vis-à-vis the second half of 2017 are as follows:-

Sub-Sector	Overhang		
	H2 2017 (unit)	H1 2018 (unit)	% change H1 2018 vs H2 2017
Residential	24,738	29,227	18.1
Shops	4,546	4,348	(4.4)
SOHO and Service Apartments	6,927	12,771	84.4
Industry	999	1,021	2.2

(Source: Property Market Report First Half 2018 by NAPIC Valuation and Property Services Department of Ministry of Finance)

Banks continue to extend loans for the purchase of residential property to eligible borrowers, including to first-time house buyers. Outstanding loans extended by banks for house financing were sustained at 8.9% on an annual basis in 1Q 2018 (4Q 2017: 8.9%). Loan approval rates for houses priced below RM500,000 stood at 71.5%, with most major states recording housing loans approval rates above 70%.

Demand for financing for speculative house purchases continued to be low. During the quarter, the share of the number of housing loans settled within three years (the typical duration required to complete construction after a property is acquired) stood at 7.5% of total settled housing loans (4Q 2017: 7.9%). The annual growth in the number of borrowers with three or more outstanding housing loans (a proxy for speculative buyers) remained low at 0.8% (4Q 2017: 0.9%). The credit quality for overall housing loans remained sound, with both impairment and delinquency ratios remaining low at 1.1% of total bank loans (4Q 2017: 1% and 1.3%, respectively).

The oversupply situation in the office space and shopping complex segment continued to persist despite some pickup in rental rates for selected shopping complexes in choice locations. Direct risks to banks from end-financing exposures to the office space and shopping complex segments have been small at 3.1% of total bank loans. Banks continue to maintain sound underwriting and valuation practices, even though excess supply in these segments were apparent. Banks remained cautious in extending lending to these segments as reflected in the lower loan approval rates for the construction and purchase of such properties (1Q 2018: 62% and 71.3% respectively; 4Q 2017: 66.9% and 74.7% respectively). The delinquency and impairment ratios for the non-residential property segment remained low at 0.6% and 1.3%, respectively (4Q 2017: 0.7% and 1.2%, respectively).

(Source: BNM Quarterly Bulletin – 1st Quarter 2018, Bank Negara Malaysia)

The construction sector registered sustained growth in the third quarter. Despite the on-going review of several mega projects, construction activity in the civil engineering sub-sector remained supportive of growth, underpinned by steady progress in existing transportation, petrochemical and power plant projects. Growth in the non-residential sub-sector improved slightly, while growth in the residential sub-sector remained weak amidst the high number of unsold residential properties.

(Source: BNM Quarterly Bulletin – 3rd Quarter 2018, Bank Negara Malaysia)

On a supply side, growth was driven by the services, manufacturing and construction sectors. The construction sector expanded 4.6% driven by civil engineering and specialised construction activities.

(Source: Quarterly Update on the Malaysian Economy – 3rd Quarter 2018, Ministry of Finance, Malaysia)

7.3 Overview and prospects of the property and construction sector in Sarawak

According to NAPIC's Property Market Report 2017, the Sarawak property market recorded 22,605 transactions worth RM6.19 billion, a marginal decline of 3.2% in volume. Nevertheless, the value of transactions saw an increase of 5.9%. The residential sub-sector remained the leading sub-sector, dominating 42.6% of the transaction volume, followed by agricultural (40.2%), development land (8.5%), commercial (6.9%), and industrial sub-sectors (1.8%).

By price range, the most transacted residential units for Sarawak are in the price range of between RM100,000 and RM150,000 and demand continued to be in the region of RM200,000 and below price points, accounting for nearly 50% of the residential market transactions volume. It is also observed that more than 2/3 of the total residential volume transacted for Sarawak are below the RM300,000 price category.

It is observed that the housing affordability threshold of the average urban household in Sarawak generally remain below RM350,000. In order to increase affordability, the market could be seeing smaller units in the future.

Although slight improvement in the general sentiment in the property market has been observed, the property market remains soft for the 1st half of 2018. Whether the improved market sentiments post-election will carry through, remains to be seen.

In terms of significant projects, whilst the market is hopeful, some jitters is felt on the ground, as some mega projects that have been approved as well as in the planning, hang in uncertainty with efficiency and cost cutting as one of the hallmarks of the new government administration and the continuing revamp and restructuring of government-linked companies. When the teething problems have been ironed out and the dust has settled, the market is expected to be positive moving forward.

Nonethelesss, the Pan Borneo Highway, which is the biggest infrastructure development project funded by the Federal Government in Sarawak and a crucial part of the regional development plans for East Malaysia, is set to continue its momentum and is scheduled for completion by 2022.

(Source: Sarawak Property Bulletin – 1st Half 2018 Property Market Review & Outlook by CH Williams Talhar Wong & Yeo)

7.4 Prospects of our Group

Our Group is primarily involved in the property development and construction industry.

Property development

Against the backdrop of hike in costs of borrowing, strict lending policy, increased property overhang and lukewarm buying sentiment, amongst others, our Company expects the property market to remain challenging and foresee a slowdown in take-up rates.

Nevertheless, despite these challenges, our Group will continue to be resilient by undertaking initiatives to sell existing on-going and completed units; whilst adopting a cautious approach towards new project launches moving forward, of which more affordable and medium-range properties are expected to be launched as our Group strives to aptly tailor our products to meet changing customer demands due to the existing economic sentiment.

Our Group currently has three (3) flagship mixed development projects in Sarawak, namely Kuching Paragon, Bintulu Paragon and Bandar Baru Permyjaya in Miri.

(i) Kuching Paragon

Kuching Paragon is an integrated development on a 33-acres land located in Kuching city comprising retail spaces, condominiums, office towers, hotel and serviced apartment with a total indicative GDV of approximately RM1.50 billion.

Our Group has commenced the first residential development, known as Sapphire On The Park, comprising 427 units in three (3) high-end condominium towers. The first 18-storey tower, namely Sapphire Classic, with an estimated GDV of approximately RM120.0 million, was recently completed.

The second 18-storey tower, namely Sapphire Deluxe was launched in early 2018 whilst our Group has yet to launch the third tower. Nonetheless, our Group has commenced the construction works for these two (2) towers, which are tentatively scheduled to be completed by 1st quarter of 2021. The GDV for the said two (2) condominium towers are estimated to be approximately RM190.0 million.

(ii) Bintulu Paragon

Bintulu Paragon is an integrated development on a 36-acres land in the heart of Bintulu Town, which will be developed in two (2) phases. The proposed development comprises Streetmall, SOVO (Small Office Versatile Office), condominiums, office towers, retails units, shopping malls and hotels with a total indicative GDV of approximately RM2.3 billion.

As at the LPD, our Group has completed the Streetmall and SOVO units with an estimated aggregate GDV of approximately RM300.0 million. Our Group is currently developing a condominium which was launched in 2nd quarter of 2015, namely The Peak, a 34-storey condominium (261 units) with an estimated GDV of approximately RM150.0 million. The development of The Peak is targeted to be completed by the 2nd quarter of 2019.

The balance of Bintulu Paragon development is expected to span over a period of approximately 15 years or longer, depending on market dynamics and economic condition. At this juncture, our Group has not finalised any major new launches on the remaining landbank of 14 acres in the immediate future, in view of the current market overhang in relation to retail and commercial properties.

(iii) Bandar Baru Permyjaya, Miri

In 1995, our Group launched its first flagship project in Miri, namely Bandar Baru Permyjaya ("**BBP**"), a township spanning approximately 3,300 acres. The township comprises various mix of residential estates from low cost to prime housing, industrial and commercial zones, lakeside developments, condominiums, flats, schools, parks and gardens, club facilities and other facilities such as suraus, fire stations, go-kart tracks, post office etc. The indicative GDV of entire BBP development is approximately RM5 billion. To date, more than 9,000 units of properties in BBP development have been sold with a GDV of approximately RM2.0 billion.

Currently, our Group's active ongoing project on site comprises a 450-acre lakeside development known as Southlake project with an indicative GDV of approximately RM1.0 billion. As at the LPD, our Group has launched 470 units of residential properties, comprising mainly terrace and semi-detached houses, within the Southlake project with an estimated GDV of approximately RM200.0 million, which is expected to be completed by 2020.

In addition, our Group is currently planning to introduce approximately 96 units of affordable and medium priced houses within BBP development in the near term, with an indicative GDV of RM50.0 million to cater to the local market demand, which is in line with our Company's strategy.

With remaining land bank of about 660 acres, the BBP development is expected to span over a period of approximately 15 years or longer, depending on market dynamics and economic condition. At this juncture, save as disclosed above, our Company has not finalised any other new launches in the immediate future.

In addition to the above, our Group currently has other landbank of approximately 1,800 acres located in Bintulu, Kuching and Miri. Our Group will continue to develop the remaining land bank and to launch the respective development projects in due course when it is deemed most beneficial to our Company.

As our Group's product offerings will be geared towards adapting to the prevailing market conditions and customer demand, our Company believes that the above three (3) developments will continuously contribute to the earnings of our Group.

Additionally, our Group has set up its leasing functional unit in an effort to secure tenants for its unsold commercial properties while recovery of sales takes place. The leasing functional unit will also assist the buyers of the commercial projects developed by our Group to source for potential tenants, which is a value added service to boost buyers' confidence in our Group's properties.

Construction

As at the LPD, our Group has an outstanding order book of approximately RM1.84 billion, comprising *inter-alia*, the following notable projects:-

Project	Order book (RM'mil)	Construction period	Status of completion (%)
Development and upgrading of Pan Borneo Highway from Pantu Junction to Batang Skrang section (approximately 89.4km), secured through NAIM GAMUDA (NAGA) JV SDN BHD, a 70% owned subsidiary of our Company	1,081	51 months commencing from September 2016	36[(ii)]
951 units affordable housing at Desa Bahagia, Miri under Syarikat Perumahan Negara Berhad ("**SPNB**"), secured through Naim Engineering Sdn Bhd ("**NESB**"), a wholly owned subsidiary of our Company	218	36 months[(i)]	-
1,553 units affordable housing at Sultan Tengah, Kuching under SPNB, secured through NESB	490	60 months[(i)]	-

Notes:-

(i) Naim Group has been awarded the contracts for Desa Bahagia (Phase 2 and Phase 3) and Sultan Tengah from SPNB in June 2013 and September 2014 respectively. However, our Group has yet to commence the construction works for the Desa Bahagia Phase 3 and Sultan Tengah project as at the LPD. Our Group is currently in the midst of discussions with SPNB pertaining to the design amendments, detailed timing, costing and other aspects of the said projects. For information purpose, as at the LPD, our Group has completed the construction of SPNB's Desa Bahagia Phase 1 and Phase 2 projects with total contract value of approximately RM332.3 million.

(ii) Based on physical work done as at the LPD.

The management believes that the current outstanding order book will contribute to our Group's earnings in years to come. Moreover, our Group's involvement in various construction projects such as Sabah Oil & Gas Terminal, Mass Rapid Transit Lembah Kelang: Jajaran Sg. Buloh-Kajang and Pan Borneo Highway provide credentials and track record to our Group to secure more projects in the future.

As part of our Group's efforts to improve our Group's financial performance, the management will from time to time carry out detailed review of our Group's operations and pursuant thereto may undertake measures to improve the efficiency of operations and to optimise our human resources management.

In relation to the Rights Issue, it will enable our Group to raise the requisite funds to partly finance the development of the on-going property development projects as described above as well as reduce our Group's gearing level. With the additional working capital and debt headroom, our Group will therefore be in a better position to undertake any future property development and construction projects, via a combination of internally generated funds and/or borrowings, to improve the performance of our Group.

Our associate stake in DEHB and PPB

After recording a loss in the previous financial year, based on DEHB Group's unaudited quarterly report for the FPE 30 September 2018, DEHB Group had recovered and was profitable for the FPE 30 September 2018 driven by the increase in work orders, in particular the maintenance, construction and modifications contract and topside maintenance services works under the Pan Malaysia Hook-up and Commissioning Contract ("**PMHUC**"). Further, after securing multiple contracts under the PMHUC in year 2018, DEHB Group's outstanding order book currently stands at approximately RM3.0 billion, which is expected to sustain its earnings until 2023. In addition, DEHB has also started looking into potential international tenders to further grow the company.

At the same time, the chartering activities by PPB had also improved as its average vessel utilisation rate increased to 61% for the FPE 30 September 2018. PPB is expected to continue to benefit from its synergistic collaboration with DEHB as a number of its vessels have been earmarked for DEHB's offshore topside maintenance and hook-up contracts, where level of activities are recovering.

Further, PPB had also obtained the approval of CDRC for its Proposed Debt Restructuring Scheme, of which the company is in the midst of discussion with financial institutions and lenders to renegotiate their respective financing facilities to enable the company to be better-positioned to sustain its operations.

Subject to changes in the operating environment of the oil and gas industry as well as factors such as the outcome of the Proposed Debt Restructuring Scheme, our Company is hopeful that the future financial performance of both DEHB and PPB will continue to improve.

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8. EFFECTS OF THE RIGHTS ISSUE

8.1 Share capital

The pro forma effect of the Rights Issue on the issued share capital of the Company as at the LPD is set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Naim Shares ('000)	(RM'000)	No. of Naim Shares ('000)	(RM'000)
Issued share capital as at the LPD	250,000	336,092	250,000	336,092
Less: Treasury Shares	*(13,056)*	*(34,748)*	*(13,056)*	*(34,748)*
	236,944	301,344	236,944	301,344
To be issued pursuant to the Rights Issue (i)	222,222	100,000(i)	355,416	159,937(i)
Enlarged issued share capital	**459,166**	**401,344**	**592,360**	**461,281**

Note:-
(i) Based on the issue price of RM0.45 per Rights Share.

8.2 NA and gearing

Based the audited consolidated statement of financial position of our Group as at 31 December 2017, the pro forma effects of the Rights Issue on the NA and gearing of the Naim Group are as follows:-

	Audited as at 31 December 2017 (RM'000)	After the Rights Issue	
		Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Share capital	336,092	436,092(i)	496,029(iv)
Retained earnings	815,835	815,035(ii)	815,035(ii)
Treasury shares	(34,748)	(34,748)	(34,748)
Foreign currency translation reserve	10,917	10,917	10,917
Other reserves	129	129	129
Shareholders' fund/NA	**1,128,225**	**1,227,425**	**1,287,362**
No. of Naim Shares in issue (excluding Treasury Shares)	236,944	459,166	592,360
NA per Share	4.76	2.67	2.17
Total borrowings	545,404	520,404(iii)	505,404(v)
Gearing (times)	0.48	0.42	0.39

Notes:-
(i) Computed based on 222.22 million Rights Shares being issued under the Minimum Subscription Level at the issue price of RM0.45 each.
(ii) After deducting the estimated expenses of RM0.8 million.
(iii) After the partial repayment of bank borrowings of RM25.0 million from the proceeds raised from the Rights Issue.
(iv) Computed based on 355.42 million Rights Shares being issued at the issue price of RM0.45 each.
(v) After the partial repayment of bank borrowings of RM40.0 million from the proceeds raised from the Rights Issue.

8.3 Substantial shareholders' shareholdings

The pro forma effects of the Right Issue on the shareholdings of the substantial shareholders of Naim are as follows:-

(i) Minimum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%[1]	No. of Naim Shares	%[1]	No. of Naim Shares	%[2]	No. of Naim Shares	%[2]
Datuk Amar	9,736,600	4.11	27,967,700[3]	11.80	32,553,427	7.09	93,507,433[3]	20.37
Datuk Hasmi	16,668,850	7.03	40,455,500[4]	17.07	55,730,768	12.14	135,259,244[4]	29.46
Island Harvests	30,619,600	12.92	-	-	102,373,817	22.30	-	-
Tapak Beringin	27,406,900	11.57	-	-	91,632,450	19.96	-	-
Lembaga Tabung Haji	24,827,200	10.48	-	-	24,827,200	5.41	-	-

Notes:-

(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(2) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Minimum Scenario.

(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

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(ii) Maximum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%[(1)]	No. of Naim Shares	%[(1)]	No. of Naim Shares	%[(2)]	No. of Naim Shares	%[(2)]
Datuk Amar	9,736,600	4.11	27,967,700[(3)]	11.80	24,341,500	4.11	69,919,250[(3)]	11.80
Datuk Hasmi	16,668,850	7.03	40,455,500[(4)]	17.07	41,672,125	7.03	101,138,750[(4)]	17.07
Island Harvests	30,619,600	12.92	-	-	76,549,000	12.92	-	-
Tapak Beringin	27,406,900	11.57	-	-	68,517,250	11.57	-	-
Lembaga Tabung Haji	24,827,200	10.48	-	-	62,068,000	10.48	-	-

Notes:-

(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(2) Based on the enlarged issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Maximum Scenario.

(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

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8.4 Earnings and EPS

As the Rights Issue is expected to be completed in the 1st quarter of 2019, the Rights Issue is not expected to have any effect on the eamings of our Group for the FYE 31 December 2018. However, the Rights Issue is expected to contribute positively to the future earnings of our Group in the ensuing financial years of our Group via utilisation of the proceeds as set out in Section 4 of this Abridged Prospectus.

The impact of the Rights Issue on the earnings and EPS of our Group is dependent on, amongst others, the actual number of Rights Shares to be issued pursuant to the Rights Issue and the potential benefits to be derived from the utilisation of proceeds raised from the Rights Issue.

Strictly on illustration purposes, the pro forma effects of the Rights Issue on our basic loss per share ("**LPS**"), based on the audited consolidated loss attributable to owners of our Company for the FYE 31 December 2017 of approximately RM168.85 million, are as follows:-

	FYE 31 December 2017	After Rights Issue	
		Minimum Scenario	Maximum Scenario
Net loss attributable to equity holders (RM' 000)	(168,853)	(169,653)(i)	(169,653)(i)
No. of Shares in issue ('000)	236,944	459,166(ii)	592,360(iii)
Basic LPS (sen)	(71.26)	(36.95)	(28.64)
Diluted LPS (sen)(iv)	(71.26)	(36.95)	(28.64)

Notes:-

(i) After deducting estimated expenses for the Rights Issue of approximately RM0.80 million.

(ii) Computed based on 222.22 million Rights Shares being issued under the Minimum Scenario.

(iii) Computed based on 355.42 million Rights Shares being issued under the Maximum Scenario.

(iv) The diluted LPS is the same as the basic LPS as our Company does not have any convertible securities.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into account the amount to be raised from the Rights Issue, the banking facilities available to our Group and the funds to be generated from our Group's operations, our Group will have sufficient working capital for a period of twelve (12) months from the date of this Abridged Prospectus.

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9.2 Borrowings and funding

As at the LPD, the total outstanding borrowings of our Group is approximately RM556.67 million (all of which are interest bearing), the details of which are set out below:-

	Total Amount (RM'000)
Non-current	
Secured : Term loans	170,097
Finance lease	29
Total Non-current	170,126
Current	
Unsecured: Revolving credits	345,000
Secured : Term loans	41,524
Finance lease	20
Total Current	386,544
Total Borrowings	**556,670**

Our Group does not have any non-interest bearing borrowings and we do not have any borrowings that are denominated in foreign currency.

Our Group has not defaulted on payments of either interest or principal sums in respect of any borrowings for the FYE 31 December 2017 and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save for the material litigation disclosed in Section 4 of Appendix VII, as at the LPD, our Board confirms that there are no other material contingent liabilities incurred or known to be incurred by the Naim Group, which upon becoming enforceable, may have a material impact on the profits or NA of Naim Group.

9.4 Material commitments

Save as disclosed below, our Board confirms that there are no other material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position of Naim Group.

As at the LPD, the capital commitments of our Group are as follows:-

	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:-	
- Contracted for but not provided for	27,700
	27,700

The capital commitments are expected to be funded through internally-generated funds and/or bank borrowings.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION

Full instructions for the acceptance of and payment for the Provisional Rights Shares as well as Excess Application and the procedures to be followed should you and/or your transferee(s) and/or your renouncee(s) (if applicable) wish to sell or transfer all or any part of your entitlement are set out in this Abridged Prospectus and the RSF. You and/or your transferee(s) and/or your renouncee(s) (if applicable) are advised to read this Abridged Prospectus, the RSF and the notes and instructions printed therein carefully. In accordance with the CMSA, the RSF must not be circulated unless accompanied by this Abridged Prospectus.

Acceptances and/or payments for the Provisional Rights Shares which do not conform strictly to the terms and conditions of this Abridged Prospectus, the RSF and the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of our Board.

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for under the terms and conditions of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares into your CDS Account and the RSF to enable you to subscribe for such Rights Shares that you have been provisionally allotted as well as to apply for the Excess Rights Shares if you choose to do so. This Abridged Prospectus and the RSF are also available at your stockbroker, our registered office, our Share Registrar or on Bursa Securities' website (www.bursamalaysia.com).

10.2 NPA

The Provisional Rights Shares are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your transferee(s) and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications for the Rights Shares.

10.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares allotted to you must be made on the RSF issued together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may be rejected at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement to the Provisional Rights Shares, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, to the following address:-

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

Or

Tricor Customer Service Centre
Unit G-3 , Ground Floor Vertical Podium
Avenue 3, Jalan Kerinchi
59200 Kuala Lumpur

Telephone No. : 03 2783 9299
Facsimile No. : 03 2783 9222

so as to arrive not later than 5.00 P.M. on 11 January 2019, being the Closing Date.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies of the RSF from your stockbroker, our registered office, our Share Registrar or on Bursa Securities' website (www.bursamalaysia.com).

Only one (1) RSF must be used for acceptance of the Provisional Rights Shares standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of Provisional Rights Shares standing to the credit of more than one (1) CDS Account. The Rights Shares accepted by you will be credited into the CDS Account(s) where the Provisional Rights Shares are standing to the credit.

The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share. However, you should take note that a trading board lot comprises 100 shares. Fractions of a Rights Share arising from the Rights Issue will be dealt with as our Board may at its absolute discretion deem fit, expedient and in the best interests of our Company.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia and made payable to "**NAIM RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name in block letters, contact number, address and your CDS Account number to be received by our Share Registrar by 5.00 p.m. on 11 January 2019. The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR THE APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Provisional Rights Shares allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on 11 January 2019, the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

Our Board will then have the right to allot any Rights Shares not taken up or not validly taken up to applicants applying for the Excess Rights Shares in the manner as set out in Section 10.6 of this Abridged Prospectus.

10.4 Procedures for part acceptance

If you do not wish to accept the Provisional Rights Shares allotted to you in full, you are entitled to accept part of your entitlement of the Provisional Rights Shares that can be subscribed for / accepted PROVIDED ALWAYS that the minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share (wherein you must hold at least one (1) Naim Shares as at the Entitlement Date in order to be entitled to one (1) Rights Share).

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares which you are accepting (in the stipulated proportions) and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the same manner as set out in Section 10.3 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.5 Procedures for sale or transfer of Provisional Rights Shares

As the Provisional Rights Shares are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker without first having to request us for a split of the Provisional Rights Shares standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement on the open market for the period up to the last date and time for sale of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository for the period up to the last date and time for transfer of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by completing Parts I(A) and II of the RSF. Please refer to Section 10.3 of this Abridged Prospectus for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

10.6 Procedures for the Excess Application

If you wish to apply for additional Rights Shares in excess of your entitlement, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a separate remittance made in RM for the full amount payable on the Excess Rights Shares applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on 11 January 2019, being the last time and date for Excess Application and payment.

Payment for the Excess Rights Shares applied for should be made in the same manner described in Section 10.3 of this Abridged Prospectus except that the banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia be made payable to "**NAIM EXCESS RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name in block letters, contact number, address and your CDS Account number to be received by our Share Registrar by 5.00 p.m. on 11 January 2019. The payment must be made for the exact amount payable for the Excess Rights Shares applied. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

It is the intention of our Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the following priority:-

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;

(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Application; and

(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) (if applicable) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Application.

In the event there is any remaining balance of the Excess Rights Shares applied for by the Entitled Shareholders and/or renouncee(s)/transferee(s) who have applied for the Excess Rights Shares after carrying out steps (i) to (iv) as set out above, steps (ii) to (iv) will be repeated again in the same sequence to allocate the remaining balance of the Excess Rights Shares to the Entitled Shareholders and/or renouncee(s)/ transferee(s) who have applied for the Excess Rights Shares until such balance is fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the RSF in such manner as our Board deems fit, expedient and in the best interests of our Company, subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in steps (i) to (iv) above are achieved. Our Board also reserves the rights at its absolute discretion to accept any Excess Application in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS APPLICATION OR THE APPLICATION MONIES IN RESPECT THEREOF. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

AN EXCESS APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS APPLICATION, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

10.7 Procedures to be followed by transferees and/or renouncees

As a transferee and/or renouncee, the procedures for acceptance, selling or transferring of Provisional Rights Shares, applying for the Excess Rights Shares and/or payment are the same as that which are applicable to the Entitled Shareholders as described in Sections 10.3 to 10.6 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from your stockbroker, our registered office, our Share Registrar or on Bursa Securities' website (www.bursamalaysia.com).

TRANSFEREES AND/OR RENOUNCEES (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.8 CDS Account

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, all dealings in the Rights Shares shall be subject to the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares. Failure to comply with these specific instructions or inaccuracy of the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares shall mean consent to receive such Rights Shares as deposited securities which will be credited directly into your CDS Account. No physical share certificates will be issued.

All Excess Rights Shares allotted shall be credited directly into the CDS Accounts of successful applicants.

If you have multiple CDS Accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF for subscription of all these Provisional Rights Shares. Separate RSFs must be used for separate CDS Accounts. If successful, the Rights Shares that you subscribe for will be credited into the CDS Accounts where the Provisional Rights Shares are standing to the credit.

10.9 Foreign Addressed Shareholders

The Documents have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of the Documents, as well as the acceptance of the Provisional Rights Shares and the subscription for or the acquisition of the Rights Shares may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdiction under the relevant laws of those countries or jurisdictions.

The Documents are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue will not be made or offered or deemed made or offered for subscription of any Rights Shares, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this Abridged Prospectus relates is only available to the Entitled Shareholders receiving the Documents or otherwise within Malaysia.

As a result, the Documents have not been (and will not be) sent to our Foreign Addressed Shareholders. However, Foreign Addressed Shareholders may collect the Documents from our Share Registrar at 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 who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

If you are a Foreign Addressed Shareholder, our Company will not make or be bound to make any enquiry as to whether you have an address or an address for service in Malaysia if not otherwise stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) may only accept or renounce all or any part of their entitlements and exercise any other rights in respect of the Rights Issue to the extent that it would be lawful to do so, and our Company, our Board and officers, AmInvestment Bank and/or other advisers named herein ("**Parties**") would not, in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or might be subject to. The Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) shall be solely responsible to seek advice from their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his entitlement under the Rights Issue would result in the contravention of the laws of the countries or jurisdictions to which he is or might be subject to.

The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of their entitlements or to any net proceeds thereof.

Our Company reserves the right, in our discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Rights Shares relating to any acceptance which is treated as invalid will be included in the pool of the Excess Rights Shares available for excess application by other Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable).

Each person, by accepting the delivery of the Documents, accepting any Provisional Rights Shares by signing any of the forms accompanying this Abridged Prospectus or subscribing for or acquiring the Rights Shares will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:-

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or might be subject to;

(ii) the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) has complied with the laws to which the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or might be subject to in connection with the acceptance or renunciation;

(iii) the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Rights Shares, be in breach of the laws of any jurisdiction to which that person is or might be subject to;

(iv) the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) has obtained a copy of this Abridged Prospectus and has had access to such financial and other information and has been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) deem necessary in connection with the Foreign Addressed Shareholder and/or his transferee and/or his renouncee's (if applicable) decision to subscribe for or purchase the Rights Shares; and

(vi) the Foreign Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN ADDRESSED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

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11. TERMS AND CONDITIONS

The issue of the Rights Shares under the Rights Issue is governed by the terms and conditions set out in the Documents.

12. FURTHER INFORMATION

Please refer to the attached Appendices for further information.

Yours faithfully
For and on behalf of the Board of
NAIM HOLDINGS BERHAD

TAN CHUAN DYI
Independent Non-Executive Director

APPENDIX I CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS IN RESPECT OF THE RIGHTS ISSUE AND EXEMPTION PASSED AT OUR EGM HELD ON 13 NOVEMBER 2018

NAIM HOLDINGS BERHAD

(585467-M)

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING HELD ON 13 NOVEMBER 2018

"ORDINARY RESOLUTION 1
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 355,416,000 NEW ORDINARY SHARES IN NAIM ("RIGHTS SHARES") AT THE ISSUE PRICE OF RM0.45 PER RIGHTS SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE")

It was resolved as follows:-

THAT subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities or parties being obtained, where required, approval be and is hereby given to the Board of Directors of Naim ("Board") for the following:-

(a) to provisionally allot and issue by way of a renounceable rights issue of up to 355,416,000 Rights Shares on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held by the shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, at an issue price of RM0.45 per Rights Share;
(b) to issue such Rights Shares as may be required to give effect to the Proposed Rights Issue, including any persons entitled on renunciation of the provisional allotments; and
(c) to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the Rights Shares;

That any Rights Shares which are not taken up shall be made available for excess applications to the entitled shareholders and/or their renouncee(s) who have applied for the excess Rights Shares, and are intended to be allocated on a fair and equitable basis;

That any fractional entitlements of the Rights Shares arising from the Proposed Rights Issue, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient, and to be in the best interest of the Company;

That the proceeds of the Proposed Rights be utilised as set out in the circular to shareholders of the Company dated 29 October 2018, and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to (where required) the approval of the relevant authorities;

That the Rights Shares will, upon allotment and issuance, rank pari passu in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

NAIM HOLDINGS BERHAD

(585467-M)

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING HELD ON 13 NOVEMBER 2018

That the Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/or undertakings with any party or parties, do all things and acts as may be required to give effect to the Proposed Rights Issue with full powers to assent to any conditions, variations, modifications and/or amendments including to vary the manner and/or the purpose of the utilisation of proceeds arising from the Proposed Rights Issue, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Rights Issue in the best interest of the Company.

And that this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Rights Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue.

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI ("DATUK AMAR"), DATUK HASMI BIN HASNAN ("DATUK HASMI") AND PERSONS ACTING IN CONCERT WITH THEM ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR ALL THE REMAINING ORDINARY SHARES IN NAIM ("NAIM SHARES" OR "SHARES") NOT ALREADY HELD BY THEM UPON COMPLETION OF THE PROPOSED RIGHTS ISSUE ("PROPOSED EXEMPTION")

It was resolved as follows:-

That subject to and conditional upon the passing of Ordinary Resolution 1 and the approvals of all relevant regulatory authorities being obtained, where required, including but not limited to such conditions as may be imposed by the Securities Commission Malaysia ("SC") and any other relevant authorities, approval be and is hereby given for exemptions to be granted to Datuk Amar, Datuk Hasmi and their PACs, namely Island Harvests Sdn. Bhd., Tapak Beringin Sdn. Bhd., Hasmi & Associates Management Sdn. Bhd., Lambaian Kukuh Sdn. Bhd., Lembah Rakyat Sdn. Bhd., Jamiah Bt Hasenan @ Hasnah Bt Hasnan and Abd Jalal Bin Abd Rahim, by the Securities Commission ("SC") pursuant to Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions from the obligation to undertake a mandatory take-over offer to acquire all the remaining Naim shares not already held by them which may arise pursuant to the Proposed Rights Issue;

NAIM HOLDINGS BERHAD

(585467-M)

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING HELD ON 13 NOVEMBER 2018

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And that the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give full effect to the Proposed Exemption with full power to assent to, reject and/or appeal against any conditions, stipulations, modifications, variations or amendments imposed by the relevant regulatory authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deemed fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Exemption."

....	....
Dato Ir. Abang Jemat Bin Abang Bujang	Bong Siu Lian
Director	MAICSA 7002221
	Company Secretary

Dated this 30th day of November 2018

1. HISTORY OF THE BUSINESS AND PRINCIPAL ACTIVITIES

Naim was incorporated in Malaysia (under the Companies Act 1965 and deemed registered under the Act) on 5 July 2002, as a public company under the name Naim Cendera Holdings Berhad. Naim was listed on the Main Board of Bursa Securities on 12 September 2003. Our company's name was then changed to Naim Holdings Berhad on 13 March 2009.

Naim is an investment holding company with two of our main subsidiaries, Naim Land Sdn Bhd and Naim Engineering Sdn Bhd, as a fully-integrated property and construction player focusing on integrated property developments, construction and civil engineering (including oil and gas infrastructure projects).

Further details of the principal activities of our subsidiaries and associates are disclosed in Section 5 of this Appendix.

2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL

As at the LPD, our Company's issued share capital is RM336,092,130 (which includes share premium account transferred thereto pursuant to the Act) and the total shares in issue comprise 250,000,000 Naim Shares (including 13,056,000 Treasury Shares).

Save for the transfer from share premium in accordance with Section 618(2) of the Act, there is no movement in our Company's issued share capital for the last three (3) years and up to the LPD.

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3. SUBSTANTIAL SHAREHOLDERS

The pro forma effects of the Right Issue on the shareholdings of the substantial shareholders of Naim are as follows:-

(i) Minimum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%[1]	No. of Naim Shares	%[1]	No. of Naim Shares	%[2]	No. of Naim Shares	%[2]
Datuk Amar	9,736,600	4.11	27,967,700[3]	11.80	32,553,427	7.09	93,507,433[3]	20.37
Datuk Hasmi	16,668,850	7.03	40,455,500[4]	17.07	55,730,768	12.14	135,259,244[4]	29.46
Island Harvests	30,619,600	12.92	-	-	102,373,817	22.30	-	-
Tapak Beringin	27,406,900	11.57	-	-	91,632,450	19.96	-	-
Lembaga Tabung Haji	24,827,200	10.48	-	-	24,827,200	5.41	-	-

Notes:-

(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(2) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Minimum Scenario.

(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

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(ii) Maximum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%(1)	No. of Naim Shares	%(1)	No. of Naim Shares	%(2)	No. of Naim Shares	%(2)
Datuk Amar	9,736,600	4.11	27,967,700(3)	11.80	24,341,500	4.11	69,919,250(3)	11.80
Datuk Hasmi	16,668,850	7.03	40,455,500(4)	17.07	41,672,125	7.03	101,138,750(4)	17.07
Island Harvests	30,619,600	12.92	-	-	76,549,000	12.92	-	-
Tapak Beringin	27,406,900	11.57	-	-	68,517,250	11.57	-	-
Lembaga Tabung Haji	24,827,200	10.48	-	-	62,068,000	10.48	-	-

Notes:-

(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(2) Based on the enlarged issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Maximum Scenario.

(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

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4. BOARD OF DIRECTORS

4.1 Details of our Directors

The particulars of our Board as at the LPD are as follows:

Name (Designation)	Age	Address	Nationality	Profession
Datuk Amar Abdul Hamed Bin Haji Sepawi *(Chairman)*	69	9, Luak Bay, 98000 Miri, Sarawak	Malaysian	Businessman
Datuk Hasmi Bin Hasnan *(Managing Director)*	65	Lot 5747, Block 10, Desa Pujut, Bandar Baru Permyjaya, 98000 Miri, Sarawak	Malaysian	Businessman
Wong Ping Eng *(Deputy Managing Director)*	45	No. 17, Taman Hui Sing 5A3, Jalan Sherif Masahor, 93350 Kuching, Sarawak	Malaysian	Company Director
Dato Ir. Abang Jemat Bin Abang Bujang *(Independent Non-Executive Director)*	65	No. 357, Taman Wunmas, Lorong Merak, 4 km Jalan Matang, 93050 Kuching, Sarawak	Malaysian	Company Director
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli *(Independent Non-Executive Director)*	66	B702, Puteri Palma Condo, IOI Resort, 62502 Putrajaya, Wilayah Persekutuan Putrajaya	Malaysian	Company Director
Datin Mary Sa'diah Binti Zainuddin *(Independent Non-Executive Director)*	62	No. 3A, Lot 3510, Jalan Bako, Petra Jaya, 93050 Kuching, Sarawak	Malaysian	Company Director

Name (Designation)	Age	Address	Nationality	Profession
Tan Chuan Dyi *(Independent Non-Executive Director)*	47	17, Jalan Tasik 7, Lake Fields, Taman Tasik Damai, 57000 Sungai Besi, W.P. Kuala Lumpur	Malaysian	Company Director
Sulaihah Binti Maimunni *(Independent Non-Executive Director)*	61	No. 2A, Jalan Kenyalang 11/15B, D' Villa Equestrian, Kota Damansara, 47810 Petaling Jaya, Selangor	Malaysian	Company Director
Chin Chee Kong *(Non-Independent Non-Executive Director)*	61	111 Lorong 4, Jalan Arang, 93250 Kuching, Sarawak	Malaysian	Company Director

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4.2 Director's shareholdings

The pro forma effects of the Right Issue on the shareholdings of the Director's shareholdings of Naim are as follows:-

(i) Minimum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%(1)	No. of Naim Shares	%(1)	No. of Naim Shares	%(2)	No. of Naim Shares	%(2)
Datuk Amar	9,736,600	4.11	27,967,700(3)	11.80	32,553,427	7.09	93,507,433(3)	20.37
Datuk Hasmi	16,668,850	7.03	40,455,500(4)	17.07	55,730,768	12.14	135,259,244(4)	29.46
WPE	5,000	0.002	-	-	12,500	0.002	-	-
Dato Ir. Abang Jemat Bin Abang Bujang	-	-	-	-	-	-	-	-
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli	-	-	-	-	-	-	-	-
Datin Mary Sa'diah Binti Zainuddin	-	-	-	-	-	-	-	-
Tan Chuan Dyi	-	-	-	-	-	-	-	-
Sulaihah Binti Maimunni	-	-	-	-	-	-	-	-
Chin Chee Kong	-	-	-	-	-	-	-	-

Notes:-

(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).

(2) Based on the enlarged issued share capital of Naim amounting to 459,166,222 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Minimum Scenario.

(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.

(ii) Maximum Scenario

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Naim Shares	%(1)	No. of Naim Shares	%(1)	No. of Naim Shares	%(2)	No. of Naim Shares	%(2)
Datuk Amar	9,736,600	4.11	27,967,700(3)	11.80	24,341,500	4.11	69,919,250(3)	11.80
Datuk Hasmi	16,668,850	7.03	40,455,500(4)	17.07	41,672,125	7.03	101,138,750(4)	17.07
WPE	5,000	0.002	-	-	5,000	(5)	-	-
Dato Ir. Abang Jemat Bin Abang Bujang	-	-	-	-	-	-	-	-
Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli	-	-	-	-	-	-	-	-
Datin Mary Sa'diah Binti Zainuddin	-	-	-	-	-	-	-	-
Tan Chuan Dyi	-	-	-	-	-	-	-	-
Sulaihah Binti Maimunni	-	-	-	-	-	-	-	-
Chin Chee Kong	-	-	-	-	-	-	-	-

Notes:-
(1) Based on the total issued share capital of Naim as at the LPD amounting to 236,944,000 Naim Shares (excluding Treasury Shares).
(2) Based on the enlarged issued share capital of Naim amounting to 592,360,000 Naim Shares (excluding Treasury Shares) after the Rights Issue under the Maximum Scenario.
(3) Deemed interested by virtue of his interest in Lembah Rakyat and Tapak Beringin pursuant to Section 8 of the Act.
(4) Deemed interested by virtue of his interest in Island Harvests, Hasmi & Associates and Lambaian Kukuh pursuant to Section 8 of the Act.
(5) Negligible.

5. SUBSIDIARIES AND ASSOCIATES

As at the LPD, our subsidiaries and associates are as follows:

(i) Subsidiaries

Company	Date of Incorporation	Place of Incorporation	Effective Equity Interest %	Issued Share Capital	Principal Activities
Direct Subsidiaries:					
Naim Land Sdn Bhd ("**NLSB**")	12 April 1993	Malaysia	100	RM80,000,000	Property developer and civil and building contractor
NESB	20 February 1997	Malaysia	100	RM50,050,000*	Civil, building and earthwork contractor
Naim Assets Sdn Bhd ("**NASB**")	4 October 2001	Malaysia	100	RM10,000,000	Investment holding
Subsidiaries of NLSB:					
Desa Ilmu Sdn Bhd	16 December 1996	Malaysia	60	RM10,000,000	Property developer
Peranan Makmur Sdn Bhd ("**PMSB**")	11 October 2006	Malaysia	100	RM10,000,000	Property developer
Khidmat Mantap Sdn Bhd	8 March 2000	Malaysia	100	RM5,000,000	Property developer
Naim Realty Sdn Bhd	16 September 1995	Malaysia	100	RM15,000,000	Property investment
Naim Supply & Logistic Sdn Bhd	29 September 1995	Malaysia	100	RM5,000,000	Trading of construction materials
Naim Commercial Sdn Bhd	15 September 1995	Malaysia	100	RM2	Property developer

Company	Date of Incorporation	Place of Incorporation	Effective Equity Interest %	Issued Share Capital	Principal Activities
Naim Cendera Lapan Sdn Bhd	13 June 2000	Malaysia	100	RM750,000	Quarry licensee and operator
Vista Megalink Sdn Bhd	8 September 2014	Malaysia	100	RM1,000,000	Provision of management services
Simbol Warisan Sdn Bhd	11 October 2006	Malaysia	75	RM10,000	Quarry licensee
Jelas Kemuncak Resources Sdn Bhd	8 September 2006	Malaysia	70	RM1,000,000	Quarry operator
Yakin Pelita Sdn Bhd	26 May 1999	Malaysia	100	RM2	Property investment
Naim Cendera Tujuh Sdn Bhd	13 June 2000	Malaysia	100	RM2	Property investment
Dataran Wangsa Sdn Bhd	10 July 2000	Malaysia	100	RM2	Property developer
Yakin Jelas Sdn Bhd	31 July 2002	Malaysia	100	RM2	Property investment
Pavilion Quest Sdn Bhd	19 August 2013	Malaysia	100	RM2	Property investment
Solid Greenland Sdn Bhd	8 September 2014	Malaysia	100	Rm2	Property investment
Naim Ready Mix Sdn Bhd	30 August 2004	Malaysia	100	RM500,000	Sale of ready mix piles
TR Green Sdn Bhd	12 March 1997	Malaysia	100	RM50,000	Dormant
Naim Utilities Sdn Bhd	21 June 2004	Malaysia	100	RM2	Dormant
Naim Incorporated Berhad	17 May 2002	Malaysia	100	RM2	Dormant
Naim Academy Sdn Bhd	8 February 2007	Malaysia	100	RM200,000	Dormant

Company	Date of Incorporation	Place of Incorporation	Effective Equity Interest %	Issued Share Capital	Principal Activities
Naim Oil & Gas Sdn. Bhd .	15 November 2006	Malaysia	100	RM2	Dormant
Permyjaya Sino Education Sdn Bhd	16 November 2010	Malaysia	100	RM2	Dormant
Kuching Paragon Sdn Bhd	14 September 1995	Malaysia	100	RM1,000	Dormant
Miri Paragon Sdn Bhd	6 May 2004	Malaysia	100	RM1,000	Dormant
Bina Hartamas Sdn Bhd	7 April 2014	Malaysia	100	RM1,000,000	Dormant
Lotus Paradigm Sdn Bhd	15 August 2012	Malaysia	70	RM100	Dormant
Subsidiaries of NESB:					
Naim Premix Sdn Bhd	2 March 2007	Malaysia	100	RM3,000,000	Dormant. Previously involved in the manufacture and sale of asphalt
Naim Recruitment & Agency Sdn Bhd	2 July 2013	Malaysia	100	RM2	Dormant
Naim Binaan Sdn Bhd	16 May 2007	Malaysia	100	RM10,000,000	Dormant. Previously engaged as civil contractor as well as sale of reinforced concrete pile
Naim Capital Sdn Bhd ("**NCSB**")	14 September 1995	Malaysia	100	RM2	Investment holding
Naim Overseas Sdn Bhd ("**NOSB**")	20 November 2006	Malaysia	100	RM2	Investment holding
NAIM GAMUDA (NAGA) JV SDN BHD	20 July 2016	Malaysia	70	RM10,000,000	Civil contractor
Unique Composite Sdn Bhd	12 September 2012	Malaysia	80	RM500,000	Dormant. Previously involved in manufacture and sale of asphalt

APPENDIX II INFORMATION ON OUR COMPANY *(CONT'D)*

Company	Date of Incorporation	Place of Incorporation	Effective Equity Interest %	Issued Share Capital	Principal Activities
Naim Equipment Sdn Bhd	6 August 2003	Malaysia	100	RM200,000	Dormant
Subsidiaries of NASB:					
Naim Property Services Sdn. Bhd	25 March 2013	Malaysia	100	RM2	Provision of property management services
Naim Hotel Sdn. Bhd	1 December 2014	Malaysia	100	RM10,000,000	Hotel operations
Bintulu Paragon Sdn Bhd	8 June 2012	Malaysia	100	RM2	Dormant
Subsidiaries of NCSB:					
Naim Capital Port Sdn Bhd	2 May 2012	Malaysia	100	RM1,000,000	Civil contractor
Naim Capital Housing Sdn Bhd	30 April 2012	Malaysia	100	RM750,000	Civil contractor
Subsidiary of PMSB:					
Harmony Faber Sdn Bhd	27 June 2012	Malaysia	100	RM10,000,000	Property investment
Subsidiaries of NOSB:					
Naim Engineering Construction (Fiji) Limited	25 November 2008	Fiji	99.9	F$1,000,000	Dormant
Naim Quarry (Fiji) Limited	25 November 2008	Fiji	99.9	F$1,000,000	Dormant
Naim Premix (Fiji) Limited	25 November 2008	Fiji	99.9	F$1,000,000	Dormant

Note:

* The issued share capital of NESB comprises of RM50,000,000 ordinary shares and RM50,000 preference shares.

(ii) **Associates**

Company	**Date of Incorporation**	**Place of Incorporation**	**Effective Equity Interest** %	**Issued Share Capital** RM	**Principal Activities**
Associates:					
DEHB	10 October 2005	Malaysia	26.4	672,988,001	Investment holding company and its group business activities are mainly in the provision of offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning works, chartering of marine vessels and equipment.
Samalaju Properties Sdn Bhd ("**Samalaju**")	9 November 2006	Malaysia	39	9,820,000 #	Provision and management of temporary accommodation, property and township development
Kempas Sentosa Sdn Bhd	19 April 1993	Malaysia	40	6,226,000	Civil engineering and related sub-contracting works
Miri Specialist Hospital Sdn Bhd	29 September 2010	Malaysia	30	19,666,677	Has not commenced its operations. The intended principal activities is to provide specialist medical services.
GAMUDA NAIM ENGINEERING AND CONSTRUCTION (GNEC) SDN BHD	15 July 2016	Malaysia	35	1,000,000	Civil engineering and building construction
PPB	16 August 1988	Malaysia	25.9(1)	411,219,331	Investment holding company and its group business activities are mainly involved in the provision of marine support services for the oil & gas industry

Notes:-

\# The issued share capital of Samalaju comprises of RM1,000,000 ordinary shares and RM8,820,000 preference shares.

1. Comprised direct shareholdings of 9.9% and indirect shareholdings via DEHB of 16.0%.

6. PROFIT AND DIVIDEND RECORD

The following table summarises the relevant financial information based on our audited consolidated financial statements for the FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 and our unaudited consolidated financial statements for the FPE 30 September 2017 and FPE 30 September 2018.

	< - Audited FYE 31 December - >			Unaudited FPE 30 September 2017 (Restated)	Unaudited FPE 30 September 2018
	2015	2016	2017		
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	594,367	428,030	365,203	260,950	438,949
Cost of sales	(550,447)	(396,097)	(451,213)	(352,229)	(384,642)
Gross profit/(loss)	**43,920**	**31,933**	**(86,010)**	**(91,279)**	**54,307**
Other operating income	16,228	18,619	48,583	47,992	3,713
Selling and promotional expenses	(14,122)	(9,500)	(8,925)	(6,241)	(5,774)
Administrative expenses	(42,424)	(34,503)	(28,791)	(21,262)	(16,542)
Other expenses	-	(3,013)	(5,292)	(2,605)	(3,021)
Results from operating activities	3,602	3,536	(80,435)	(73,395)	(32,683)
Finance income	8,236	9,377	8,902	6,916	6,209
Finance costs	(19,393)	(26,071)	(27,511)	(19,874)	(22,191)
Net finance costs	(11,157)	(16,694)	(18,609)	(12,958)	(15,982)
Other non-operating expense	-	-	(8,321)	(8,321)	-
Share of results (net of tax) of equity-accounted:					
- associates	50,269	15,946	(42,053)	(24,477)	13,067
- joint ventures	1,469	738	2,289	1,057	1,360
Profit/(Loss) before tax	**44,183**	**3,526**	**(147,129)**	**(118,094)**	**31,128**
Tax expense	(8,914)	(1,819)	(20,826)	(12,291)	(6,623)
Profit/(Loss) for the year/period	**35,269**	**1,707**	**(167,955)**	**(130,385)**	**24,505**
Profit/(Loss) attributable to:					
Owners of the Company	34,328	717	(168,853)	(130,949)	23,398
Non-controlling interests	941	990	898	564	1,107
Profit/(Loss) for the year/period	35,269	1,707	(167,955)	(130,385)	24,505
Earnings before interest, tax, depreciation and amortisation	64,822	30,308	(118,584)	(97,436)	55,606
Basic earnings/(loss) per ordinary share (sen)	14.49	0.30	(71.26)	(55.27)	9.87

	< - Audited FYE 31 December - >			Unaudited FPE 30 September 2017 (Restated)	Unaudited FPE 30 September 2018
	2015	**2016**	**2017**		
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Diluted earnings/(loss) per ordinary share (sen)[(3)]	14.49	0.30	(71.26)	(55.27)	9.87
Gross profit margin (%)[(1)]	7.39	7.46	(23.55)	(34.98)	12.37
PAT/(LAT) margin (%)[(2)]	5.93	0.40	(45.99)	(49.97)	5.58

Notes:-

(1) Computed based on gross profit/(loss) over revenue.

(2) Computed based on PAT/(LAT) over revenue.

(3) The diluted earnings/(loss) per ordinary share are the same as the basic earnings/(loss) per ordinary share as our Company did not have any convertible securities during the financial years/periods under review.

Commentary on financial performance

(i) FYE 31 December 2015

For the FYE 31 December 2015, our Group recorded revenue of RM594.37 million, representing a decrease of RM62.11 million or approximately 9.46% from RM656.48 million recorded for the preceding FYE 31 December 2014. The decline in revenue was mainly attributable to the decrease in revenue contribution from our property development division of approximately RM90.78 million, which was mainly due to lesser new sales/launches during the year in view of the economic slowdown and soft property market.

Nonetheless, the revenue for the construction segment had increased approximately RM45.35 million during the year mainly due to increase in our work progress of the mass rapid transit ("**MRT**") station projects, being one of the main contributor for the construction segment during the year.

Our Group's PAT of RM35.27 million recorded for the FYE 31 December 2015 decreased by RM185.35 million or 84.01% as compared to the PAT recorded in the preceding year. The drop was mainly due to lower property sales and decrease in work progress from the projects that had substantially completed during the year 2015. Also, higher PAT of RM220.62 million recorded in the preceding year was mainly due to a non-recurring gain on disposal of RM96.71 million arising from the disposal of approximately 2.74% equity interest in DEHB as well as a one-off gain of RM25.49 million arising from the land exchange for future development.

(ii) FYE 31 December 2016

For the FYE 31 December 2016, the Group recorded a lower revenue of RM428.03 million, representing a decrease of RM166.34 million or approximately 28.00% from RM594.37 million recorded in the FYE 31 December 2015. The PAT had also accordingly decreased from RM35.27 million in FYE 31 December 2015 to RM1.71 million in FYE 31 December 2016.

The decrease in the Group's revenue and profit during the year was mainly due to:-

i. lower revenue contribution from the construction division, partly arising from the downwards adjustment in contract sum of certain projects as well as decrease in work progress achieved in view of certain construction projects had been completed during the year. Delay in the commencement of new construction projects secured during the year also led to lower contributions to group revenue and profit; and

ii. decrease in the share of profits from the associate, namely DEHB from RM51.13 million in FYE 31 December 2015 to RM16.10 million in FYE 31 December 2016 due to higher finance costs, one off break fund costs arising from early loan settlements and losses reported by the then newly acquired subsidiary, PPB.

The property segment's revenue for the year had also declined by approximately 4.60% during the year but its profit increased by approximately 30.79%. This was attributable to the improved works progress of development projects as well as the changes in product mix sold, which contributed to higher profit margin.

(iii) FYE 31 December 2017

Our Group recorded revenue of RM365.20 million for the FYE 31 December 2017 representing a decrease of approximately RM62.83 million or 14.68% as compared with RM428.03 million for the FYE 31 December 2016. The decrease in group revenue was mainly attributable to lower revenue recorded by its property and construction divisions due to lower work progress achieved from the existing ongoing property development projects as well some downwards adjustments in contract sum for certain completed construction projects.

Our Group reported a LAT of RM167.96 million for the FYE 31 December 2017 as compared with a PAT of RM1.71 million for the previous financial year. The loss recorded during the year mainly arise from:-

(i) loss of approximately RM121.0 million mainly from the MRT station projects which were complex projects with a steep learning curve for our Group. One of the contributing factors to the significant loss in the projects was due to the eventual revenue recognised being much lower than initially projected because of the final re-measurement adjustments.

    In addition, the delay in site possession, significant volume of work variations and site instructions by the client as well as substantial shortening/compressing of construction periods by approximately 25% had also led to additional prolongation and acceleration costs incurred to complete the projects, which consequently contributed to the loss recorded by our Group during the year.

(ii) significant deterioration in the share of results of our associate, DEHB, where it registered a LAT of approximately RM153.18 million in the FYE 31 December 2017 as compared to a PAT of approximately RM53.98 million recorded in the FYE 31 December 2016. The LAT was mainly due to impairment loss on property, plant and equipment, foreign exchange losses and lower charter rates achieved.

(iii) an accounting losses of approximately RM8.32 million from the dilution in equity interest in DEHB following a private placement exercise by DEHB during the year, as the dilution in equity interest was accounted for as a deemed disposal.

(iv) lower profit contributions from our property division, resulted from the lower development progress achieved as well as some discounts/rebates given for certain completed development projects as part of our Group's initiatives to clear off property stocks. Increased financing costs had also led to the drop in the overall property division's profit.

(iv) FPE 30 September 2018

For the nine (9)-month FPE 30 September 2018, our Group had recorded revenue of RM438.95 million representing an increase of approximately RM178.00 million or 68.21% as compared to RM260.95 million reported in the corresponding period of 2017. The increase was contributed by the property and construction divisions, which recorded a 77.61% increase in their revenue when compared against that achieved in the corresponding period of 2017, due to increased work progress from the existing on-going projects as well as new property sales, particularly from our BBP and Kuching Paragon projects.

Our Group performance showed an improvement, from a LAT of RM130.39 million reported in FPE 30 September 2017 to a PAT of approximately RM24.51 million in FPE 30 September 2018. The property and construction divisions reported a combined segmental profit of RM27.68 million during the FPE 30 September 2018, against a loss of RM76.18 million registered in the corresponding period of 2017 due to the increase in work progress achieved as well as higher new property sales secured during the period.

At the same time, our Group's share of the results in DEHB and its subsidiary, PPB had also improved, from a LAT of RM25.0 million in FPE 30 September 2017 to a PAT of RM11.96 million in the FPE 30 September 2018 mainly due to higher maintenance work orders performed during the period under review.

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7. SHARE PRICES

The monthly highest and lowest closing market price of Naim Shares traded on the Main Market of Bursa Securities for the past twelve (12) months preceding the date of this Abridged Prospectus are set out as below:-

Month	High RM	Low RM
2017		
December	1.420	1.020
2018		
January	1.280	1.030
February	1.080	0.990
March	1.070	0.960
April	1.040	0.930
May	0.950	0.610
June	0.720	0.605
July	0.780	0.605
August	0.740	0.665
September	0.655	0.515
October	0.565	0.430
November	0.520	0.435
Last transacted market price on 29 August 2018 (being the last Market Day prior to the announcement of the Proposals)	0.690	0.685
Last transacted market price as at the LPD		0.48
Last transacted market price on 19 December 2018 (being the last transacted Market Day prior to the ex-date for the Rights Issue)		0.44

(Source: Bloomberg)

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KPMG

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The Board of Directors
Naim Holdings Berhad
9th Floor, Wisma Naim
2 ½ Miles, Rock Road
93200 Kuching
Sarawak

Date: 11 December 2018

Dear Sirs

Naim Holdings Berhad ("Naim" or the "Company")

Report on the compilation of the pro forma consolidated statement of financial position for inclusion in the Abridged Prospectus to shareholders of Naim (the "Abridged Prospectus") in connection with the renounceable rights issue of up to 355,416,000 new ordinary shares in Naim ("Rights Shares") at the issue price of RM0.45 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing ordinary shares in Naim ("Naim Shares") held by the entitled shareholders as at 5.00 P.M. on 24 December 2018 ("Rights Issue")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Naim Holdings Berhad and its subsidiaries ("Naim Group") as at 31 December 2017 prepared by the management of the Company (the "Management"). The pro forma consolidated statement of financial position and the related notes as set out in Attachment A have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of Naim (the "Board") has compiled the pro forma consolidated statement of financial position are described in Note 3 and Note 4 in Attachment A.

The pro forma consolidated statement of financial position have been compiled by the Board for inclusion in the Abridged Prospectus to solely illustrate the impact of the Rights Issue on Naim Group's consolidated statement of financial position as at 31 December 2017. As part of this process, information about the Naim Group's financial position has been extracted by the Board for the year ended 31 December 2017, on which an audit report has been published.

Board's Responsibilities for the Pro Forma Consolidated Statement of Financial Position

The Board is responsible for compiling the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 in Attachment A.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the Malaysian Institute of Accountants, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statement of financial position have been compiled, in all material respects, by the Board on the basis described in Note 3 and Note 4 in Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board have compiled, in all material respects, the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 in Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Abridged Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of Naim Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

Reporting Accountants' Responsibilities (continued)

- The related pro forma adjustments give appropriate effects to those criteria; and
- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Naim Group, the event or transaction in respect of which the pro forma consolidated statement of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statement of financial position have been compiled, in all material respects, on the basis stated in Note 3 and Note 4 in Attachment A.

Other Matters

Our report on the pro forma consolidated statement of financial position have been prepared for inclusion in the Abridged Prospectus in connection with the Rights Issue and should not be relied upon for any other purposes.

Yours faithfully,

KPMG

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

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

Attachment A

Naim Holdings Berhad

Pro Forma Consolidated Statement of Financial Position and the notes thereon

1. Introduction

The pro forma consolidated statement of financial position of Naim Holdings Berhad ("Naim" or the "Company") have been prepared for inclusion in the Company's Abridged Prospectus to shareholders (the "Abridged Prospectus") in connection with the renounceable rights issue of up to 355,416,000 new ordinary shares in Naim ("Rights Shares") at the issue price of RM0.45 per Rights Shares on the basis of three (3) Rights Shares for every two (2) existing ordinary shares in Naim ("Naim Shares") held by the entitled shareholders as at 5.00 P.M. on 24 December 2018 ("Entitlement Date") ("Rights Issue").

2. Details of the Rights Issue

2.1 Rights Issue

The Rights Issue entails an issuance of up to 355,416,000 Rights Shares at an issue price of RM0.45 per Rights Share ("Issue Price"), on the basis of three (3) Rights Shares for every two (2) existing Naim Shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company ("Entitled Shareholders") on the Entitlement Date.

As at 30 November 2018, being the latest practicable date prior to the printing of the Abridged Prospectus ("LPD"), the issued share capital of the Company is RM336,092,130 comprising 250,000,000 Naim Shares (including 13,056,000 treasury shares ("Treasury Shares")).

For the avoidance of doubt, the Treasury Shares will have no participation rights to participate in the Rights Issue. In this regard, the Company has undertaken via an undertaking dated 30 August 2018 that it will not dispose any of the Treasury Shares or carry out any further buy-back of Naim Shares at any time prior to the completion of the Rights Issue.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

Any unsubscribed Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s)/transferee(s) prior to the closing date ("Excess Rights Shares") in excess of the Rights Shares provisionally allotted to the Entitled Shareholders and/or their renounce(s)/transferee(s) ("Provisional Rights Shares") will be made available to the other Entitled Shareholders and/or their transferee(s)/renouncee(s) ("Excess Application") and to such other persons as the Board of Directors of Naim (the "Board") shall determine.

The Board reserves the right to allot any Excess Rights Shares applied in such manner as the Board deems fit and expedient in the best interests of the Company. The Board also reserves the rights at its absolute discretion to accept any Excess Application, in full or in part, without assigning any reason.

Fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board in its absolute discretion deems fit or expedient or in the best interests of our Company.

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

2. Details of the Rights Issue (continued)

2.1 Rights Issue (continued)

The Rights Shares will, upon allotment and issuance, rank *pari-passu* in all respects with the existing Naim Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

2.2 Basis of determining the Issue Price

The issue price of RM0.45 per Rights Share was determined by the Board after taking into consideration, amongst others, the following:

(i) the prevailing market conditions and current and historical market price of Naim Shares; and

(ii) the resultant theoretical ex-rights price of Naim Shares ("TERP") of RM0.55 computed based on the five (5)-day volume weighted average price ("VWAP") of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Rights Issue of RM0.6876, whereby the Issue Price represents a discount of 18.18% to the TERP.

The Issue Price's discount to the TERP is computed based on the 1-month, 3-months, 6-months and 12-months VWAP of Naim Shares up to 27 August 2018, being the latest practicable date prior to the announcement of the Rights Issue:

Up to 27 August 2018	VWAP (RM)	TERP (RM)	Discount	
			RM	%
1-month	0.6906	0.55	0.10	18.18
3-months	0.6725	0.54	0.09	16.67
6-months	0.7283	0.56	0.11	19.64
12-months	0.9522	0.65	0.20	30.77

The issue price of RM0.45 represents a discount of 4.26% to the TERP of 0.47, computed based on the 5-day VWAP of Naim Shares up to the LPD of RM0.4930.

2.3 Undertakings and underwriting arrangement

Minimum Scenario

It is the intention of the Company to undertake the Rights Issue on a minimum subscription level basis where the Rights Issue would entail a minimum issuance of up to 222,222,222 Rights Shares to raise gross proceeds of approximately RM100.0 million ("Minimum Subscription Level").

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2. Details of the Rights Issue (continued)

2.3 Undertakings and underwriting arrangement (continued)

Minimum Scenario (continued)

In order to meet the Minimum Subscription Level, the Company has obtained a written irrevocable and unconditional undertaking dated 21 September 2018 from each of the following shareholders, collectively the "Undertaking Shareholders":

- Datuk Amar Abdul Hamed Bin Haji Sepawi ("Datuk Amar");
- Datuk Hasmi Bin Hasnan ("Datuk Hasmi");
- Island Harvests Sdn Bhd ("Island Harvests");
- Hasmi & Associates Management Sdn Bhd ("Hasmi & Associates");
- Lambaian Kukuh Sdn Bhd ("Lambaian Kukuh");
- Tapak Beringin Sdn Bhd ("Tapak Beringin"); and
- Lembah Rakyat Sdn Bhd ("Lembah Rakyat")

(i) To subscribe in full for their respective entitlements under the Rights Issue based on their shareholdings as at the Entitlement Date. Based on the aggregate shareholdings of the Undertaking Shareholders of 94,828,650 Naim Shares as at the LPD, the total number of Rights Shares to be subscribed pursuant to the Entitlement Undertaking shall amount to 142,242,975 Rights Shares ("Entitlement Undertaking"); and

(ii) To apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s) by way of excess Rights Shares applications, to the extent that the aggregate subscription of Rights Shares under the Rights Issue received by the Company is not less than the Minimum Subscription Level ("Additional Undertaking").

The Entitlement Undertaking and the Additional Undertaking is collectively referred to as the "Undertakings".

Each Undertaking Shareholders has respectively confirmed via the Undertakings that it/he has sufficient financial resources to take up the number of Rights Shares as specified in their respective Undertakings.

As at the LPD, the Undertaking Shareholders collectively hold 94,828,650 Naim Shares, representing approximately 40.02% of the issued share capital of Naim.

Maximum Scenario

Maximum subscription basis where the Rights Issue would entail a maximum issuance of up to 355,416,000 Rights Shares to raise gross proceeds of approximately RM159.94 million assuming all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Rights Issue.

3. Basis of preparation of the pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 have been compiled based on the audited financial statements of Naim Group for the financial year ended 31 December 2017, which had been prepared in accordance with the Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016, respectively in Malaysia. The pro forma consolidated statement of financial position do not include the effects of Naim Group's adoption of Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on or after 1 January 2018.

The auditors' report of the audited financial statements of Naim Group for the financial year ended 31 December 2017 was not subject to any qualification, modification or disclaimer of opinion.

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 of which the Board are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statements of financial position of Naim Group had the events / transactions in Note 4 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

4. Pro forma adjustments to the pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position incorporates the following events or transactions under the Minimum Scenario and the Maximum Scenario:

Minimum Scenario

a) Pro Forma I – Rights Issue

On the assumption that only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their entitlement under the Rights Issue.

The estimated expenses relating to the Rights Issue of RM800,000 comprise, amongst others, professional fees and fees payable to the relevant authorities, printing cost of the circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses, which will be charged to the profit and loss and to be settled using the proceeds from Rights Issue.

b) Pro Forma II – Proposed Utilisation

Pro Forma II incorporates the effects of Pro Forma I and the effect of the utilisation of the proceeds from the Rights Issue.

The gross proceeds from the Rights Issue of approximately RM100.00 million is intended to be utilised as follows:

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)

Minimum Scenario (continued)

b) Pro Forma II – Proposed Utilisation (continued)

	RM'000	
Property development activities	70,000	(i)
General working capital	4,200	(ii)
Repayment of borrowings	25,000	(iii)
Repayment of expenses in relation to the Rights Issue	800	(iv)
	100,000	

Notes:

(i) Part of the Rights Issue gross proceeds will be utilised to support property development activities comprising condominium development projects, namely the Sapphire On The Park @ Kuching Paragon project (utilisation of approximately RM21.0 million), The Peak @ Bintulu Paragon project (utilisation of approximately RM24.0 million), and landed residential projects as part of the Bandar Baru Permyjaya mixed development project (utilisation of approximately RM25.0 million). Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for Naim Group's working capital requirements.

(ii) Naim Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of Naim Group at the relevant point in time.

(iii) Partially repay Naim Group's outstanding borrowings. As at the LPD, Naim Group's total borrowings amounted to RM556.7 million comprising mainly secured term loans and unsecured revolving credits. The partial repayment of the said borrowings is expected to result in interest costs savings of RM1.40 million per annum based on Naim Group's weighted average interest rate of 5.6%.

(iv) Estimated expenses include professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses which will be charged to the profit and loss. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for Naim Group's working capital requirements.

Maximum Scenario

a) Pro Forma I – Rights Issue

On the assumption that all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares in full under the Rights Issue.

The estimated expenses relating to the Rights Issue of RM800,000 comprise, amongst others, professional fees and fees payable to the relevant authorities, printing cost of the circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses, which will be charged to the profit and loss and to be settled using the proceeds from Rights Issue.

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4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)

Maximum Scenario (continued)

b) Pro Forma II – Proposed Utilisation

Pro Forma II incorporates the effects of Pro Forma I and the effect of the utilisation of the proceeds from the Rights Issue.

The gross proceeds from the Rights Issue of up to approximately RM159.94 million is intended to be utilised as follows:

	RM'000	
Property development activities	114,937	(i)
General working capital	4,200	(ii)
Repayment of borrowings	40,000	(iii)
Repayment of expenses in relation to the Rights Issue	800	(iv)
	159,937	

Notes:

(i) Part of the Rights Issue gross proceeds will be utilised to support property development activities comprising condominium development projects, namely the Sapphire On The Park @ Kuching Paragon project (utilisation of approximately RM36.0 million), The Peak @ Bintulu Paragon project (utilisation of approximately RM39.0 million), and landed residential projects as part of the Bandar Baru Permyjaya mixed development project (utilisation of approximately RM39.94 million). Such expenses are envisaged to include consultant and professional fees, payment to suppliers and contractors, site overhead as well as administrative costs. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects.

The actual utilisation of proceeds for the above mentioned projects will depend on the actual funding requirement and the timing of completion of the Rights Issue. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above. In the event if there is any excess in funds allocated for the property development activities, it will be used for Naim Group's working capital requirements.

(ii) Naim Group's day-to-day operating and administrative expenses, which include, inter alia, sales and marketing expenses, personnel costs, as well as office expenses. The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of Naim Group at the relevant point in time.

(iii) Partially repay Naim Group's outstanding borrowings. As at the LPD, Naim Group's total borrowings amounted to RM556.7 million comprising mainly secured term loans and unsecured revolving credits. The partial repayment of the said borrowings is expected to result in interest costs savings of RM2.24 million per annum based on Naim Group's weighted average interest rate of 5.6%.

(iv) Estimated expanses include professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus to shareholders, advertisement and miscellaneous expenses which will be charged to the profit and loss. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for Naim Group's working capital requirements.

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of Naim Group as at 31 December 2017 as set out below have been prepared for illustrative purposes only, to show the effects of all of the Pro Forma adjustments set out in Note 4, had these events been effected 31 December 2017, and should be read in conjunction with the rest of the notes in this attachment.

Minimum Scenario

			Pro Forma I	Pro Forma II
	Note	**As at 31 December 2017* RM'000**	**After the Rights Issue RM'000**	**After (I) and the Proposed Utilisation RM'000**
Non-current assets		1,033,990	1,033,990	1,033,990
Current assets	6.1	1,091,699	1,190,899	1,165,899
		2,125,689	2,224,889	2,199,889
Share capital		336,092	436,092	436,092
Treasury shares		(34,748)	(34,748)	(34,748)
Retained earnings		815,835	815,035	815,035
Other reserves		11,046	11,046	11,046
Total equity attributable to the owners of the Company		1,128,225	1,227,425	1,227,425
Non controlling interest		19,602	19,602	19,602
Total equity	6.2	1,147,827	1,247,027	1,247,027
Non-current liabilities		192,059	192,059	192,059
Current liabilities	6.3	785,803	785,803	760,803
		2,125,689	2,224,889	2,199,889
Supplementary Information				
No of Naim Shares in issue ('000) (net of treasury shares)		236,944	459,166	459,166
Net assets (RM'000)	(i)	1,128,225	1,227,425	1,227,425
Net assets per share (RM)	(ii)	4.76	2.67	2.67
Total borrowings (RM'000)		545,404	545,404	520,404
Gearing (times)	(iii)	0.48	0.44	0.42

* *Extracted from the audited financial statements of Naim Group for the financial year ended 31 December 2017.*

Notes:

(i) *Net assets represents equity attributable to owners of the Company*
(ii) *Net assets per share = Net assets / Number of Naim Shares in issue (net of treasury shares)*
(iii) *Gearing ratio = Total borrowings / Total equity attributable to owners of the Company*

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position (continued)

Maximum Scenario

	Note	As at 31 December 2017* RM'000	Pro Forma I After the Rights Issue RM'000	Pro Forma II After (I) and the Proposed Utilisation RM'000
Non-current assets		1,033,990	1,033,990	1,033,990
Current assets	6.1	1,091,699	1,250,836	1,210,836
		2,125,689	2,284,826	2,244,826
Share capital		336,092	496,029	496,029
Treasury shares		(34,748)	(34,748)	(34,748)
Retained earnings		815,835	815,035	815,035
Other reserves		11,046	11,046	11,046
Total equity attributable to the owners of the Company		1,128,225	1,287,362	1,287,362
Non controlling interest		19,602	19,602	19,602
Total equity	6.2	1,147,827	1,306,964	1,306,964
Non-current liabilities		192,059	192,059	192,059
Current liabilities	6.3	785,803	785,803	745,803
		2,125,689	2,284,826	2,244,826

Supplementary Information

No of Naim Shares in issue ('000) (net of treasury shares)		236,944	592,360	592,360
Net assets (RM'000)	(i)	1,128,225	1,287,362	1,287,362
Net assets per share (RM)	(ii)	4.76	2.17	2.17
Total borrowings (RM'000)		545,404	545,404	505,404
Gearing (times)	(iii)	0.48	0.42	0.39

* *Extracted from the audited financial statements of Naim Group for the financial year ended 31 December 2017.*

Notes:

(i) *Net assets represents equity attributable to owners of the Company*
(ii) *Net assets per share = Net assets / Number of Naim Shares in issue (net of treasury shares)*
(iii) *Gearing ratio = Total borrowings / Total equity attributable to owners of the Company*

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

6. Effects on the Pro Forma Statement of Financial Position

6.1 Movement in current assets

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 31 December 2017	1,091,699	1,091,699
Effects of Pro Forma I		
- Proceeds from the Rights Issue	100,000	159,937
- Less: Estimated expenses in relation to the Rights Issue	(800)	(800)
Pro Forma I	1,190,899	1,250,836
Effect of Pro Forma II		
- Less: Repayment of borrowings	(25,000)	(40,000)
Pro Forma II	1,165,899	1,210,836

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

6. Effects on the Pro Forma Statement of Financial Position (continued)

6.2 Movement in equity

Minimum Scenario

	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Balance at 31 December 2017	336,092	(34,748)	815,835	11,046	1,128,225	19,602	1,147,827
Effects of Pro Forma I							
- Rights Issue	100,000	-	-	-	100,000	-	100,000
- Estimated expenses in relation to the Rights Issue	-	-	(800)	-	(800)	-	(800)
Pro Forma I and II	436,092	(34,748)	815,035	11,046	1,227,425	19,602	1,247,027

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statement of Financial Position and the notes thereon

6. Effects on the Pro Forma Statement of Financial Position (continued)

6.2 Movement in equity (continued)

Maximum Scenario

	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Balance at 31 December 2017	336,092	(34,748)	815,835	11,046	1,128,225	19,602	1,147,827
Effects of Pro Forma I							
- Rights Issue	159,937	-	-	-	159,937	-	159,937
- Estimated expenses in relation to the Rights Issue	-	-	(800)	-	(800)	-	(800)
Pro Forma I and II	496,029	(34,748)	815,035	11,046	1,287,362	19,602	1,306,964

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Attachment A

Naim Holdings Berhad
Pro Forma Consolidated Statements of Financial Position and the notes thereon

6. Effects on the Pro Forma Statement of Financial Position (continued)

6.3 Movement in current liabilities

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 31 December 2017 and Pro Forma I	785,803	785,803
Effect of Pro Forma II		
- Less: Repayment of Borrowings	(25,000)	(40,000)
Pro Forma II	760,803	745,803

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Naim Holdings Berhad

(Company No. 585467 - M)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements
for the year ended 31 December 2017

CERTIFIED TRUE COPY

....

KPMG PLT
(LLP0010081-LCA & AF0758)
CHARTERED ACCOUNTANT
Lee Hean Kok
Approval Number: 02700/12/2019 J
Chartered Accountant

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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.

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.

Indemnity and insurance costs for Officers and Auditors (continued)

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.

Other statutory information (continued)

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

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	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

Statements of financial position as at 31 December 2017 (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
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 18 to 125 are an integral part of these financial statements.

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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)

Statements of profit or loss and other comprehensive income for the year ended 31 December 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
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 18 to 125 are an integral part of these financial statements.

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2017

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
		/Attributable to owners of the Company						/		
		/Non-distributable				/	*Distributable*			
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		250,000	86,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
		(Note 19)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)		(Note 5)	

Consolidated statement of changes in equity for the year ended 31 December 2017 (continued)

		Attributable to owners of the Company								
		Non-distributable				Distributable				
Group (continued)	**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 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 18 to 125 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 18 to 125 are an integral part of these financial statements.

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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)

Statements of cash flows for the year ended 31 December 2017 (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities (continued)				
Cash used in operations (continued)	(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

Statements of cash flows for the year ended 31 December 2017 (continued)

Notes (continued)

(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	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**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				
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 18 to 125 are an integral part of these financial statements.

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

MFRS / Amendment / Interpretation	**Effective date**
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.

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.

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

(d) **Use of estimates and judgements** (continued)

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.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(ii) Profit recognition from property developments (continued)

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.

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

(a) **Basis of consolidation** (continued)

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(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 exehange 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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)].

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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.

(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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(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.

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(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.

2. Significant accounting policies (continued)

(j) Inventories (continued)

(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.

2. Significant accounting policies (continued)

(m) Construction work-in-progress

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

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

(n) Cash and cash equivalents

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

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

(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.

2. Significant accounting policies (continued)

(o) Impairment (continued)

(i) Financial assets (continued)

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.

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

(o) **Impairment** (continued)

(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.

2. Significant accounting policies (continued)

(o) Impairment (continued)

(ii) Other assets (continued)

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.

(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.

2. Significant accounting policies (continued)

(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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(u) Revenue and other income (continued)

(ii) Property development (continued)

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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(w) Income tax (continued)

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.

2. Significant accounting policies (continued)

(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	Outright purchase										
		Leasehold land									
	Freehold land RM'000	(unexpired lease term more than 50 years) RM'000	(unexpired lease term less than 50 years) RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Jetty and wharf RM'000	Assets under construction RM'000	Subtotal RM'000
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

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

	Outright purchase										
		Leasehold land									
Group (continued)	Freehold land RM'000	(unexpired lease term more than 50 years) RM'000	(unexpired lease term less than 50 years) RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Jetty and wharf RM'000	Assets under construction RM'000	Subtotal RM'000
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

3. Property, plant and equipment (continued)

Group (continued)	Subtotal RM'000	Finance lease assets Motor vehicles RM'000	Total RM'000
Cost (continued)			
At 1 January 2016	160,212	88	160,300
Additions	12,394	105	12,499
Disposals/Write-offs	(2,180)	-	(2,180)
Transfer to assets held for sale	(668)	-	(668)
Reclassifications	-	-	-
At 31 December 2016/1 January 2017	169,758	193	169,951
Additions	26,240	-	26,240
Disposals/Write-offs	(811)	-	(811)
Reclassifications	-	-	-
Transfer to:			
- investment properties (Note 9)	(1,887)	-	(1,887)
- assets held for sale	(3,030)	-	(3,030)
At 31 December 2017	190,270	193	190,463

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

Group (continued)	Subtotal RM'000	Finance lease assets Motor vehicles RM'000	Total RM'000
Depreciation (continued)			
At 1 January 2016	72,985	13	72,998
Depreciation for the year	9,514	33	9,547
Disposals/Write-offs	(1,724)	-	(1,724)
At 31 December 2016/1 January 2017	80,775	46	80,821
Depreciation for the year	9,051	39	9,090
Disposals/Write-offs	(581)	-	(581)
Reclassifications	-	-	-
Transfer to:			
- investment properties (Note 9)	(53)	-	(53)
- assets held for sale	(2,462)	-	(2,462)
At 31 December 2017	86,730	85	86,815
Carrying amounts (continued)			
At 31 December 2016/1 January 2017	88,983	147	89,130
At 31 December 2017	103,540	108	103,648

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

Company	**Buildings 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. **Property, plant and equipment** (continued)

3.1 Titles to properties

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

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

3.2 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**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		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**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

5. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2017	2016
<u>Subsidiaries of NLSB</u> (continued)			
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
Simbol Warisan Sdn. Bhd.	Quarry licensee	75.0	75.0
Jelas Kemuncak Resources Sdn. Bhd.	Quarry operator	70.0	70.0
Yakin Pelita Sdn. Bhd.	Property investment	100.0	100.0
Naim Cendera Tujuh Sdn. Bhd.	Property investment	100.0	100.0
Dataran Wangsa Sdn. Bhd.	Property developer	100.0	100.0
Yakin Jelas Sdn. Bhd.	Property investment	100.0	100.0
Pavilion Quest Sdn. Bhd. **	Property investment	100.0	100.0
Solid Greenland Sdn. Bhd. **	Property investment	100.0	100.0
Naim Ready Mix Sdn. Bhd.	Sale of ready mix piles	100.0	100.0
TR Green Sdn. Bhd.	Dormant	100.0	100.0
Naim Utilities Sdn. Bhd.	Dormant	100.0	100.0
Naim Incorporated Berhad	Dormant	100.0	100.0
Naim Academy Sdn. Bhd.	Dormant	100.0	100.0
Naim Oil & Gas Sdn. Bhd.	Dormant	100.0	100.0

5. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2017	2016
Subsidiaries of NLSB (continued)			
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

5. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2017	2016
Subsidiaries of NESB (continued)			
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

5. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest (%) 2017	2016
<u>Subsidiaries of NOSB (continued)</u>			
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)].*

Non-controlling interests ("NCI") in subsidiaries

The Group's subsidiaries that have material NCI are as follows:

<u>2017</u>	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

5. Investment in subsidiaries (continued)

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

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

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

5. Investment in subsidiaries (continued)

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

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

	DISB RM'000	NAGA RM'000
Summarised financial information before intra-group elimination		
As at 31 December 2016		
Non-current assets	1,390	-
Current assets	49,412	26,459
Current liabilities	(8,966)	(16,095)
Net assets	41,836	10,364
Year ended 31 December 2016		
Revenue	4,289	22,610
Profit and total comprehensive income for the year	2,752	364
Cash flows (used in)/from:		
- operating activities	(545)	(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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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

6. Investment in associates (continued)

Name of entity	Nature of relationship	Effective ownership interest and voting interest (%) 2017	2016
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		

6. Investment in associates (continued)

Summary of financial information (continued)

	Group					
2017 (continued)	**DEHB RM'000**	**SPSB RM'000**	**GNEC RM'000**	**PPB RM'000**	**Other immaterial associates RM'000**	**Total RM'000**
Reconciliation of net assets to carrying amount						
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	**SPSB RM'000**	**GNEC RM'000**
As at 31 December			
Non-current assets	2,552,299	227,899	4,531
Current assets	630,103	152,126	27,629
Non-current liabilities	(1,362,029)	(106,017)	-
Current liabilities	(542,335)	(222,410)	(29,973)
Non-controlling interests	(7,721)	-	-
Net assets	1,270,317	51,598	2,187

	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		

6. Investment in associates (continued)

Summary of financial information (continued)

2016 (continued)	DEHB RM'000	SPSB RM'000	GNEC RM'000	Other immaterial associates RM'000	Total RM'000
	Group				
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 made 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

2017	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)		

7. Investment in joint ventures - Group (continued)

Summary of financial information (continued)

2017 (continued)	NESB-Hock Peng JV RM'000	PPES Works - NLSB JV RM'000	Other immaterial joint ventures RM'000	Total RM'000
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

9. Investment properties – Group (continued)

	Long-term leasehold land (unexpired lease term more than 50 years) RM'000	Buildings RM'000	Buildings under construction RM'000	Total RM'000
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. Investment properties - Group (continued)

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

	Group 2017 RM'000	Group 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

9.3 Fair value information

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

	2017			2016		
Group	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Leasehold land	55,059	44,565	99,624	55,059	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.

9. Investment properties - Group (continued)

9.3 Fair value information (continued)

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	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	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.

11. Deferred tax assets and liabilities - Group (continued)

Recognised deferred tax (continued)

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)	

11. Deferred tax assets and liabilities - Group (continued)

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**	**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	**2016**
	RM'000	**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	**2016**
	RM'000	**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. **Trade and other receivables** (continued)

13.3 Construction work-in-progress

	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs incurred to-date	1,856,285	1,589,152
Attributable (loss)/profit, 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	Group 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

13.4 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. Trade and other receivables (continued)

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
Recognised to cost of sales/Transfers	
Costs charged to profit or loss	(86,332)
Transfer to land held for development (Note 8)	(2,224)
Transfer of completed properties to inventories	(83,015)
	(171,571)
At 31 December 2016	
Property development costs	
Land	48,732
Development costs	505,965
	554,697
Accumulated costs charged to profit or loss	(113,152)
	441,545

15. Property development costs - Group (continued)

	RM'000
At 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

15. Property development costs - Group (continued)

Property development costs incurred during the financial year include:

	Group	
	2017	**2016**
	RM'000	**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 RM'000	2016 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.

19. **Share capital** (continued)

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	2016	2017	2016
	RM'000	RM'000	RM'000	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.

20. Reserves (continued)

Foreign currency translation reserve

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

21. Loans and borrowings

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**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.

21. Loans and borrowings (continued)

21.1 Security (continued)

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			2016		
	Future minimum lease payments RM'000	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Less than one year	28	3	25	46	5	41
Between one to two years	22	2	20	29	4	25
Between two to five years	29	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

	Group		Company	
Non-current	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**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. Trade and other payables (continued)

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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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	-	-

25. Results from operating activities (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Results from operating activities is arrived at after charging: (continued)				
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 RM'000	2016 RM'000	2017 RM'000	2016 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 RM'000	2016 RM'000	2017 RM'000	2016 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).

29. Tax expense

Major components of tax expense include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
- current year	8,176	7,785	-	-
- prior year	83	492	1	(66)
	8,259	8,277	1	(66)

29. Tax expense (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax expense (continued)	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)

29. Tax expense (continued)

Reconciliation of tax expense (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
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.

32. **Operating segments** (continued)

	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)
Sharc 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[1] (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

[1] *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)

32. Operating segments (continued)

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 RM'000	2016 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").

	2017			2016		
Group	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets						
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

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

33. **Financial instruments** (continued)

33.1 Categories of financial instruments (continued)

Group (continued)	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 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 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. Financial instruments (continued)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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)

33.3 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.

33. Financial instruments (continued)

33.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

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

33. Financial instruments (continued)

33.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	Group	
	2017	2016
	RM'000	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.

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.

33. **Financial instruments** (continued)

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

(b) **Liquidity risk** (continued)

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)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
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.*

33. Financial instruments (continued)

33.3 Financial risk management (continued)

(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 RM'000	Profit or loss 2016 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.

33. Financial instruments (continued)

33.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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 RM'000	2016 RM'000	2017 RM'000	2016 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.

33. Financial instruments (continued)

33.4 *Fair value Information* (continued)

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.

	Fair value of financial instruments carried at fair value	**Fair value of financial instruments not carried at fair value**				
Group	**(Level 1) RM'000**	**(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

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.

33. Financial instruments (continued)

33.4 Fair value information (continued)

Level 2 fair value (continued)

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	2016
	RM'000	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 in the following pages.

36. Related parties (continued)

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)	-	-

Transaction with joint ventures

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

36. Related parties (continued)

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.

37. Acquisitions and disposals of subsidiaries and non-controlling interests (continued)

(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 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.

38. Acquisitions and disposals of associates (continued)

(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.

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.

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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 7 to 125 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

Naim Holdings Berhad
(Company No. 585467 - M)
(Incorporated in Malaysia)
and its subsidiaries

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 7 to 125 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:

COMMISSIONER FOR OATHS
NO. Q 119
PHANG DAH NAN
MALAYSIA

PHANG DAH NAN
Commissioner For Oaths
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIM HOLDINGS BERHAD

(Company No. 585467 - M)
(Incorporated in Malaysia)

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 7 to 125.

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 arose from the Group's construction contracts requires significant management judgment in the assessment of the current and future financial performance of the contracts. Construction contracts revenue is accounted for based on the stage of completion method. The stage of completion is determined by reference to the proportion of contract costs incurred for work performed to-date bear to the estimated total contract costs. As disclosed in Note 1(d) to the financial statements, the accurate recording of revenue is highly dependent on judgment exercised by management in assessing the valuation of contract variations, the completeness and accuracy of estimated costs to complete, and the ability to deliver contracts within the contracted time and claims and penalties for late deliveries.	In these key risk areas, our audit procedures included, amongst others: We evaluated the controls designed and applied by the Group in the process of determining the revenue recognised in the financial statements. We challenged the basis of estimations applied by the project management teams in regard to the required costs to complete the construction contracts and assessed whether there were management biasness. Our procedures includes evaluating the historical accuracy of the Group's estimation process by comparing actual costs with the estimated costs that had previously been estimated, and testing estimated costs to sub-contractor's contracts and/or suppliers' quotations. 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.

Key audit matter	**How our audit addressed the key audit matter**
We focused on this area as a key audit matter due to the degree of management judgment involved in the estimation of revenue recognised over the contract life. Changes in judgments and the related estimates throughout a contract life can result in material adjustments to revenue and consequently, the profit margin of contracts. The key risk areas are as follows:- i) Risk of inaccurate estimation of the costs required to complete the contracts, which affects the accuracy of revenue recognition; ii) Risk of revenue recognition on variation orders which are disputed and non-recoverability of amount due from the contract customers; and iii) Risk of penalties not factored in revenue recognition.	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.	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.

Key audit matter	**How our audit addressed the key audit matter**
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.	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 Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

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

Kuching,

Date: 12 April 2018

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

Certified True Copy

Bong Siu Lian
Company Secretary
MAICSA 7002221

NAIM HOLDINGS BERHAD 585467-M

06 DEC 2018

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the third quarter and nine months ended 30 September 2018
(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 September		*9 months ended 30 September*	
			(Restated)		(Restated)
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Revenue		178,760	53,654	438,949	260,950
Cost of sales		(149,206)	(172,298)	(384,642)	(352,229)
Gross profit/(loss)		29,554	(118,644)	54,307	(91,279)
Other operating income		1,697	45,135	3,713	47,992
Selling and promotional expenses		(1,756)	(1,567)	(5,774)	(6,241)
Administrative expenses		(5,788)	(5,988)	(16,542)	(21,262)
Other operating expenses		(811)	(923)	(3,021)	(2,605)
Results from operating activities		22,896	(81,987)	32,683	(73,395)
Finance income		1,947	2,892	6,209	6,916
Finance costs		(7,609)	(7,864)	(22,191)	(19,874)
Net finance costs		(5,682)	(4,972)	(15,982)	(12,958)
Other non-operating expense		-	-	-	(8,321)
Share of results (net of tax) of equity-accounted:					
- associates		15,793	227	13,067	(24,477)
- joint ventures		838	667	1,360	1,057
Profit/(Loss) before tax	Note 20	33,865	(86,065)	31,128	(118,094)
Tax expense	Note 19	(3,335)	(8,763)	(8,823)	(12,291)
Profit/(Loss) for the period		30,530	(94,828)	24,505	(130,385)
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		(219)	280	141	495
Realisation of reserves to profit or loss		-	-	-	(2,455)
Share of other comprehensive income/(loss) of associates		2,945	(2,539)	2,031	(10,709)
Other comprehensive income/(loss) for the period		2,726	(2,259)	2,172	(12,669)
Total comprehensive income/(loss) for the period		33,256	(97,087)	26,677	(143,054)
Profit/(Loss) attributable to:					
Owners of the Company		30,323	(95,014)	23,398	(130,949)
Non-controlling interests		207	186	1,107	564
Profit/(Loss) for the period		30,530	(94,828)	24,505	(130,385)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		33,049	(97,273)	25,570	(143,616)
Non-controlling interests		207	186	1,107	564
Total comprehensive income/(loss) for the period		33,256	(97,087)	26,677	(143,054)
Basic earning/(loss) per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	12.80	(40.10)	9.87	(55.27)

The notes set out on pages 5 to 32 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(The figures have not been audited)		**Unaudited**	**Unaudited (Restated)**	**Unaudited (Restated)**
		30 September 2018 RM'000	**31 December 2017 RM'000**	**1 January 2017 RM'000**
ASSETS				
Property, plant and equipment		119,522	103,648	89,130
Prepaid lease payments		2,320	2,342	2,370
Interests in associates		346,814	331,544	401,456
Interests in joint ventures		7,332	5,543	4,906
Land held for property development		370,203	384,646	398,772
Investment properties		85,722	87,382	87,667
Intangible assets		4,366	4,876	5,557
Deferred tax assets		15,238	16,201	29,466
Other investments		2,974	2,974	2,974
Trade and other receivables		68,889	73,372	82,324
Total non-current assets		**1,023,380**	**1,012,528**	**1,104,622**
Inventories		67,668	79,563	103,525
Property development costs		575,259	546,157	448,369
Trade and other receivables		416,102	298,911	404,937
Deposits and prepayments		27,511	29,236	29,343
Current tax recoverable		13,277	13,142	12,453
Cash and cash equivalents		81,560	76,261	64,055
		1,181,377	1,043,270	1,062,682
Assets classified as held for sale		650	651	757
Total current assets		**1,182,027**	**1,043,921**	**1,063,439**
Total assets		**2,205,407**	**2,056,449**	**2,168,061**
EQUITY				
Share capital		336,092	336,092	336,092
Treasury shares		(34,748)	(34,748)	(34,748)
Reserves		768,104	742,534	944,986
Total equity attributable to owners of the Company		**1,069,448**	**1,043,878**	**1,246,330**
Non-controlling interests		20,660	19,553	18,694
Total equity		**1,090,106**	**1,063,431**	**1,265,024**
LIABILITIES				
Loans and borrowings	Note 6	174,090	159,684	123,619
Trade and other payables		3,524	6,874	10,057
Deferred tax liabilities		25,074	25,501	26,199
Total non-current liabilities		**202,688**	**192,059**	**159,875**
Loans and borrowings	Note 6	382,563	385,720	355,216
Trade and other payables		521,488	402,353	387,578
Provisions		8,006	11,600	-
Current tax payable		554	1,286	368
Total current liabilities		**912,611**	**800,959**	**743,162**
Total liabilities		**1,115,299**	**993,018**	**903,037**
Total equity and liabilities		**2,205,407**	**2,056,449**	**2,168,061**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**4.28**	**4.18**	**4.99**

The notes set out on pages 5 to 32 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the third quarter and nine months ended 30 September 2018
(The figures have not been audited)

	Note	Total equity attributable to owners of the Company							
			Non-Distributable			[redacted]			
		Share capital RM '000	Foreign currency translation reserve RM '000	Treasury shares RM '000	Other reserve RM '000	Retained earnings RM '000	Sub-total RM '000	Non-controlling interests RM '000	Total equity RM '000
<u>**For the 9 months ended 30 September 2017 (Unaudited)**</u>									
At 1 January 2017, as per audited financial statements		336,092	28,433	(34,748)	107	984,688	1,314,572	18,704	1,333,276
Effect of transition to MFRS		-	-	-	-	(68,242)	(68,242)	(10)	(68,252)
At 1 January 2017, restated		336,092	28,433	(34,748)	107	918,446	1,246,330	18,694	1,265,024
Foreign currency translation differences for foreign operations		-	495	-	-	-	495	-	495
Realisation of reserves to profit or loss		-	(2,445)	-	(10)	-	(2,455)	-	(2,455)
Share of other comprehensive income/(loss) of associates		-	(10,738)	-	29	-	(10,709)	-	(10,709)
Total other comprehensive (loss)/income for the period		-	(12,688)	-	19	-	(12,669)	-	(12,669)
(Loss)/Profit for the period		-	-	-	-	(130,949)	(130,949)	564	(130,385)
Total comprehensive (loss)/income for the period		-	(12,688)	-	19	(130,949)	(143,818)	564	(143,054)
At 30 September 2017, restated		336,092	15,745	(34,748)	126	785,497	1,102,712	19,258	1,121,970
<u>**For the 9 months ended 30 September 2018 (Unaudited)**</u>									
At 1 January 2018, as per audited financial statements		336,092	10,917	(34,748)	129	815,835	1,128,225	19,602	1,147,827
Effect of transition to MFRS		-	-	-	-	(84,347)	(84,347)	(49)	(84,396)
At 1 January 2018, restated		336,092	10,917	(34,748)	129	731,488	1,043,878	19,553	1,063,431
Foreign currency translation differences for foreign operations		-	141	-	-	-	141	-	141
Share of other comprehensive income/(loss) of associates		-	2,061	-	(30)	-	2,031	-	2,031
Total other comprehensive income/(loss) for the period		-	2,202	-	(30)	-	2,172	-	2,172
Profit for the period		-	-	-	-	23,398	23,398	1,107	24,505
Total comprehensive income/(loss) for the period		-	2,202	-	(30)	23,398	25,570	1,107	26,677
At 30 September 2018, unaudited		336,092	13,119	(34,748)	99	754,886	1,069,448	20,660	1,090,108

The notes set out on pages 5 to 32 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
For the third quarter and nine months ended 30 September 2018
(The figures have not been audited)

	Unaudited 30 September 2018 RM'000	**Restated 30 September 2017 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	31,128	(118,094)
Adjustments for:		
Amortisation of:		
- intangible asset	510	510
- investment properties	1,660	1,633
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	6,305	5,536
Dividend income from unquoted shares	(4)	(62)
Finance income	(6,209)	(6,916)
Finance costs	22,191	19,674
Loss/(Gain) on disposal of:		
- associate	-	8,321
- property, plant and equipment	(232)	(40)
- assets held for sale	-	(532)
Property, plant and equipment written off	57	107
Reversal of impairment loss on receivables	-	(12,000)
Share of results of equity-accounted:		
- associates	(13,067)	24,477
- joint ventures	(1,360)	(1,057)
Unrealised foreign exchange loss	131	1,380
Operating profit/(loss) before changes in working capital	41,131	(76,842)
Changes in working capital:		
Inventories	11,414	20,754
Land held for property development	-	1,316
Property development costs	(14,056)	(15,595)
Trade and other receivables, deposits and prepayments	(110,876)	12,320
Trade and other payables	112,370	48,242
Cash generated from/(used in) operations	39,983	(9,805)
Net income taxes paid	(7,383)	(6,957)
Net cash from/(used in) operating activities	32,600	(16,762)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
- property, plant and equipment	(22,638)	(18,663)
Proceeds from disposal of:		
- property, plant and equipment	291	60
- assets held for sale	-	1,200
Changes in pledged deposits	(900)	(692)
Increase in investment in an existing joint venture	-	(2,700)
Dividends received	4	62
Interest received	6,151	6,919
Net cash used in investing activities	(17,092)	(13,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans and borrowings	11,269	57,199
Repayment of finance lease liabilities	(20)	(30)
Interest paid	(22,448)	(18,560)
Net cash (used in)/from financing activities	(11,199)	38,609
Net increase in cash and cash equivalents	4,309	8,033
Effects of exchange rate changes on cash and cash equivalents	90	(303)
Cash and cash equivalents at beginning of period	63,294	63,978
CASH AND CASH EQUIVALENTS AT END OF PERIOD	67,693	71,706
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	24,015	16,186
Cash in hand and at banks	43,678	55,520
Total cash and cash equivalents as shown in statement of cash flows	67,693	71,706

The notes set out on pages 5 to 32 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Naim Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 134, *Interim Financial Reporting.*

These condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

The annual financial statements of the Group as at and for the year ended 31 December 2017, which were prepared under Financial Reporting Standards (FRSs), are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

The Group has migrated to the MFRS accounting framework with effect from 1 January 2018 and these condensed consolidated interim financial statements are the Group's first set of MFRS compliant condensed consolidated interim financial statements. MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied in the preparation of the interim financial statements.

In preparing its opening MFRS statement of financial position as at 1 January 2017 (which is also the date of transition), the Group has adjusted certain amounts reported previously in the financial statements prepared in accordance with FRSs.

BUILDING VALUE IN EVERY WAY

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NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS)

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2017, except for some changes in certain accounting policies arising from the adoption of MFRS, which for transitioning entities were effective for the annual periods before or on 1 January 2018, including the adoption of the following MFRSs, amendments and interpretations.

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- MFRS 9, *Financial Instruments*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The changes in significant accounting policies are summarised as follows:

a) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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.*

Under MFRS 15, revenue is recognised only when the contract is legally enforceable and certain criteria are met. Timing of revenue recognition is determined based on the transfer of controls rather than transfer of the significant risks and rewards of ownership. Determining the timing of transfer of controls – at point of time or over time – requires judgements.

BUILDING VALUE IN EVERY WAY

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NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

a) MFRS 15, Revenue from Contracts with Customers (continued)

Property development	Previously, the Group recognised revenue from sales of property based on the stage of completion of property sold and when the financial outcome can be reliably measured. Under a typical property sale contract, the buyer controls the property as it is constructed, and the Group is restricted practically or contractually from directing such property to another use and has an enforceable right to payments for performance to-date if the contract is terminated. Under MFRS 15, the revenue from sales of property is now recognised over time, using a method that depicts performance. When separate performance obligations are identified and distinct, the total consideration in a sale contract is allocated to all identified performance obligations based on their relative stand-alone selling prices. Revenue is recognised for each of the performance obligations as it is satisfied.
Construction contracts	Previously, the Group recognised contract revenue as soon as the outcome of a construction contract can be estimated reliably, based on the stage of completion of the contract. Contract expenses were recognised as incurred unless they created an asset related to future contract activity. Under MFRS 15, revenue is recognised over time when a contract customer controls all of the works in progress as construction works take place. When the different elements of the construction contracts are not highly inter-related with, or dependent on, other contracting activities, the Group segregates each performance obligation for individual revenue recognition. Only incremental costs of obtaining a contract is capitalised over the contract period, if they are directly chargeable to the customer; otherwise such costs are expensed off to profit or loss. When one of the performance obligations in the contract is to arrange for the provision of goods and services by another party, the Group recognises such revenue on a net basis, in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

BUILDING VALUE IN EVERY WAY

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NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.1 Cessation as transitioning entities and adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

b) 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 are measured at either fair value or amortised cost. The Group's investment in unquoted shares (i.e. equity instrument) is measured at fair value through other comprehensive income. The carrying amount of the unquoted investment at the date of adoption approximated its fair value. No adjustment is required.

MFRS 9 also replaces the "incurred loss" model with an "expected credit loss" (ECL) model. The Group measures loss allowance at an amount equal to 12-month ECL or lifetime ECL, depending on whether the credit risk of a financial asset has increased significantly since initial recognition, defaults periods and credit rating of the affected financial assets. The Group considers reasonable and supportable information that is relevant and available without due cost and effort when measuring ECLs.

Total loss allowance provided at the date of transition is about RM42.6 million, against some affected trade receivables.

c) Investment in associates

Under FRS, the Group's investment in associates was measured at cost and post-acquisition share of net assets of the associates, including goodwill on acquisition.

At the date of transition to MFRS, the Group reassessed and evaluated the carrying amounts of its investment in associates for impairment, including goodwill impairment assessment. The carrying amount of the investment in an associate has been adjusted from RM392.8 million to RM371.4 million to reflect its fair value at the date of transition, which is regarded as the deemed costs for the said associate.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The financial impacts on the transition from the previous FRSs to the new MFRS are disclosed in Note 2.2.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs

a) Reconciliation of financial position

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Assets	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Property, plant and equipment	89,130	-	89,130	99,196	-	99,196	103,648	-	103,648
Prepaid lease payments	2,370	-	2,370	2,349	-	2,349	2,342	-	2,342
Investment in associates	422,918	(21,462)	401,456	376,786	(21,462)	355,324	353,006	(21,462)	331,544
Investment in joint ventures	4,906	-	4,906	8,995	-	8,995	5,543	-	5,543
Land held for property development	398,772	-	398,772	384,646	-	384,646	384,646	-	384,646
Investment properties	87,667	-	87,667	87,921	-	87,921	87,382	-	87,382
Intangible asset	5,557	-	5,557	5,046	-	5,046	4,876	-	4,876
Deferred tax assets	29,466	-	29,466	21,660	-	21,660	16,201	-	16,201
Other investments	2,974	-	2,974	2,974	-	2,974	2,974	-	2,974
Trade and other receivables	82,324	-	82,324	76,483	-	76,483`	73,372	-	73,372
Total non-current assets	1,126,084	(21,462)	1,104,622	1,066,056	(21,462)	1,044,594	1,033,990	(21,462)	1,012,528

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Assets (continued)	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
Current assets									
Inventories	103,525	-	103,525	83,642	-	83,642	79,563	-	79,563
Trade and other receivables	449,959	(45,022)	404,937	456,039	(41,996)	414,043	350,764	(51,853)	298,911
Property development costs	441,545	6,824	448,369	474,040	2,028	476,068	542,082	4,075	546,157
Deposit and prepayments	29,343	-	29,343	26,870	-	26,870	29,236	-	29,236
Current tax recoverable	12,453	-	12,453	14,406	-	14,406	13,142	-	13,142
Cash and cash equivalents	64,055	-	64,055	72,476	-	72,476	76,261	-	76,261
	1,100,880	(38,198)	1,062,682	1,127,473	(39,968)	1,087,505	1,091,048	(47,778)	1,043,270
Assets held for sales	757	-	757	87	-	87	651	-	651
Total current assets	1,101,637	(38,198)	1,063,439	1,127,560	(39,968)	1,087,592	1,091,699	(47,778)	1,043,921
Total assets	2,227,721	(59,660)	2,168,061	2,193,616	(61,430)	2,132,186	2,125,689	(69,240)	2,056,449

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial Impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
		Effect of transition			Effect of transition			Effect of transition	
	FRSs	to MFRSs	MFRSs	FRSs	to MFRSs	MFRSs	FRSs	to MFRSs	MFRSs
Equity	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	336,092	-	336,092	336,092	-	336,092	336,092	-	336,092
Treasury shares	(34,748)	-	(34,748)	(34,748)	-	(34,748)	(34,748)	-	(34,748)
Retained earnings	984,688	(68,242)	916,446	857,366	(71,869)	785,497	815,835	(84,347)	731,488
Other reserves	28,540	-	28,540	15,871	-	15,871	11,046	-	11,046
Total equity attributable to the owners of the Company	1,314,572	(68,242)	1,246,330	1,174,581	(71,869)	1,102,712	1,128,225	(84,347)	1,043,878
Non-controlling interest	18,704	(10)	18,694	19,321	(63)	19,258	19,602	(49)	19,553
Total equity	1,333,276	(68,252)	1,265,024	1,193,902	(71,932)	1,121,970	1,147,827	(84,396)	1,063,431

BUILDING VALUE IN EVERY WAY

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NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

a) Reconciliation of financial position (continued)

	As at 1.1.2017			As at 30.9.2017			As at 31.12.2017		
Liabilities	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Non-current liabilities									
Loans and borrowings	123,619	-	123,619	153,885	-	153,885	159,684	-	159,684
Trade and other payables	10,057	-	10,057	6,874	-	6,874	6,874	-	6,874
Deferred tax liabilities	26,199	-	26,199	25,453	-	25,453	25,501	-	25,501
Total non-current liabilities	159,875	-	159,875	186,212	-	186,212	192,059	-	192,059
Current liabilities									
Loans and borrowings	355,216	-	355,216	382,116	-	382,116	385,720	-	385,720
Trade and other payables	378,986	8,592	387,578	430,458	10,502	440,960	387,197	15,156	402,353
Provisions	-	-	-	-	-	-	11,600	-	11,600
Current tax payables	368	-	368	928	-	928	1,286	-	1,286
Total current liabilities	734,570	8,592	743,162	813,502	10,502	824,004	785,803	15,156	800,959
Total liabilities	894,445	8,592	903,037	999,714	10,502	1,010,216	977,862	15,156	993,018
Total equity and liabilities	2,227,721	(59,660)	2,168,061	2,193,616	(61,430)	2,132,186	2,125,689	(69,240)	2,056,449

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BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

b) Reconciliation of profit or loss and other comprehensive income

	As at 30.9.2017			As at 31.12.2017		
	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Revenue	273,956	(13,006)	260,950	365,203	(21,662)	343,541
Cost of sales	(361,555)	9,326	(352,229)	(451,213)	16,100	(435,113)
Gross loss	(87,599)	(3,680)	(91,279)	(86,010)	(5,562)	(91,572)
Other operating income	47,992	-	47,992	48,583	-	48,583
Selling and promotional expenses	(6,241)	-	(6,241)	(8,925)	-	(8,925)
Administrative expenses	(21,262)	-	(21,262)	(28,791)	(10,461)	(39,252)
Other operating expenses	(2,605)	-	(2,605)	(5,292)	(121)	(5,413)
Results from operating activities	(69,715)	(3,680)	(73,395)	(80,435)	(16,144)	(96,579)
Finance income	6,916	-	6,916	8,902	-	8,902
Finance costs	(19,874)	-	(19,874)	(27,511)	-	(27,511)
Net finance costs	(12,958)	-	(12,958)	(18,609)	-	(18,609)
Other non-operating expense	(8,321)	-	(8,321)	(8,321)	-	(8,321)
Share of results of equity accounted associates and joint ventures	(23,420)	-	(23,420)	(39,764)	-	(39,764)
Loss before tax	(114,414)	(3,680)	(118,094)	(147,129)	(16,144)	(163,273)
Tax expense	(12,291)	-	(12,291)	(20,826)	-	(20,826)
Loss for the period	(126,705)	(3,680)	(130,385)	(167,955)	(16,144)	(184,099)

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.2 Financial impacts on transition to MFRSs (continued)

b) Reconciliation of profit or loss and other comprehensive income (continued)

	As at 30.9.2017			As at 31.12.2017		
	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Other comprehensive income/(loss), net of tax						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	495	-	495	1,783	-	1,783
Realisation of reserves from deemed disposal of an associate	(2,455)	-	(2,455)	(2,454)	-	(2,454)
Share of other comprehensive loss of associates	(10,709)	-	(10,709)	(16,823)	-	(16,823)
Total other comprehensive loss for the period	(12,669)	-	(12,669)	(17,494)	-	(17,494)
Total comprehensive loss for the period	(139,374)	(3,680)	(143,054)	(185,449)	(16,144)	(201,593)
(Loss)/Profit attributable to:						
- Owners of the Company	(127,322)	(3,627)	(130,949)	(168,853)	(16,105)	(184,958)
- Non-controlling interests	617	(53)	564	898	(39)	859
	(126,705)	(3,680)	(130,385)	(167,955)	(16,144)	(184,099)
Total comprehensive (loss)/profit attributable to:						
- Owners of the Company	(139,991)	(3,627)	(143,618)	(186,347)	(16,105)	(202,452)
- Non-controlling interests	617	(53)	564	898	(39)	859
	(139,374)	(3,680)	(143,054)	(185,449)	(16,144)	(201,593)

BUILDING VALUE IN EVERY WAY

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Standards, amendments and interpretations yet to be effective

The Group has not applied the following MFRSs, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are neither effective yet nor early adopted by the Group:

- ***MFRSs effective for annual periods beginning on or after 1 January 2019***
  - MFRS 16, *Leases*
  - IC Interpretation 23, *Uncertainty over Income Tax Treatments*
  - Amendments to MFRS 3, *Business Combinations (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
  - Amendments to MFRS 11, *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 112, *Income Taxes (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
  - Amendments to MFRS 123, *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*
  - Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- ***MFRSs effective for annual periods beginning on or after 1 January 2020***
  - Amendments to MFRS 2, *Share-based Payment*
  - Amendment to MFRS 3, *Business Combinations*
  - Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
  - *Amendment to MFRS 14, Regulatory Deferral Accounts*
  - Amendments to MFRS 101, *Presentation of Financial Statements*
  - Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
  - Amendments to MFRS 134, *Interim Financial Reporting*
  - Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
  - Amendment to MFRS 138, *Intangible Assets*
  - Amendments to IC Interpretation 12, *Service Concession Arrangements*
  - Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
  - Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
  - Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

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2. Significant accounting policies (continued)

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

- ***MFRSs effective for annual periods beginning on or after 1 January 2020 (continued)***
  - Amendments to IC Interpretation 132, *Intangible Assets - Web Site Costs*
- ***MFRSs effective for annual periods beginning on or after 1 January 2021***
  - MFRS 17, *Insurance Contracts*
- ***MFRSs effective from a date yet to be determined***
  - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods' financial statements upon its first adoption.

Impact of the initial application of MFRS 16, *Leases*, which will be applied retrospectively, is disclosed as below:

<u>MFRS *16, Leases*</u>

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 a 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 adoption of MFRS 16.

The initial application of the other standards are not expected to have any material financial impacts to the Group.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Seasonality or cyclicality of operations

The business operations of the Group are not materially affected by any seasonal or cyclical fluctuations during the period under review.

4. Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2017 as well as those judgements applied on the adoption of MFRS 9 and 15, as explained in Note 2.1.

5. Debt and equity securities

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

There was no share buy-back during the period under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 September 2018 is 13,056,000 shares.

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

During the current period, the Group acquired property, plant and equipment costing about RM22.6 million (30.9.2017: RM18.7 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM0.1 million (30.09.2017: RM0.1 million) were either disposed of and/or written off during the period under review.

7. Changes in the composition of the Group

There was no change in the composition of the Group during the period under review.

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8. Loans and borrowings

		30 September 2018 RM'000	31 December 2017 RM'000
Non-current			
Secured	- Term loans	174,057	159,636
	- Finance lease	33	48
		174,090	159,684
Current			
Unsecured	- Revolving credits	345,000	353,000
Secured	- Term loans	37,543	32,695
	- Finance lease	20	25
		382,563	385,720
Total		556,653	545,404

9. Earnings per ordinary share ("EPS")

Basic EPS

The calculation of the basic EPS was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	9 months ended 30 September 2018	2017 (restated)
Profit/(Loss) attributable to owners of the Company (RM'000)	23,398	(130,949)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	236,944	236,944
Basic EPS (sen)	9.87	(55.27)

Diluted EPS

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Dividend

No dividend was declared/or paid during the quarter under review.

11. Operating segments

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

The following summary describes the operations in each of the Group's existing reporting segments.

Property development	- Development and construction of residential and commercial properties (including sale of vacant land).
Construction	- Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).
Others	- Manufacture and sale of buildings and construction materials, provision of sand extraction and land filling services, 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development 2018 RM'000	Property development 2017 Restated RM'000	Construction 2018 RM'000	Construction 2017 Restated RM'000	Others 2018 RM'000	Others 2017 Restated RM'000	Inter-segment elimination 2018 RM'000	Inter-segment elimination 2017 Restated RM'000	Consolidated 2018 RM'000	Consolidated 2017 Restated RM'000
For the 9 months ended 30 September										
Revenue from external customers	116,024	89,962	304,499	146,808	18,426	24,180	-	-	438,949	260,950
Inter segment revenue	-	-	-	-	3,718	5,543	(3,718)	(5,543)	-	-
Total segment revenue	116,024	89,962	304,499	146,808	22,144	29,723	(3,718)	(5,543)	438,949	260,950
Segment profit/(loss)	9,730	3,204	17,953	(79,387)	(537)	(1,072)	(1,256)	(795)	25,890	(78,050)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(1,610)	(313)	2,719	832	-	-	-	-	1,109	519
- joint ventures	-	-	1,360	1,057	-	-	-	-	1,360	1,057
	8,120	2,891	22,032	(77,498)	(537)	(1,072)	(1,256)	(795)	28,359	(76,474)
Unallocated expense									(9,189)	(8,303)
Loss on disposal of interests in an associate, DEHB									-	(8,321)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									11,958	(24,996)
Tax expense									(6,623)	(12,291)
Profit/(Loss) for the period									24,505	(130,385)
Other comprehensive income/(loss), net of tax									2,172	(12,669)
Total comprehensive income/(loss) for the year									26,677	(143,054)
Non-controlling interests									(1,107)	(584)
Total comprehensive income/(loss) attributable to the owners of the Company									25,570	(143,618)

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Subsequent events

There are no material events subsequent to the end of the period reported on, that has not been reflected in the condensed consolidated interim financial statements for the said period, made up to the date of this quarterly report, other than those disclosed in Note 22 on the status update of corporate proposals.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2017 till the date of this quarterly report, except for those disclosed in Note 23.

14. Capital expenditure commitments

	30 September 2018 RM'000	31 December 2017 RM'000
Property, plant and equipment		
- Authorised but not contracted for	-	2,231
- Contracted but not provided for	23,522	29,852
	23,522	32,083

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2017.

16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel during the period under review are as follows:

	9 months ended 30 September 2018 RM'000	2017 RM'000
Directors of the Company	3,712	3,705
Other key management personnel	5,745	6,336
	9,457	10,041

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Related parties (continued)

ii) Other related party transactions

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions with associates				
Construction contract cost	124,095	80,988	(23,320)	(3,178)
Construction contract sum billed	(23,229)	(9,889)	3,875	2,844
Fee charged on management services rendered	(675)	(510)	-	-
Rental expense on machinery	167	593	-	-
Sale of construction raw materials	-	(1,101)	223	1,141
Sale of property, plant and equipment	-	(1,200)	-	-
	=======	=======	=======	=======

iii) Transaction with a company in which certain substantial shareholders have or are deemed to have interests

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental expense on properties	486	486	(1,159)	(498)
	=======	=======	=======	=======

iv) Transaction with key management personnel

	Transaction value 9 months ended 30 September		Balance outstanding as at 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of properties	779	-	753	-
	=======	=======	=======	=======

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

17. Review of Group performance

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	438,949	260,950
Operating profit/(loss)	32,683	(73,395)
Profit/(Loss) before tax	31,128	(118,094)

The Group recorded higher revenue of RM438.9 million for the period under review, as compared to RM261.0 million reported in the corresponding period of 2017. The increase was contributed by both Property and Construction divisions, which recorded a 78% increase in their revenue when compared against that achieved in the corresponding period of 2017, due to increased work progress and additional new property sales [see Note 17.1 (b) for details].

At the same time, the Group performance showed an improvement, from a loss before tax of RM118.1 million reported in September 2017 to a profit of about RM31.1 million. The Property and Construction divisions reported a combined profit of RM27.7 million during the 9-month period, against a loss of RM76.2 million registered in the corresponding period of 2017. At the same time, the Group's share of the results in Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), had also improved, from a loss of RM25.0 million in September 2017 to a profit of RM12.0 million in the current period under review.

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2018	30 June 2018
	RM'000	RM'000
Revenue	178,760	116,196
Operating profit	22,896	4,483
Profit/(Loss) before tax	33,865	10,242

When compared to the immediate preceding quarter (April to June 2018), the increase in both group revenue and profit before tax were mainly due to higher work progress achieved at site as well as higher new property sales secured during this 3-month period.

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

17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (continued) (September 2018 vs June 2018)

At the same time, the net share of profits from the associate, DEHB, had also improved from RM10.5 million in the immediate preceding 3-month period to RM13.7 million in the current 3-month period.

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1 below.

17.1 Review of performance of operating segments and current year prospects

a) Property

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	**2017 (restated)**
	RM'000	**RM'000**
Revenue	116,024	89,962
Segment profit	9,730	3,204

Property segment recorded an increase in its revenue and profit during the current period under view. The increase was partly contributed by increased work progress achieved. Higher new sales of about RM100.6 million (January to September 2017: RM92.9 million) also had led to the increase in the property revenue and profit during the 9-month period.

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

17. Review of Group performance (continued)

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

***a)* *Property* (continued)**

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current 3 months ended 30 September 2018 RM'000	Immediate preceding 3 months ended 30 June 2018 RM'000
Revenue	45,615	23,423
Segment profit	8,761	826

When compared to the immediate preceding quarter (April to June 2018), the increase in Property revenue and profit was partly due to higher work progress achieved during the 3-month period. At the same time, additional new sales of RM32.7 million were secured during this period, against that of RM23.8 million achieved in the immediate preceding 3-month period.

Prospects

We expect the property market to remain very challenging due to factors such as rising costs of doing business, increased competition and property stocks, weak buying sentiment, strict bank lending policy etc. In the near term, we will continue to focus on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching and put in various initiatives to sell off the existing property stocks.

At the same time, we have also adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to buyers' demand and market conditions. This will enable us to tailor better product development to suit the market. More medium range and affordable property will be introduced to local markets in the years to come.

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

17. Review of Group performance (continued)

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

b) Construction

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	304,499	146,808
Segment profit/(loss)	17,953	(79,387)

When compared to the previous 9 months ended 30 September 2017, Construction revenue and performance had substantially improved, which was in tandem with the increased work progress achieved from existing on-going projects.

The loss of RM79.4 million reported in last September 2017 was mainly due to additional loss provision of RM107 million for certain completed projects, made based on conservative management estimation on likely contract sum to be agreed with the clients (including possible likely prolongation and acceleration claims) as well as additional overheads to incur until the end of contract maintenance period.

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 September 2018	30 June 2018
	RM'000	RM'000
Revenue	126,853	86,658
Segment profit	11,796	7,134

When compared to the immediate preceding quarter (April to June 2018), the increase in Construction revenue and profit was mainly due to increased work progress achieved from the existing on-going projects.

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

17. Review of Group performance (continued)

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

b) Construction (continued)

Prospects

We continue to implement measures to improve efficiency and control costs. At the same time, we also enhance project monitoring to ensure projects are on schedule, improve risk management system and embark on tightening of internal controls for this segment.

With continuous efforts and resources invested to further improve our project deliverables, we will focus to complete the current outstanding order book at decent margin and within scheduled timeline. At the same time, we are cautious and selective in project tendering and focus particularly on those projects where we have proven records and experiences, supported with current project management resources.

c) Other Segment

Current 9-month vs corresponding preceding 9-month review (September 2018 vs September 2017)

	Cumulative quarters	
	9 months ended 30 September	
	2018	2017 (restated)
	RM'000	RM'000
Revenue	18,426	24,180
Segment loss	(537)	(1,072)

The drop in the revenue for Other segment was mainly due to lower trading sales, about 41% lower than that reported in the corresponding period of 2017. At the same time, Other segment registered lower loss of RM537,000, compared to RM1.1 million in September 2017, mainly attributable to some cost saving in utility consumption as well as scaling down of the premix operation.

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

17. Review of Group performance (continued)

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

c) Other Segment (continued)

Current 3-month vs immediate preceding 3-month review (September 2018 vs June 2018)

	Current 3 months ended 30 September 2018 RM'000	Immediate preceding 3 months ended 30 June 2018 RM'000
Revenue	6,292	6,115
Segment profit/(loss)	7	(1,184)

When compared to the immediate preceding quarter, Other segment showed an increase in revenue and performance during the current 3 months, mainly attributable to higher trading and quarry sale during the quarter.

The loss of RM1.2 million reported in the immediate preceding quarter was mainly due to the reclassification of overhead costs to this segment.

Prospects

The property investment and trading operations will continue to contribute positively to the Group results. In addition to retail property, we will be embarking on other types of commercial properties, for example hotel in Bintulu Paragon, for recurring income.

We will continue to improve the quarry operations and achieve economies of scale to manage fixed overheads costs.

17.2 Review of performance of major associate

Our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM66.5 million, against a loss of RM89.7 million registered in the corresponding period of 2017. The improvement in the DEHB performance was mainly due to higher maintenance work orders performed during the period under review.

18. Profit guarantee

The Group did not issue any profit guarantee.

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

19. Tax expense

Despite the group profit before tax of 16.7 million reported for the current 9-month period (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM6.6 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

20. Additional disclosures on loss before tax

	9 months ended 30 September	
	2018	**2017**
	RM'000	**RM'000**
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Loss/(Gain) on disposal of:		
- associate	-	8,321
- property, plant and equipment	(232)	(40)
- assets held for sale	-	(532)
Interest income from fixed deposits and cash funds	(519)	(305)
Other interest income	(5,690)	(6,611)
Amortisation of:		
- intangible assets	510	510
- investment properties	1,660	1,633
- prepaid lease payments	21	21
Depreciation of property, plant and equipment	6,305	5.536
Write back of LAD provision	-	(31,163)
Foreign exchange loss:		
- unrealised	131	1,380
- realised	33	-
Interest expense on loans and borrowings	22,191	19,874
Property, plant and equipment written off	57	107
Reversal of allowance for impairment loss on receivables	-	(12,000)

Save as disclosed, there were neither impairment of assets, provision for and write-off of inventories, gain or loss arising from disposal of financial derivatives or other exceptional items for the period under review.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 September 2018.

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NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Status of corporate proposals

Proposed Renounceable Rights Issue

On 30 August 2018, the Company is proposing to undertake a renounceable rights issue of up to 355,416,000 new ordinary shares ("Rights Share") at an issue price of RM0.45 per Rights Share, on the basis of three (3) Rights Shares for every two (2) existing shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company ("Entitled Shareholders") on the Entitlement Date ("Proposed Rights Issue").

Key features of the Proposed Rights Issue are summarised as follows:

<u>Proposed undertakings by major shareholders</u>

The Company intends to undertake the Proposed Rights Issue on a minimum subscription level basis where the Proposed Rights Issue would entail a minimum issuance of 222,222,222 Rights Shares to raise minimum gross proceeds of approximately RM100.00 million.

In order to meet the minimum subscription level, the Company had secured irrevocable and unconditional undertakings from its major shareholders, namely Datuk Amar Abdul Hamed Bin Haji Sepawi ("Datuk Amar"), Datuk Hasmi Bin Hasnan ("Datuk Hasmi") and persons acting in concert with them ("PACs") to subscribe for their respective entitlements based on their shareholdings as at the Entitlement Date, and at the same time apply for an additional 79,979,247 Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s) by way of excess Rights Shares applications ("Proposed Undertakings").

On the basis that the Proposed Undertakings and the minimum subscription Level will be fulfilled via the Proposed Undertakings, the Company is not expected to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other entitled shareholders.

<u>Proposed exemption</u>

As the Proposed Rights Issue is to be undertaken on a minimum subscription basis, which is premised on the minimum subscription level being fulfilled via the Proposed Undertakings, Datuk Amar, Datuk Hasmi and their PACs intend to submit an application to the Securities Commission ("SC") for the grant of an exemption to undertake a Mandatory Offer upon completion of the Proposed Rights Issue. In the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue will not be implemented as the Proposals are inter-conditional.

BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

22. Status of corporate proposals (continued)

Proposed Renounceable Rights Issue (continued)

Proposed utilisation of proceeds

Based on the issue price of RM0.45 for each Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM100.00 million under the minimum subscription level and up to approximately RM159.94 million under the maximum subscription level. The proceeds arising from the Proposed Rights Issue will be used to finance the property development activities of the Group as well as partial repayment of borrowings of the Group.

As at the date of this report, the Company has secured the following approvals in respect of the Proposed Rights Issue:

a. Approval by Bursa Securities on 10 October 2018 for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities; and

b. Approval by shareholders of the Company at an Extraordinary General Meeting held on 13 November 2018.

As the Proposed Rights Issue and the Proposed Exemption are inter-conditional, the Proposals are also subject to approval by the SC in respect of the Proposed Exemption. The application to the SC for the Proposed Exemption has been made on 16 November 2018 after the Proposals have been approved by the shareholders at the EGM.

Further details of the Proposed Rights Issue and its latest status are set out in the separate announcements made to Bursa Malaysia.

23. Update of material litigations status

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.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)

QUARTERLY REPORT - FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

23. Update of material litigations status (continued)

Land issue (continued)

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.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.

25. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 November 2018.

BUILDING VALUE IN EVERY WAY

NAIM

Date: 12 December 2018

To: The Shareholders of Naim Holdings Berhad ("Naim")

Dear Sir / Madam,

On behalf of our Board of Directors of Naim ("**Board**"), I wish to report, after making due enquiries in relation to the interval between 31 December 2017 (being the date to which the last audited consolidated financial statements of Naim and its subsidiaries ("**Naim Group**") have been made up) and the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:

(i) the business of the Naim Group has, in the opinion of our Board, been satisfactorily maintained;

(ii) in the opinion of our Board, no circumstance has arisen since the last audited consolidated financial statements of the Naim Group which has adversely affected the trading or the value of the assets of the Naim Group;

(iii) the current assets of the Naim Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in Section 9.3 of this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by the Naim Group;

(v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Naim Group since the last audited consolidated financial statements of the Naim Group; and

(vi) save as disclosed in Section 6 of Appendix II and Appendix V of this Abridged Prospectus, there has been no material change in the published reserves or any unusual factor affecting the profits of the Naim Group since the last audited consolidated financial statements of the Naim Group.

Yours faithfully,
For and on behalf of the Board of
NAIM HOLDINGS BERHAD

Wong Ping Eng
Deputy Managing Director

Please direct correspondences to: NAIM HOLDINGS BERHAD
(Company No. 585467-M)
9th Floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak
P.O. Box 2843, 93756 Kuching, Sarawak, Malaysia
Tel: 082-411 667 Fax: 082-429 869
KUALA LUMPUR • KUCHING • MIRI • BINTULU
www.naim.com.my

1. SHARE CAPITAL

(a) Save for the Rights Shares, no other securities of our Company will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.

(b) As at the date of this Abridged Prospectus, there is only one (1) class of shares in our Company, namely ordinary shares in the share capital of our Company, all of which rank *pari passu* with one another.

(c) As at the date of this Abridged Prospectus, save for the Entitled Shareholders and/or their renouncee(s) and/or transferee(s), where applicable, who will be provisionally allotted with the Rights Shares under the Rights Issue, no person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option.

2. REMUNERATION OF DIRECTORS

The following provisions are extracted from our Company's Constitution in relation to the remuneration of the Directors. Terms used below will have the same meanings as defined in our Company's Constitution unless they are otherwise defined below or the context otherwise requires.

Article 94 – Directors' Remuneration

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine. PROVIDED ALWAYS that:-

(a) fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;

(b) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting. Any Director holding office for a part of a year shall be entitled to a proportionate part of such fee; and

(d) any fees paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 95- Reimbursement of Expenses

(a) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.

(b) If any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any purpose of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such remuneration may be either in addition to or in substitution for his share in the remuneration from time to time provided for the Directors.

Article 120(a) – Director Power to Nominate Alternate Director

Each Director shall have power from time to time, to nominate any person (not being a Director) to act as his alternate Director and at his discretion remove such alternate Director, but the appointment of such alternate Director shall not take effect until approved by a majority of the other Directors PROVIDED ALWAYS that any fee paid by the Company to an alternate Director shall be deducted from that Director's remuneration.

Article 122 – Remuneration of Director Holding Executive Office

The remuneration of a Director holding an executive office pursuant to these Articles shall be fixed by the Directors and may be payable by way of salary or commission or participation in profits of the Company or of any other company in which the Company is interested, or by any or all of those modes, or otherwise as may be thought expedient but shall not include a commission on or percentage of turnover, and it may be made a term of such appointment or appointments that the appointee or appointees shall receive a pension, gratuity or other benefits for their retirements.

3. MATERIAL CONTRACTS

There are no other material contracts, not being contracts in the ordinary course of business which have been entered into by our Group within two (2) years preceding the date of this Abridged Prospectus.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, Naim Group is not engaged in any other material litigation, claims and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and our Board confirms that there are no other proceeding which is pending or threatened against the Naim Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Group:-

(i) On 20 March 2017, 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 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 has filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling. As at the LPD, the Court of Appeal has yet to fix a hearing date for the appeal against the Judge's ruling on the striking-out application. The trial fixed on 21 to 25 May 2018 has also been vacated pending the outcome of the appeal.

The solicitors acting for NLSB is of the view that NLSB has a reasonable chance of success in the appeal.

(ii) On 25 April 2017, NESB received a payment claim amounting to RM17,227,919.60 from its subcontractor, Isogress Construction Sdn. Bhd. ("**Isogress**"), under the Construction Industry Payment and Adjudication Act 2012 under which Isogress claims that NESB had wrongfully taken over its sub-contract works under the project known as "Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang Package S4: Construction and Completion of Elevated Stations and Other Associated Works at Seksyen 16, Pusat Bandar Damansara and Semantan".

NESB had issued a payment response to Isogress on 11 May 2017 and counterclaimed, amongst others:-

(a) that there has been an overpayment by NESB to Isogress in the sum of RM2,361,127.80 for work completed as at 25 September 2017;

(b) that there is an outstanding payment due to NESB by Isogress in the sum of RM7,804,499.07 as at 29 February 2016 for payments made by NESB to third parties on behalf of Isogress for materials, supplies, equipment and machinery as well as other miscellaneous items for the sub-contract works; and

(c) payment made by NESB on behalf of Isogress in the sum of RM433,378.69 due to the failure, neglect and/or omission on the part of Isogress to make payment of wages to its workmen for the months of October and November 2014,

all of which NESB is seeking to pursue as set-off and/or counterclaim against Isogress.

As at the LPD, Isogress has not issued any notice of adjudication. The solicitors acting for NESB is of the view that NESB has a reasonable chance of success in defending an action by Isogress and to claim for overpayment to Isogress.

5. GENERAL

(a) Save as disclosed in Sections 6, 7 and 9 of this Abridged Prospectus and Section 6 of Appendix II of this Abridged Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;

(ii) material commitments for capital expenditure of our Group;

(iii) unusual, infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations;

(iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income; and

(v) material information, including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(b) As at the LPD, there is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

6. CONSENTS

(a) The Principal Adviser, the Solicitors for the Rights Issue, the Share Registrar, the Principal Bankers and our Company Secretaries have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus;

(b) Bloomberg has given and has not subsequently withdrawn its written consent for the inclusion in this Abridged Prospectus of its name and citation of the market data of Naim Shares and all references thereto in the form and context in which they appear in this Abridged Prospectus;

(c) CH Williams Talhar Wong & Yeo has given and has not subsequently withdrawn its written consent for the inclusion of its name, references thereto in the form and context in which they are included in this Abridged Prospectus including the extract of its report titled 'Sarawak Property Bulletin – 1st Half 2018 Property Market Review & Outlook' and; and

(d) The Auditors and the Reporting Accountants, have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their name and all reference thereto in the form and context in which they appear in this Abdriged Prospectus, including the proforma consolidated statement of financial position of our Group as at 31 December 2017 together with the Reporting Accountants' letter thereon and the audited consolidated financial statements of our Group for the FYE 31 December 2017 together with the auditors' report thereon.

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7. CONFLICT OF INTEREST

AmInvestment Bank

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of Naim Group.

As at the LPD, the AmBank Group has extended certain credit facilities amounting to approximately RM175.58 million to Naim Group. The said facilities represent less than 0.18% compared to the audited consolidated loans, advances and financing of AMMB Holdings Berhad as at 31 March 2018.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Rights Issue does not give rise to a conflict of interest situation in view that:-

(i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Rights Issue is in the ordinary course of business; and

(ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each departments and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

In addition, depending on any changes in the mode of funding by the Undertaking Shareholders, AmBank Group may extend credit facilities to the Undertaking Shareholders to partially fund their subscription of Rights Shares pursuant to the Undertakings. Any such credit facilities to be extended to the Undertaking Shareholders by AmBank Group will be in the ordinary course of its banking business and are not conditional upon AmInvestment Bank being appointed as the Principal Adviser for the Rights Issue.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except public holidays) at our Registered Office for a period of twelve (12) months from the date of this Abridged Prospectus:

(a) our Constitution;

(b) the certified true copy of the extract of the ordinary resolutions in respect of the Rights Issue and Exemption passed at our EGM convened on 13 November 2018, as set out in Appendix I of this Abridged Prospectus;

(c) the proforma consolidated statement of financial position of our Group as at 31 December 2017 together with the Reporting Accountants' letter thereon, as set out in Appendix III of this Abridged Prospectus;

(d) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;

(e) the letters of consent referred to in Section 6 of this Appendix VII of this Abridged Prospectus;

(f) the writ and relevant cause papers in relations to the material litigation matters as set out in Section 4 of this Appendix VII of this Abridged Prospectus;

(g) the undertaking letters dated 21 September 2018 from each of the Undertaking Shareholders in relation to the Undertaking referred to in Section 2.3 of this Abridged Prospectus; and

(h) the audited consolidated financial statements of our Group for the FYE 31 December 2016 and the FYE 31 December 2017 as well as the latest unaudited consolidated financial statements for the FPE 30 September 2018.

9. RESPONSIBILITY STATEMENTS

(a) Our Board has seen and approved the Abridged Prospectus and all the documentation relating to the Right Issue. The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in the Documents false or misleading.

(b) AmInvestment Bank, being the Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.

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