

Annual Report 2006
(Revised Cover)

NAIM

NAIM CENDERA HOLDINGS BERHAD

COMPANY NO. 585467-M ♦ INCORPORATED IN MALAYSIA

**Ranked Top 20
Overall for Corporate
Governance**

**RM3.5 Billion
Order Book
(Page 20)**

**Revenue grew 24.3%
to RM526 million**

**Shareholders
enjoy a 260% return
on investment in
just 3½ years**

**Land Bank approx.
3,100 acres with estimated
GDV RM4.8 Billion**

www.naimcendera.com





cover rational



Our cover this year uses a bold and hard-hitting format to reinforce our reputation for vibrant and continuing growth. The central motif is an artist's impression of our proposed new corporate headquarters, to be located in central Kuching. The building, when complete, will house the Group's headquarters management team, as well as a number of prestigious corporate tenants, and will feature state-of-the-art facilities designed to position it as one of the city's key commercial hubs.

logo rational



NAIM CENDERA HOLDINGS BERHAD

The Logo type display the word Naim in green, red and gold colours which reflet the group's strength and capabilities. Green represents growth, sincerity and fairness, red represents strength and prosperity, whilst gold represents excellence and superior quality.

The word Naim is intersected by the apex of a toroid, a ring-like shape possessing exceptional strength, stability and integrity. The conjunction of the golden letter A and the toroid suggests a dazzling sunrise, predicting a shining long-term future for the group.

contents



3	vision and mission statement
4	10-year financial highlights
6	share performance
7	cautionary statement regarding forward-looking statements
8	corporate information
9	corporate structure
10	organizational structure
12	corporate profile
14	message to our shareholders
23	review of operations
30	board of directors
38	senior management team
40	senior management
44	audit committee
47	corporate governance
67	statement of internal control
68	corporate citizenship
70	naim group in the news
72	diary of corporate events
78	economic outlook
80	financial statement
132	analysis of shareholdings
134	list of properties
138	notice of annual general meeting
143	form of proxy

A large construction crane is silhouetted against a vibrant sunset sky. The crane's lattice structure and cables are clearly visible, extending from the bottom left towards the top right. The sky transitions from a deep orange near the horizon to a lighter yellow at the top. In the background, a city skyline is faintly visible under the twilight.

our vision

To be the leading home builder and contractor in every market in which we operate, and in every aspect of our operations, leading the way in quality, reliability, and value for money.

our mission

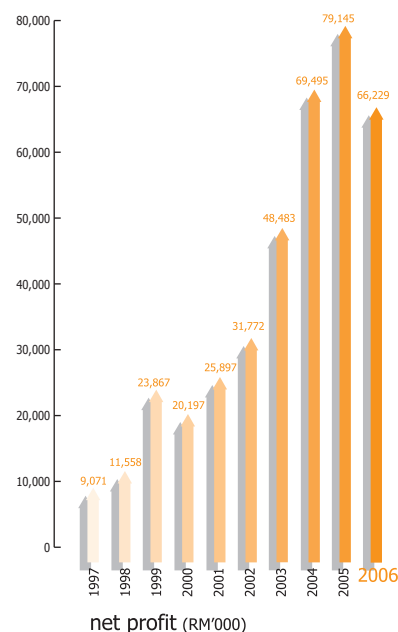
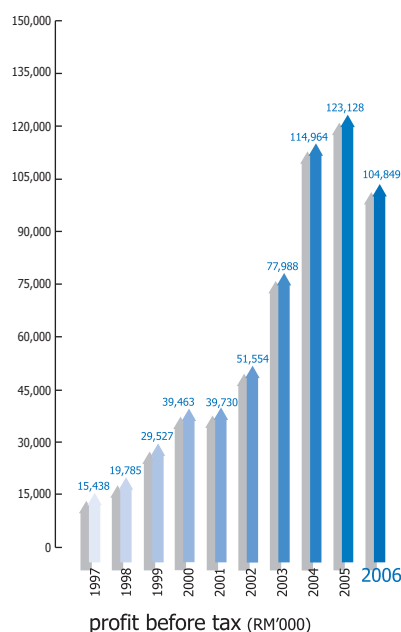
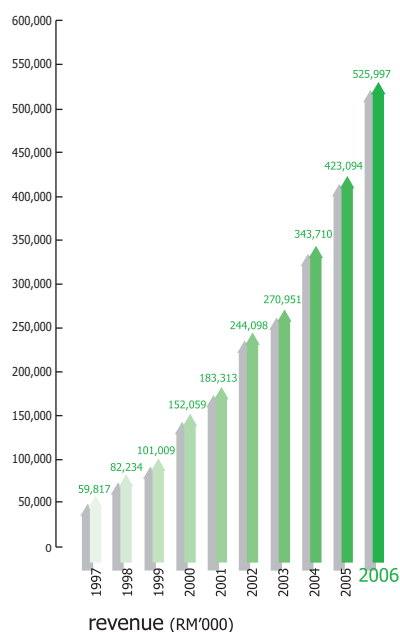
- ◆ To provide the finest products and services to our customers.
- ◆ To provide increasing value and superior returns for our shareholders.
- ◆ To empower every member of our staff to develop their potential to the maximum.
- ◆ To be a role model customer for our suppliers, sub-contractors and service providers.
- ◆ To contribute meaningfully and positively to the community and the society that nurtures us.

10-year financial highlights (in RM '000)

Year	1997	1998	1999	2000	2001
Revenue	59,817	82,234	101,009	152,059	183,313
Profit before taxation	15,438	19,785	29,527	39,463	39,730
Net Profit	9,071	11,558	23,867	20,197	25,897
Total Assets	58,862	61,425	100,893	144,862	191,583
Net Tangible Assets	15,770	27,310	45,443	61,194	81,175
Shareholders' Equity	15,770	27,310	46,195	61,392	81,289
Total Number of Shares	203,425	203,425	203,425	203,425	203,425
Earnings Per share (sen)	4.46	5.68	11.73	9.93	12.73
Gross Dividend Rate (%) *	-	-	2.46%	2.46%	2.95%
Net Tangible Assets Per Share (sen)	7.75	13.42	22.34	30.08	39.90
Gearing Ratio	0.42	0.04	0.06	0.06	0.09

* Based on the gross dividend declared and paid by Naim Cendera Sdn. Bhd. of RM5,000,000, RM6,000,000 and RM6,000,000 in respect of financial years ended 31 December 2000, 2001, 2002 respectively and the number of shares assumed in issue of 203,425,000 shares. In 2003 the gross dividend paid was RM22,500,000 based on the number of shares in issue, i.e. 250,000,000 shares.

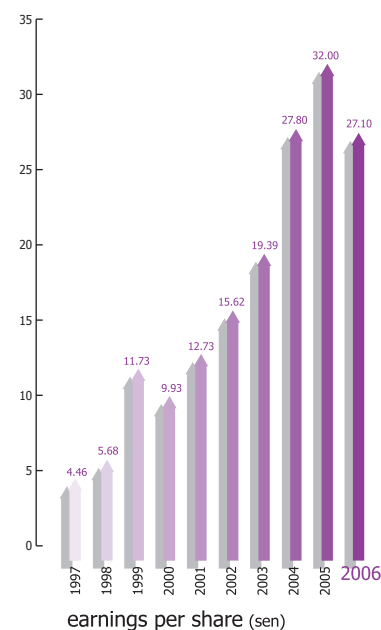
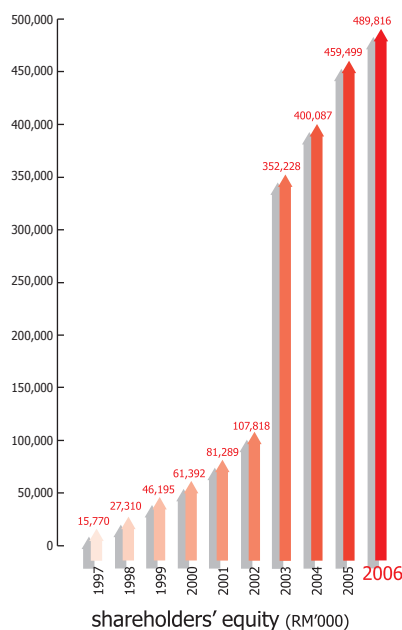
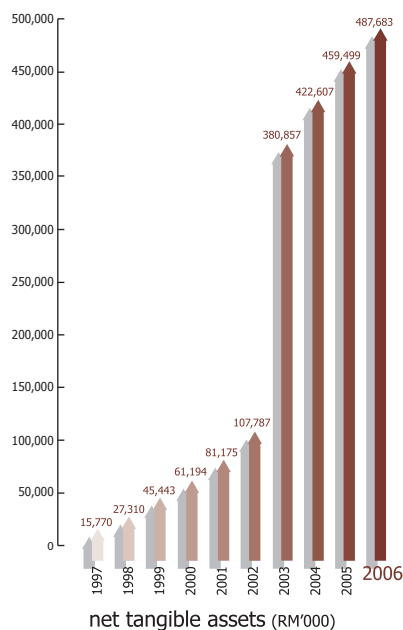
From 2004 onwards, gross dividends paid refer to dividends paid by Naim Cendera Holdings Berhad.



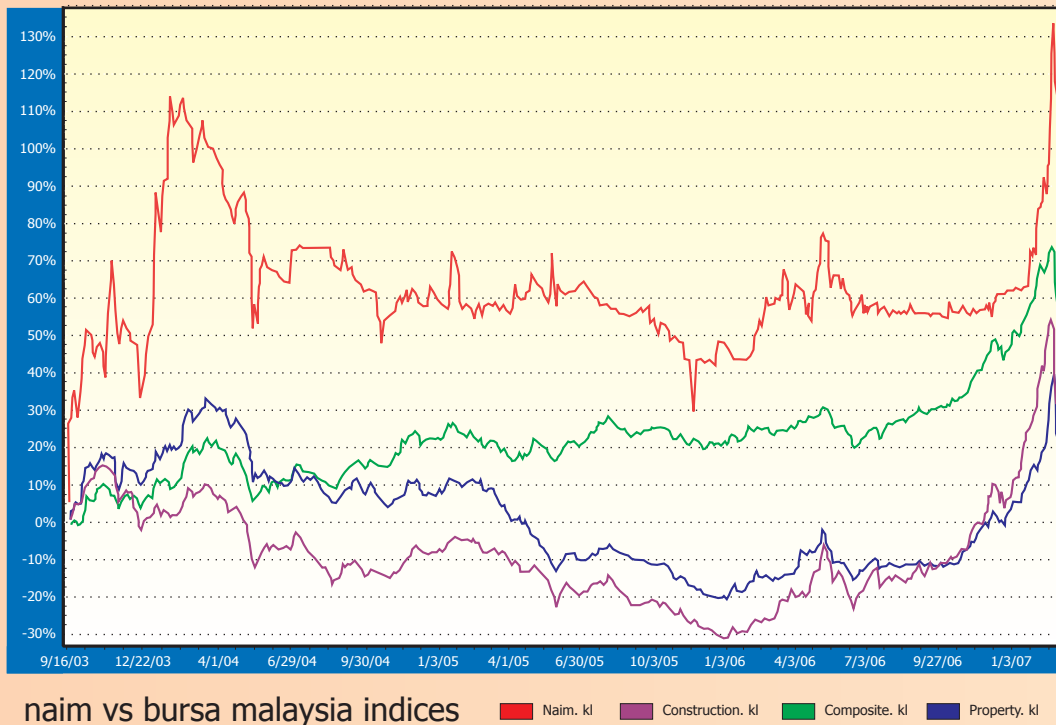
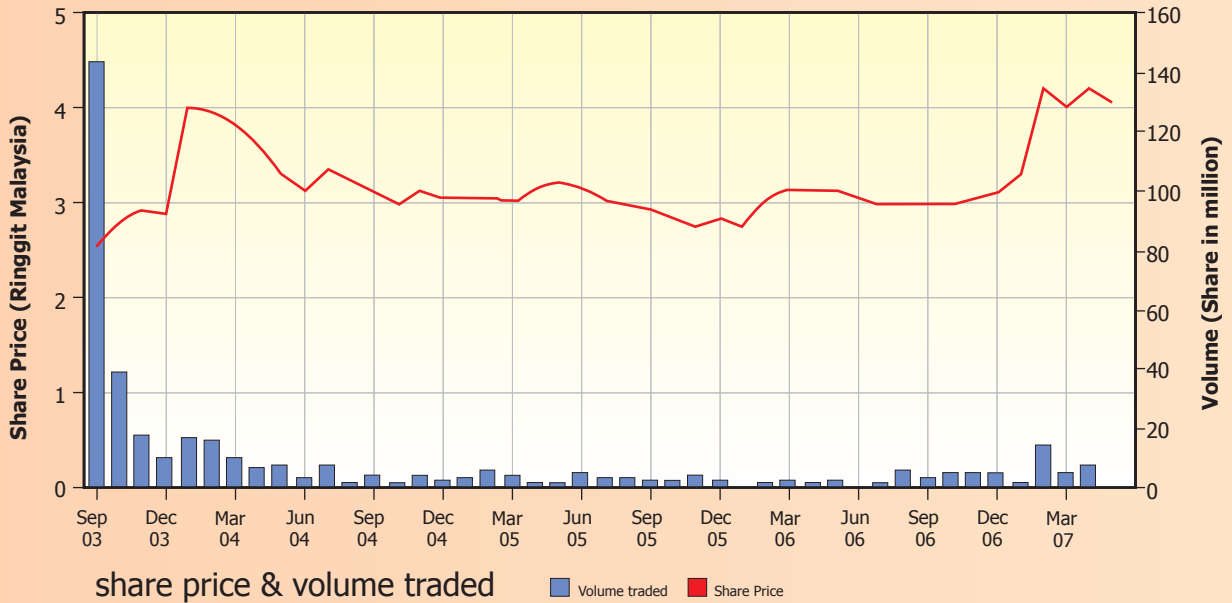
	2002	2003	2004	2005	2006
	244,098	270,951	343,710	423,094	525,997
	51,554	77,988	114,964	123,128	104,849
	31,772	48,483	69,495	79,145	66,229
	222,851	567,301	657,481	710,277	793,841
	107,787	380,857	422,607	459,499	487,683
	107,818	352,228	400,087	459,499	489,816
	203,425	250,000	250,000	250,000	250,000
	15.62	19.39	27.80	32.00	27.10
	15.24%	9.00%	12.00%	12.00%	15.00%
	52.99	152.34	169.04	183.80	195.07
	0.07	0.006	0.002	0.001	0.007

Note:

The financial highlights for the years ended 31 December 1997 to 2002 are presented on a pro-forma basis (as if Naim Cendera Sdn Bhd (NCSB) and its subsidiaries were part of the Naim Cendera Holdings Group since 1 January 1997), and are for illustrative purposes only.



share performance



Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains some forward-looking statements in respect to the Naim Group's financial condition, results of operations and business. These forward-looking statements represent the Naim Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. In this respect readers must therefore not rely solely on these statements in making investment decisions regarding the Naim Group. The Board and the Naim group shall not be responsible for any investment decisions made by the readers in reliance on those forward-looking statements. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise in the interim of the publication of this Annual Report and the time of reading this Annual Report. The Board have however established a Risk Management Committee to mitigate as much as practicably possible the consequences of any uncertainties and contingencies. Further details can be found in the Statement on Corporate Governance on pages 47 to 66.

corporate information



Wisma Naim

NAIM CENDERA HOLDINGS BERHAD

BOARD OF DIRECTORS

Chairman

Datuk Abdul Hamed Bin Haji Sepawi

Managing Director

Datuk Hasmi Bin Hasnan

Deputy Managing Director

Dr. Sharifuddin Bin Abdul Wahab

Executive Directors

Ahmad Bin Abu Bakar
Ir. Suyanto Bin Osman
Kueh Hoi Chuang
Abang Hasni Bin Abang Hasnan

Senior Independent Non-Executive Director

YB Tuan Haji Hamdan Bin Haji Ahmad

Non-Executive Director

Ir. Haji Abang Jemat Bin Abang Bujang

Independent Non-Executive Director

Sylvester Ajah Subah @ Ajah Bin Subah
Datu Haji Abdul Rashid Bin Mohd Azis
Professor Abang Abdullah Bin Mohamad Ali

Company Secretaries

Kho Teck Hock (MIA 5836)
Bong Siu Lian (MAICSA 7002221)

Registered and Head Office

9th Floor Wisma Naim, 2½ Mile,
Rock Road, 93200
Kuching, Sarawak, Malaysia.
Tel: 6 082 411667 Fax: 6 082 233667
Email: enquiries@naimcendera.com
Website: www.naimcendera.com

Registrars

Tenaga Korperat Sdn. Bhd.
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur.
Tel: 6 03 40416522
Fax: 6 03 40426352

Stock Exchange Listing

Main Board
On 12 September 2003
Sector: Property
Stock Code: 5073
Stock Name: Naim

Incorporation

5 July, 2002 in Malaysia
Under the Companies Act, 1965

Auditors

KPMG (Firm No AF0758)
Chartered Accountants
Level 6, Westmoore House,
Twin Tower Centre, Rock Road
93200, Kuching, Sarawak, Malaysia.

Solicitors

Alvin Chong & Partners Advocates
Lots 176-177 (2nd Floor), Jalan Song Thian
Cheok 93100 Kuching, Sarawak,
Malaysia.

Principal Bankers

Bumiputra-Commerce Bank Berhad
Ground Floor Lot 1.1, Bangunan Satok
Jalan Satok/Kulas 93400,
Kuching, Sarawak, Malaysia.

Malayan Banking Bhd

4th Floor, Crown Towers, 88 Jalan Pending
93400, Kuching, Sarawak.

Headquarters

9th Floor, Wisma Naim, 2½ Mile,
Rock Road 93200, Kuching, Sarawak,
Malaysia.

Kuching Offices

Business Development Division

Lot 2672 & 2673, Level 7, Westmoore
House, 2½ Mile, Rock Road 93200,
Kuching, Sarawak, Malaysia.

Accounts Department

Sublot 12, 2nd floor, Lot 2678, Block 10,
2½ Mile, Rock Road 93200,
Kuching, Sarawak, Malaysia.

Finance Division

Sublot 12, 3rd Floor, Lot 2678, Block 10,
2½ Mile, Rock Road 93200,
Kuching, Sarawak, Malaysia.

Corporate Affairs Division

Sublot 12, 3rd Floor, Lot 2678, Block 10,
2½ Mile, Rock Road 93200,
Kuching, Sarawak, Malaysia.

Property Division

Sublot 1, Lot 676, 1st & 2nd floor,
Eastmoore Centre, 2½ Mile, Rock Road
93200, Kuching, Sarawak, Malaysia.

Construction/QS Division

1st & 2nd Floor, Sublots 3 & 4, Survey Lots
3165 & 3166, Block 10 KCLD, Rock Road
93200, Kuching, Sarawak, Malaysia.

Trading/Services Division

2nd Floor, No. 16, Lot 2348, Jalan Tun
Ahmad Zaidi Adruce 93150, Bromill Estate
Commercial Centre, Kuching, Sarawak,
Malaysia.

Miri Offices

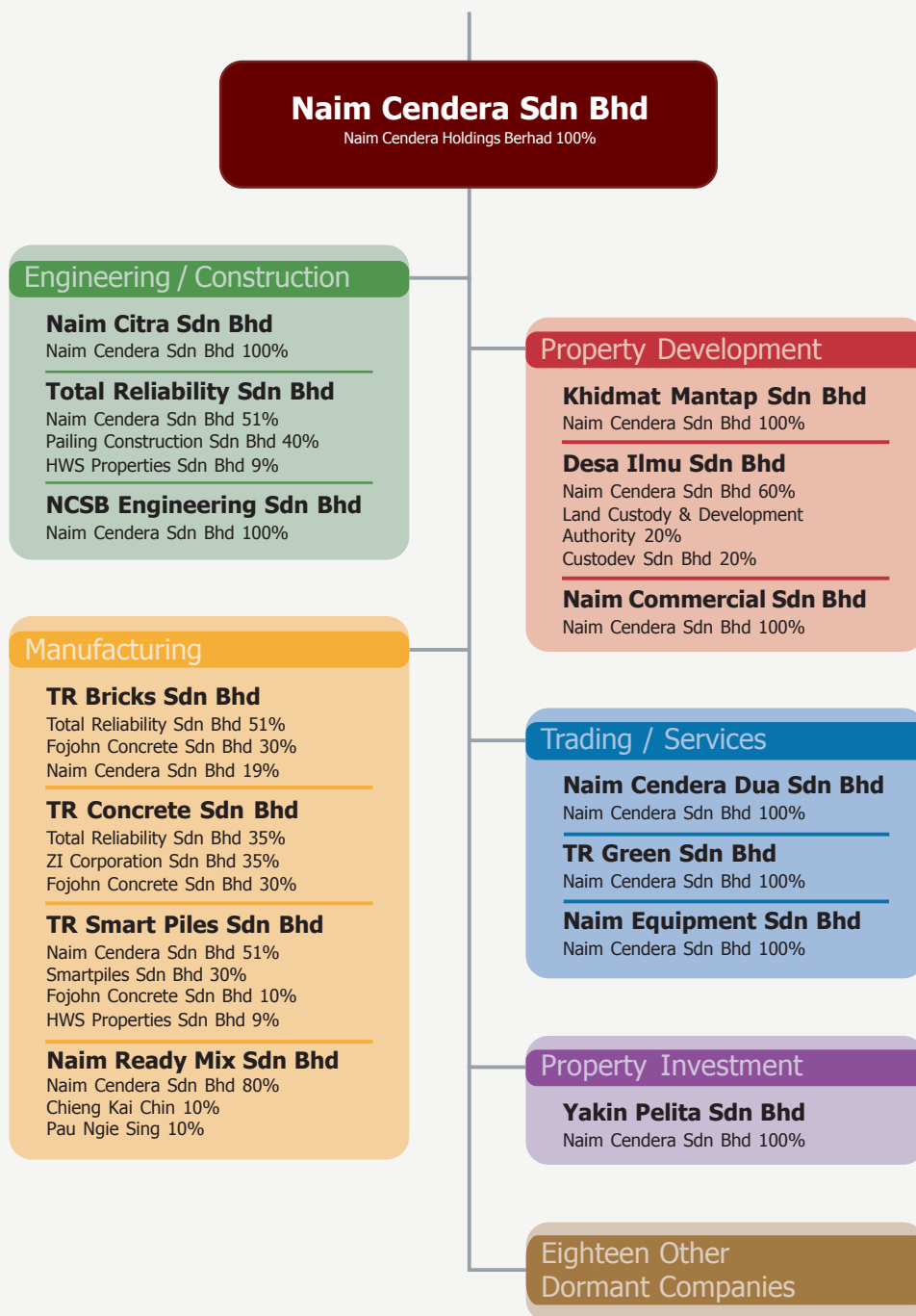
Ground Floor, Lot 889, 9 MCLD, Miri
Waterfront, Commercial Centre,
98000 Miri, Sarawak, Malaysia.

Lot 5906-5911, Block 10, Desa Pujut
Shoplot, Bandar Baru Permyjaya,
P.O. Box 369, 98107, Lutong, Miri,
Sarawak, Malaysia.

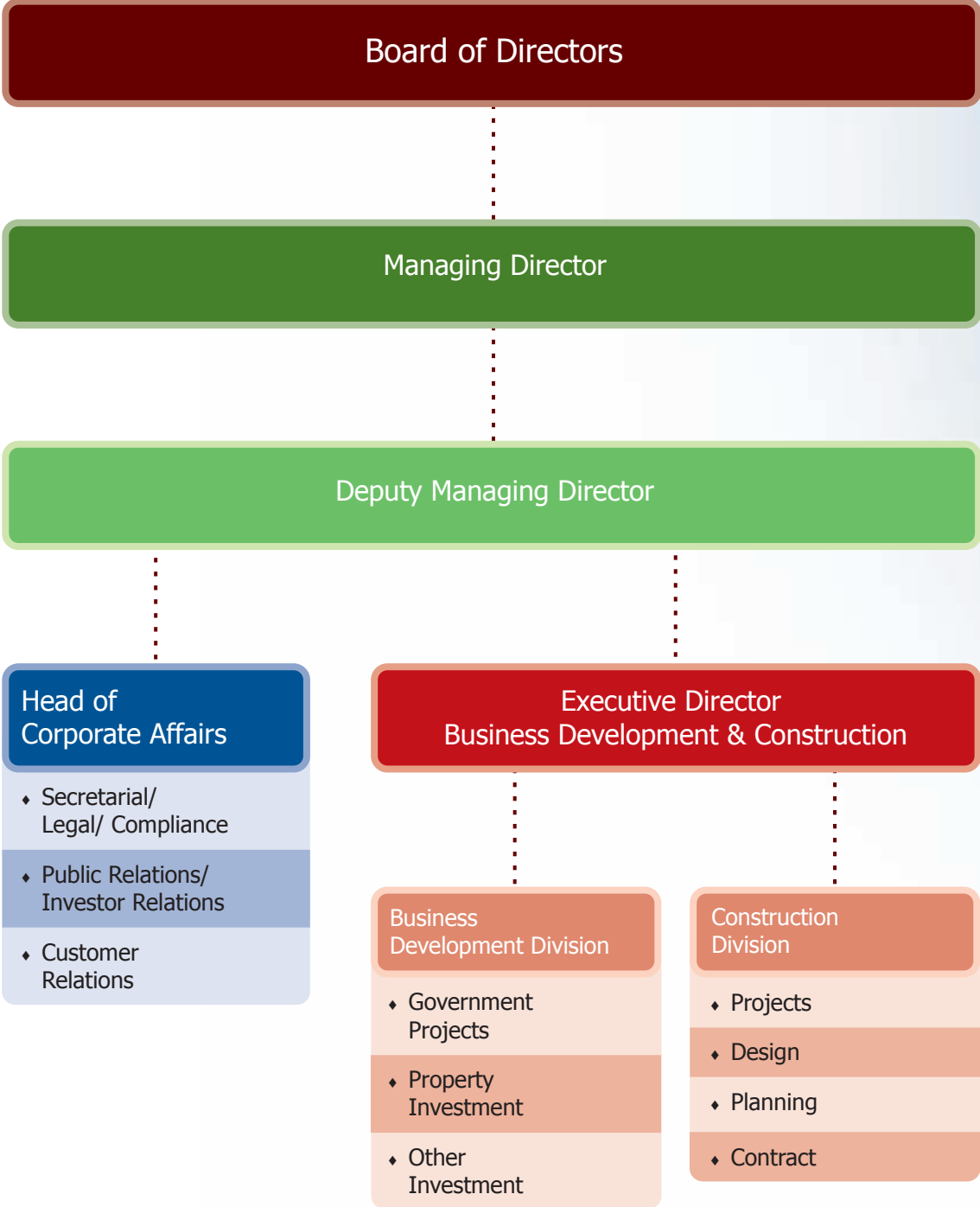
Bintulu Office

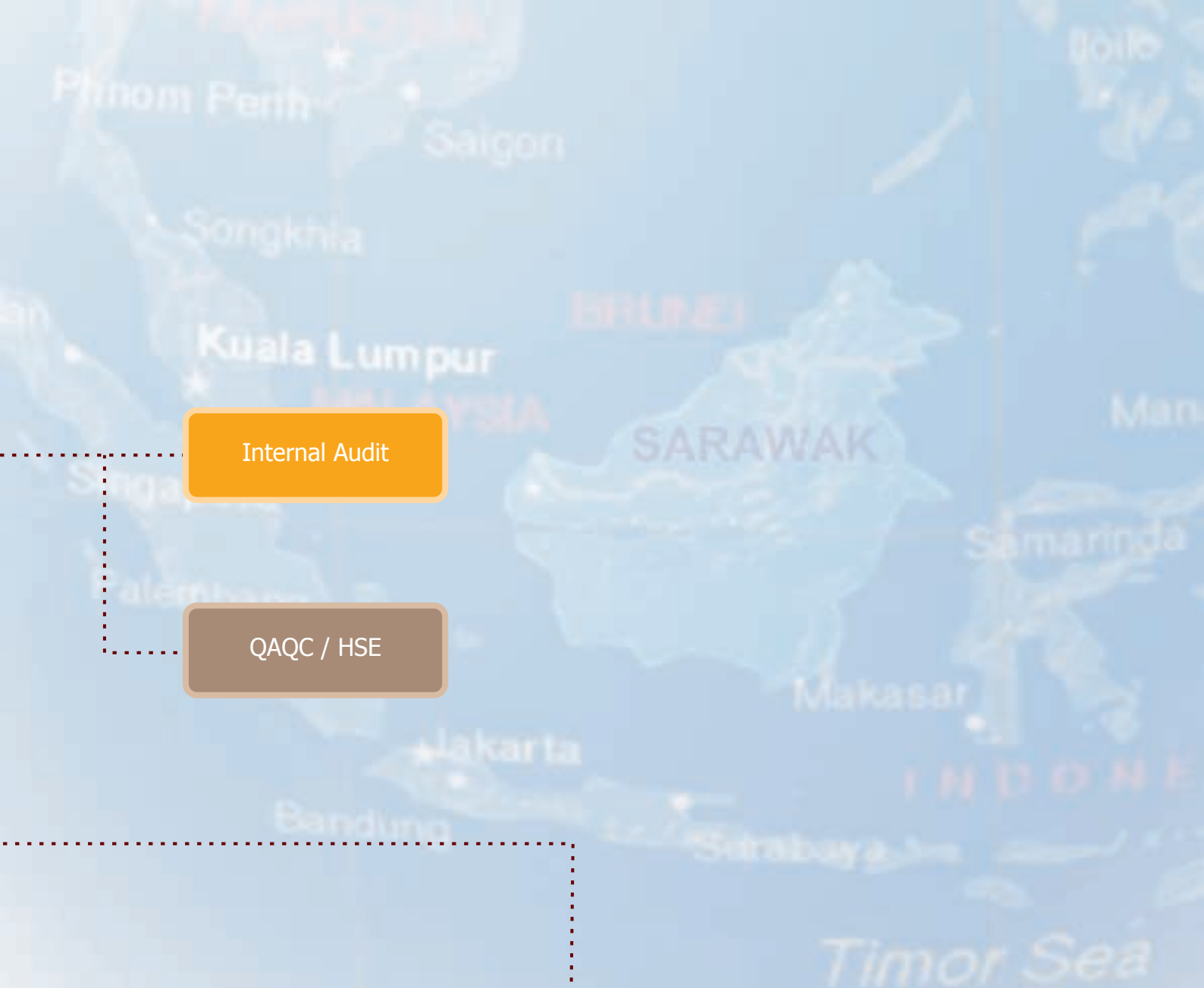
Sublot 2, Lot 220, B1-32, Batu 6,
Jalan Bintulu-Sibu, P.O. Box 163, 97000,
Bintulu, Sarawak, Malaysia.

corporate structure



organisational structure





Internal Audit

QAQC / HSE

Executive Director
Finance & Operations

Property Division

- ◆ Quantity Surveying
- ◆ Projects
- ◆ Land Administration
- ◆ Sales

Manufacturing & Trading Division

- ◆ Trading
- ◆ Manufacturing

HR & Facilities Management Division

- ◆ Human Resource
- ◆ Facilities Management

ICT Division

- ◆ IT Infrastructure
- ◆ IT Applications

Finance Division

- ◆ Corporate Planning
- ◆ Accounts
- ◆ Credit Control

corporate profile



Naim Cendera Holdings Berhad is a company listed on the Main Board of Bursa Malaysia Berhad.

The Company is the holding company for its 100% owned subsidiary, Naim Cendera Sdn Bhd (NCSB), which is primarily involved in property development and construction. NCSB was formed on 12 April 1993 and has been active in the property and construction fields since September 1995. It focuses its business efforts on two principal areas: integrated property developments combining residential, commercial and industrial properties with infrastructure and public amenities; and contracting of construction, civil engineering and infrastructure projects.

NCSB's flagship property developments are Bandar Baru Permyjaya in Min, Desa Ilmu in Kota Samarahan, and the up-market Riveria satellite township in Kuching's southern corridor. They are reinforced by a number of smaller residential and commercial developments in Sarawak's major population centres. Together these developments will provide more than

23,000 homes and commercial buildings with a combined population of over 105,000. Upon completion, their combined GDV is estimated to be in excess of RM3.3 billion. Future growth is assured by a vast land bank of over 2,600 acres, spread through out key growth areas of Sarawak.

NCSB is also a Class A Bumiputera Contractor with ISO 9002 certification. As well as implementing the NCSB's own development projects, it has carried out almost RM1 billion of Federal and State Government contracts, and has a construction order book worth over RM3.5 billion. It focuses on excellent quality and timely delivery, a philosophy that has earned NCSB a host of industry awards including the following:

2005 Winner of the **17th International Construction & Global Quality Management (GQM) Award**, European Trade Leaders' Club, Madrid, Spain.

2005 Winner of the **Corporate, Social & Environment Responsibility (CSR) Award** from the Bahrain Malaysia International Trade & Investment Bureau.

2005 Winner of the **KPMG Shareholder Value Award 2004** Construction & Properties Sector, awarded by KPMG and The Edge.

2004 Winner of the prestigious **Builder Of The Year Award** from the Construction Industry Development Board.

2004 Bestowed **Industry Excellence for Construction Award** under the Malaysia Canada Business Council's Business Excellence Awards for 2004.

2004 Winner of the **Malaysia Construction Industry Excellence Award (MCIEA)** in Medium Scale Engineering Project from the Construction Industry Development Board.

2003 Winner of the **Malaysia Construction Industry Excellence Award (MCIEA)** in Medium Scale Building Project from the Construction Industry Development Board.

2003 Winner of **Most Outstanding Annual Corporate Report** (non-listed company) from the Sarawak Chamber of Commerce & Industry.

2002 First (and still the only) Sarawak-based company to win the Construction Industry Development Board's **Best Contractor Award**.

NCSB is also active in the manufacturing, trading and distribution of building materials, which provides useful profits as well as valuable support for the Property and Infrastructure divisions.

Naim Cendera Holdings Berhad was listed on the Main Board of Bursa Malaysia Berhad on 12 September 2003. It is the largest development group in Sarawak in terms of units completed, according to leading industry analysts CH Williams Talhar Wong & Yeo Sdn Bhd.



message to our shareholders



On behalf of the Board of Directors it gives us great pleasure to present your Company's Annual Report for the year ended 31 December 2006, our 11th full year of operation.

Financial Performance

The Group recorded **24.3% increase in revenue to RM526 million** in the period under review, as against RM423 million for 2005. Profit before tax was RM104.9 million, compared to RM123.1 million achieved in 2005. Contribution to revenue from the property division was 41%, with the construction division contributing a further 52%, compared to contributions of 73% and 23% for these respective divisions in 2005. Thus the provisional results for 2006 are slightly below expectations, with basic earnings of 27.1 sen per ordinary share compared to 32.0 sen in 2005.

This is the first and only time that the Group has performed below expectations in 11 years of operation, and given our previous track record of 10 years continuous growth in revenue and profits, these results can only be described as disappointing. However, the major factors affecting the Group's overall performance were unfortunately beyond our control. For the record, the main factors for the below par results were the delays in commencement of two major construction projects – the Bengoh Dam and the Sibul-Matadeng Road – and a distinct softening of the property market in Kuching (although the Miri property market remained firm).



Comparative Financial Performance 2005-2006

Year	Revenue (RM million)	Gross Profit (RM million)	Net Profit (RM million)	Earnings Per Share(Sen)	Net Tangible Assets (RM million)	Shareholders' Funds (RM million)	Market Capitalisation (RM million)	Gross Profit as % of		
								Revenue	Assets	Equity
2005	423.094	135.568	79.145	32.000	459.499	459.499	745.000	32.04	19.09	29.50
2006	525.997	121.331	66.229	27.100	487.683	489.816	780.000	23.07	15.28	24.77
% change	+24.32	-10.50	-16.32	-15.31	+6.13	+6.6	+4.70	-28.01	-19.92	-16.04

Growth in Investor Returns 2005-2006

Year	Gross Dividend Per Share (Sen)	Net Dividend Per Share (Sen)	% of Profit	Gross Dividend Yield (%)
2005	12.00	8.64	27.00	4.03
2006	15.00	10.80	39.85	4.81
% change	+25.00	+25.00	+47.60	+19.36

message to our shareholders



Fortunately, there are positive as well as negative consequences resulting from the aforementioned factors. The two delayed projects involved design and land acquisition issues which the Group had been working hard to resolve in close partnership with the Sarawak State Government. Both projects are expected to commence in the near future and contribute to revenues for 2007, and overall contract value has increased due to the design revisions involved. A number of events have also occurred which will have direct positive impacts for the immediate and long term growth of the Sarawak property market, most important of which are the exemption from Real Capital Gains Tax granted to property owners, and the introduction of a mandatory Code of Practice by the Sarawak Housing and Real Estate Developers Association (see Prospects, below)

Dividends

The board is not recommending a Final Dividend for the financial year ended 31 December 2006. The Interim Dividend (15 sen per share before tax) already declared and paid represent a distribution to Shareholders of RM26.405 million after tax, or 39.85% of the Group's profits for the year ended 31 December 2006. The dividend yield is 4.81% based on the year-end share price of RM3.12 and in the Board's opinion offers adequate short term financial returns for our investors whilst maintaining reasonable cash reserves for future growth, including expansion of the land bank, expansion and upgrading of plant, and other investments outlined in Prospects, below.

Creation of Shareholder Value

The primary objective of all of the Naim Group's activities is the creation of added value for our shareholders, a goal we have once again successfully achieved despite the slight decline in profit for 2006. For example, our net tangible assets (NTA) have grown more than 73 times, from RM6.61 million in 1996 to RM487.7 million at the end of 2006.

It is also heartening to note how the market views both our performance and our future prospects. Shareholders buying Naim Stock at its initial offer price on 12th September 2003 have seen their investment grow from RM1.30 per share to RM4.18 per share (April 19th 2007). This compares favourably to RM3.14 per share in April 2006, when our results were ostensibly better, and suggests that investors are taking a very positive view of our long term prospects.

Taking into account this substantial increase in share price, as well as the four dividends of 9.0 sen (2003), 12.0 sen (2004), 12.0 sen (2005) and 15.0 sen (2006), **shareholders have enjoyed a financial gain of RM3.36 per share, a 260% return on their initial investment, in just over 42 months.**

Corporate Governance

The Board of Directors has long recognised the importance of corporate governance in not only adding shareholder value but also protecting the rights and interests of shareholders for the benefit of all. Therefore we continuously benchmark and manage



governance activities and requirements as a key component of the overall value creation process. Unfortunately, in the short term at least, good governance is not always recognised by the business community or the public at large. However, the recent emergence of external governance rating agencies has made it possible to measure the degree to which the Naim Group complies with best practices in governance, and we are delighted to discover the virtue of good governance does indeed have its own rewards.

In the joint study by Minority Shareholder Watchdog Group and the University of Nottingham Business School in its 2006 Corporate Governance Survey Report, **Naim was ranked first amongst Sarawak-based public listed companies and second overall in the property sector, and in the top 10% overall for companies listed on Bursa Malaysia for demonstrating best practices in Corporate Governance.** We are of course delighted, but will only be satisfied when we are ranked No.1 overall, and will ceaselessly continue our efforts accordingly.

Prospects for 2007 and Beyond

The Economic and Political Background

The Sarawak economy is expected to enjoy stable market conditions throughout the coming financial year. Continuing confidence in the Malaysian economy, combined with an absence

of destabilizing factors, such as epidemics and regional conflicts, should contribute to solid buyer confidence. Sarawak will continue to enjoy one of the fastest growing economies in the region, and continued political stability both at Federal and State Government levels are likely to contribute to a buoyant property market in Sarawak. Similarly, the ongoing implementation of the 9th Malaysia Plan (9MP) will provide abundant opportunities for the construction sector, as well as contributing to the overall growth of the economy.

Property Division

The Group has been aggressively expanding its land bank and is close to concluding the acquisition of six strategically located land packages in fast-growing urban areas, with a total area of approximately 660 acres. Using conservative calculations, this represents potentially a possible GDV of an estimated RM1.7 billion. Upon concluding the acquisitions of those land packages this will add to the Group's existing 2,400 acre land bank with its estimated GDV of RM3.1 billion, the Group now has a land bank of 3,100 acres with a total estimated GDV of RM4.8 billion.

This expanded land bank will allow the Group to further strengthen its position as Sarawak's leading developer. According to leading property consultants CH Williams Talhar Wong and Yeo Sdn Bhd, the average annual demand for new residential properties in Sarawak will be around 15,800 per annum between now and 2010. In the Group's target markets, this breaks down into 5,200 new homes per annum in the Kuching/Samarahan area, 2,800 new homes per annum in the Bintulu area, and 2,700 new homes per annum in the Miri area. The Group's own projections suggest that it can capture at least 3,000 of the 5,200-unit annual demand in Kuching, 2,000 of the 2,700 demand in Miri, and 1,000 additional

message to our shareholders



homes in Bintulu, i.e. the construction and sale of over 6,000 new homes per annum by 2012. It is also worth noting that these projections are achievable even without increasing the Group's historic 39.65% share of the Sarawak property market (1997-2004, WTWY Property Report 2005).

Confidence-Boosting Factors

The Group continues to have great confidence in Sarawak's property market, for a variety of reasons, of which four stand out as being the most significant.

1. Population Growth:

Sarawak's young, ambitious and upwardly mobile population is growing at between 3% and 5% per annum in urban areas and 2.5% overall, fuelled not only by a high birth rate, but also by substantial urban-rural migration as the state develops and industrializes (sources: Population & Housing Census Report, 9th Malaysia Plan). As a result, the state has the third highest level of overall housing requirements in Malaysia, at 65,000 units between 2006 and 2010. The only states with greater housing needs, namely Selangor and Johor, have far larger populations and thus Sarawak enjoys the highest per-capita demand of the three (sources: 9MP, Credit Suisse)

2. Spin-Offs from Major-Projects:

A number of major infrastructure projects - including the Bakun Hydro Dam and other proposed hydro projects, Malaysia's largest pulp and paper mill, and a proposed

aluminium smelter, as well as the dramatic expansion of the oil and gas industry - should not merely provide secure and well-paying jobs for potential home buyers. They should also involve huge capital injections into the state's economy, enriching local entrepreneurs across a wide range of categories and providing liquid cash for property and real estate investment.

3. Exemption from Real Property Gains Tax (RPGT)

The Ministry of Finance has granted all property owners - both individuals and corporations - full exemption from RPGT effective 1st April 2007. This measure has been warmly welcomed by the entire property and construction sector, and is likely to have a powerful impact on buyer confidence. Investors buying to let will only be taxed on their rental incomes, which can be offset against investment costs, and thus buy-to-let will become an increasingly attractive investment. Additionally, expatriates and Malaysia My Second Home participants, who usually prefer higher value accommodation, will find the prospect of buying rather than renting their homes increasingly attractive.

4. Introduction of SHEDA Code of Practice

The introduction of a mandatory Code of Practice (CoP) by SHEDA (the Sarawak Housing and Real Estate Developers Association) is a first for Malaysia and is designed to promote the best practices in all stages of housing and real estate development and delivery, to the full satisfaction of house buyers and end users. The CoP insists that developers are accountable and responsible, sets out guidelines to ensure



that a high standard of work is delivered, and includes mechanisms for mediation and arbitration, the right to strike out the membership of errant members, and recommendations to the Housing Ministry to revoke the license of any errant member. Thus the CoP will guarantee the commercial conduct and ethics of the housing industry, portray developers as responsible and trustworthy, further improve the integrity of the industry and – most importantly – increase buyer confidence.

The CoP offers a further benefit to the Naim Group – it strengthens our competitive position. The reason is that we have always voluntarily adhered to the standards and practices required by the CoP, as in our opinion it reflects good and ethical business practice, and therefore we will incur no cost increases as a result of the introduction of the CoP. However, many of our competitors may have to increase prices and/or reduce margins in order to meet the CoP's requirements.

Developing Property Investment Opportunities

To reflect this confidence, and to further capitalize on its position as Sarawak's No. 1 developer, the Group also plans to move into property investment throughout and beyond Sarawak. This will enable the Group to position itself not only as Sarawak's leading developer, but also as a genuine one-stop property shop, offering its customers a complete spectrum of property-related products and services, including real estate investment trusts (REITs).

Construction Division

The Group is also confident of increased growth and profitability in its construction and civil engineering activities, again for a variety of compelling reasons. For example, the delay in the Bengoh Dam project has led to the issue of a new Letter of Intent by the State Government, upgrading the contract to Design and Build. This will increase the overall contract value, and will also put the Group in a better position in the implementation and management of the project. The Group's ongoing projects (with a total value of almost RM1.6 billion) continue to hit their respective targets either on schedule or ahead of schedule, and are expected to contribute to profits as previously forecast. These ongoing projects will also allow the Group to establish an important milestone - a grand total of RM1 billion of external contracts completed by June 2007 (not including internal housing construction for our development projects). Work has also started on the RM620 million Syarikat Perumahan Nasional Berhad housing project with sites in Kuching, Kota Samarahan and Miri, which is expected to contribute to profits starting this year.

message to our shareholders



For the medium term, the Group's profits should be boosted by a number of major new contracts. The most important of these is the Kuching Flood Mitigation Scheme for the Drainage and Irrigation Department, Sarawak, for which a Letter of Intent has been received. According to the project design consultants, the scheme is likely to have a total aggregate contract value in the region of RM1.6 billion (including land acquisition element), although it may be implemented in stages depending on state funding priorities and other considerations. With the award of this project, the Group's total order book now stands at over RM3.5 billion. In order to secure construction revenues and profits for the longer term, the Group is currently bidding for various major infrastructure projects, including oil and gas industry related projects, whose estimated value is RM6.0 billion over the next five years.

NOTE:

The order book value of RM3.5 billion given above includes projects at the Letter of Intent (LOI) stage. Given its past track record and experience, the Group is very confident that these LOIs will become firm orders, although this cannot be guaranteed.

Exploring Opportunities in Oil and Gas

The Group is seeking to significantly diversify beyond mainstream government contracting and establish its presence in the rapidly expanding oil and gas sector. This is being done in order to further increase the long-term value of its construction and civil engineering activities, as well as to minimize business risks associated with a comparatively narrow client base. The Group has set up a new Oil and Gas Division headed by its Senior Head of Construction, Mr Gordon Kab, who has more than 15 years experience as a senior project manager and technical consultant with Shell Malaysia. The Group has already achieved the status of a Petronas-licensed contractor (Major Construction and Civil Works), and has since then upgraded this license to include M&E.

The Group has also formed a consortium with international pipeline fabrication specialists including the world-renowned NACAP Group, which has already pre-qualified (along with four other consortia) to bid for the upcoming Sabah-Bintulu Gas Pipeline project. This is a turnkey EPCC project with a project value estimated at RM1.8 billion, whereby NACAP Group would provide the pipeline fabrication and implementation expertise and Naim Group would provide the civil works component, as well as its in-depth knowledge and experience of local conditions.

The Group stands to benefit from the civil, infrastructure, engineering, water supply and privatisation contracts awarded or to be awarded under the Ninth Malaysia Plan, worth approximately RM25 billion. Thus it is slated to become the growth



driver for the group during the Ninth Malaysia Plan period (2006-2010) and will gradually become the biggest contributor to the group's turnover and PAT.

Corporate Image and Public Profile

The Group will be embarking on a comprehensive corporate communication and brand-building exercise which is expected to bear fruit in the coming year. Of the various initiatives and activities planned, probably the most important will be the opening of a new representative office in Kuala Lumpur in the second half of this year.

Management Restructuring

The Group has become increasingly aware of the importance of consistent professional leadership and of having a clear programme of management succession. Therefore it has taken the decision to appoint a new Deputy Managing Director, Dr Sharifuddin Bin Abdul Wahab, to strengthen its management team and prepare for the next level of growth. Dr. Sharifuddin is not a stranger to the Naim Group as he has been serving the Group as an Independent Non-Executive director since 2003. His intimate knowledge of the Group has significantly enabled him to ease into his senior executive management position without

much need for a challenging transitional period. He is a corporate figure and hands-on leader of the highest calibre.

To ensure continuity and to build on existing achievements, Dr Sharifuddin will be ably assisted and supported by the Group's current team of Executive Directors and Senior Managers. They include Ir Suyanto Osman (Senior Executive Director, Construction and Business Development), Ahmad Abu Bakar (Senior Executive Director, Finance and Operations), Gordon Kab (Senior Head of Construction), Vincent Kueh (Senior Executive Director, Property) and Radzali bin Alison (Head of Property Investment and Overseas Business).

Anticipated Results

Based on the activities, initiatives and market conditions outlined above, and barring any unforeseen circumstances beyond the Group's control, the Group is confident of achieving favourable results for 2007 and beyond.

Acknowledgements

We would like to convey our sincerest thanks to our fellow directors and all the employees of Naim Group for their hard work and professionalism. We would also like to thank all the State and Federal Government Ministries, Departments, Statutory Bodies and Regulatory Agencies who have offered us such close cooperation and support during 2006. Heartfelt thanks are also due to our joint venture partners, sub-contractors, consultants, professional advisors and service providers, whose unstinting efforts have helped our Group to perform so well.

message to our shareholders



However, we reserve our warmest and special thanks for our fellow shareholders. Whether you are large institutional investors working on behalf of millions, or small investors seeking to secure your retirement years or your children's education, we value every single Ringgit and Sen you have invested in our Group. We are delighted that you have given us and will continue to give us the opportunity to reward your strong faith in our abilities to return the values which we are proud to maintain.

Finally, we would like to offer a special word of thanks to our customers - the various Government Departments who have entrusted us with key infrastructure and public housing projects, and the thousands of ordinary Malaysians who have bought

their homes from us. You have not only contributed to our financial success, you have also helped to make Sarawak a better place to live, by endowing the state with first class infrastructure, and by transforming our development projects into vibrant living and loving communities.

Thank you

Datuk Abdul Hamed Bin Haji Sepawi
Non-Executive Chairman

Datuk Hasmi Bin Hasnan
Managing Director

review of operations

Property Operations

Reviewed by Vincent Kueh Hoi Chuang, Executive Director, Head of Property Division

During the financial year we sold RM194.7 million worth of residential and commercial properties inspite of the general softening of the property market in Sarawak, although some operations in and around Kuching continued to perform above expectations. Individual development projects are discussed in detail below.

Bandar Baru Permyjaya

The integrated satellite township of Bandar Baru Permyjaya in Miri continues to be one of the most popular and successful suburban developments in Malaysia, and was once again our largest single property revenue earner. During the year in review 703 homes and commercial properties were sold to a value of RM127.44 million, despite the softening of the Sarawak property market affecting not only Naim but also our competitors in the state. In the first quarter of 2007 Bandar Baru Permyjaya achieved improved sales, indicating that the market is on the way back to its buoyant best, and that we are likely to enjoy a more successful year.

Desa Ilmu

Desa Ilmu, the largest integrated development in Kota Samarahan, Kuching's hi-tech satellite town, has been an excellent performer but is now gradually reaching completion, so sales are therefore reducing on a year-by-year basis. Nevertheless we achieved sales of 110 units at a total value of RM19.3 million.

Rock Commercial Centre

Launched in 2005, this 2.4-acre commercial development in one of central Kuching's busiest and most attractive locations, comprises 17 shophouses and a large stand-alone retail space for an anchor tenant. At the initial sales launch we sold 6 shophouse units at premium prices for a total value of RM7.13 million, although no further units were sold in 2006, as we were unwilling to reduce prices given the appreciating value of the unsold properties. Further premium price sales are anticipated during the coming year

Riveria

Located at the heart of Kuching's popular southern corridor, on 100 acres of attractive river frontage directly adjacent to the Kuching-Kota Samarahan highway, Riveria was our star performer in 2006. Riveria has been popular with buyers since its launch in 2005 as the area is already well established through existing developments such as the Tabuan area and Stutong Jaya, and a great deal of infrastructure, social and educational amenities and major employers are already in place. During 2006 we sold 181 units to a total value of RM41.52 million. This continuing success reinforces our belief that Riveria is on track to become one of the most successful developments in our portfolio.



review of operations



Kuching - Exclusive Residential Development

We continued planning work on a 4.7 acre development at Jalan Bukitani which will offer high quality homes in the upper-middle price bracket. Work will commence when the ongoing development planning is completed.

Desa Labang

Currently at the planning stage, Desa Labang is one of the key assets for the Group's future growth. This huge land package of over 1,000 acres is ideally positioned to meet the growing housing needs of Bintulu, Sarawak's industrial powerhouse. With continuing growth in the petrochemical industry, plus a number of mega-projects slated over the next decade, housing demand in Bintulu is set to grow rapidly, and buyer incomes are likely to increase accordingly.

Construction Operations

Reviewed by Gordon Kab, Senior Head of Construction

This has been an excellent year for the construction division. For the first time in the Group's history, construction revenues are marginally greater than property revenues at RM258 million, or 52% of the overall total. This was achieved despite the unavoidable delays in the implementation of the Bengoh Dam and Kuching Flood Mitigation projects (see Message to Shareholders), and congratulations are due to everybody involved for their commendable efforts. I am also pleased to announce that all our construction operations now enjoy full ISO9001:2000 certification, further underscoring our reputation for quality. A

brief review of the individual projects follows.

Completed Projects

Projects completed during 2006 had a combined value of RM45.3 million and I am delighted to note that, in the best Naim tradition, all were completed on time or ahead of schedule.

Cadangan Pembangunan Institut Latihan Perindustrian (ILP) Miri (Phase 2 Stage 1)

This turnkey project rounded off the construction of this major vocational training institute. We had already completed Phase 1 in 2005, for which we received the coveted Builder of the Year Award. This RM33 million project for the Manpower Department of the Ministry of Human Resources involved the construction of the various support facilities for ILP Miri, and was completed ahead of schedule on 28th December 2006.

Balingian to Tatau / Bintulu Road, Mukah

This RM14.4 million project for Jabatan Karya Raya Sarawak, designed to unlock the potential of Sarawak's fast-developing central coastal region, involved the use of entirely new design formulas and methods to save time and improve road quality. We were particularly concerned with driver safety, and devoted a great deal of effort to smoothing out difficult bends and improving road cambers to give users a safe and enjoyable driving experience. The project was completed on 31st October 2006, a remarkable 10 months ahead of schedule.

Ongoing Projects

As of December 2006, RM1.6 billion worth of projects were under



construction, and all were progressing on target or ahead of schedule.

Batang Balingian Bridge

This design and build project for the Government of Sarawak, due for completion in June 2008, was 94% complete at the end of April 2007. We attribute this shortened construction period to an innovative new incremental launching method and specially designed cast-in-situ construction joints. We were also able to reduce overall cost, and make a contribution towards conserving the environment, by using scrap vehicle tyres as the foundation material for the approach roads.

Police General Operations Force Camp, Kuching

This turnkey project for the Ministry of Internal Security comprises every component of a major operational, training and residential complex for the 700-strong Police General Operations Force contingent in Kuching. The project, located on a 250-acre site, involves the construction of a self-contained community of residential, administrative and support buildings, complete with telecommunications and network infrastructure. The project is proceeding smoothly and is already 50% complete, which puts it well ahead of schedule to achieve its target completion date of March 2008.

Kuching-Sibu Road Upgrading (from Julau Junction to Sibu Airport Junction)

This project, a key section of the Trans Borneo Highway, involves

road widening and upgrading works in some of Sarawak's most challenging terrain. At the end of March 2007, the project was over 31% complete, well ahead of schedule to achieve its targeted delivery date of September 2009.

New Dewan Undangan Negeri (DUN) Complex

The future seat of Sarawak's State Government is a 45/55 joint venture with PPES Works Sdn Bhd. At the time of writing, construction of this state-of-the-art building is on schedule for timely completion in September 2007.

Kompleks CIQ, Limbang

The Limbang Customs, Immigration and Quarantine Complex for the Ministry of Home Affairs represents a departure from our usual strategy of targeting negotiated contracts. Our successful tender for this project indicates that we are as competitive on cost management as we are on quality and timely delivery. It also allows us to showcase the quality of our work to the large number of international travelers passing between Malaysia and Brunei. At the end of March 2007, the project was 28.5% complete, and is scheduled for timely completion in January 2008.

Maktab Rendah Sains MARA (MARA Junior Science College), Mukah

The result of another successful competitive tender, we were

review of operations



awarded this project in early 2006. It comprises construction of a main academic block, an administrative block, a multi-purpose hall, laboratories, libraries, workshops, student hostels, staff quarters and social and religious facilities, laid out in four distinct zones. The original project period was very tight, at only 24 months for a greenfield site, but we commenced work ahead of schedule, and implemented a multi-staging surcharge process for the earthworks, allowing actual construction to commence 3½ months ahead of schedule. The project is scheduled for completion in April 2008.

Cadangan Pembangunan Institut Latihan Perindustrian (ILP) Miri (Phase 2 Stage 2)

This project brings to a conclusion the highly successful ILP Miri contract (see Completed Projects, above) and involves the supply, delivery, installation, testing and commissioning of high-technology training and industrial equipment for the Institute's workshops and training centres. This contract is the first procurement and implementation project awarded to the Naim Group and was 70% complete at the end of March 2007, well within schedule for handover in August of this year.

SPNB Desa Bahagia, Miri

The largest of three turnkey projects for Syarikat Perumahan Negara Berhad (SPNB), the Desa Bahagia project involves the construction of 2,703 residential and commercial units, comprising

single-storey terraced, semi-detached and detached homes as well as double storey shophouses. One of very few low-density public housing schemes in Malaysia, Desa Bahagia's affordable medium-cost homes are designed to offer lower income earners an excellent quality of life, in line with the Naim Group's philosophy of building not simply houses but vibrant living communities.

SPNB Desa Ilmu, Kota Samarahan

Another SPNB project offering quality urban homes for lower income earners, SPNB Desa Ilmu comprises 1,152 walk-up apartments, as well as a Surau and Multipurpose Hall.

SPNB Sultan Tengah, Kuching

A mixed development of almost 2,000 residential houses and commercial shophots, complete with ancillary buildings and supporting infrastructure, this design and built project is currently at the site clearing and earth filling stage, pending plan approval from the client before actual construction proceeds.

Future Projects

In order to avoid speculation and present a realistic order book valuation to shareholders, we have chosen to confine our



descriptions of future projects to those which we have already received a Letter of Intent (LOI) and/or further substantiating documents from the client(s). Any other projects for which we are currently bidding will be only be announced once they are provisionally awarded. **At the time of writing, there are three major projects at the LOI stage.**

Upgrading of Mukah Access Road

Providing fast and direct access to one of Sarawak's fastest growing regions, this project for Jabatan Kerja Raya (JKR) Sarawak will release the economic potential of Sarawak's coastal heartland when completed in May 2010. We anticipate commencing work on this 52km road project in May 2007. As well as extensive straightening and flattening of the existing road to provide a safe and pleasant driving experience, the project also involves the laying of a main water pipeline along the length of the road.

Construction of Bengoh Dam, Kuching

Once completed, this 63 metre high by 267 metre long dam will have a capacity of 144 million cubic metres (1m³ = 1,000kg or 1 tonne) and will produce a lake with a surface area of approximately

10km². Designed to secure Kuching's water supply for the foreseeable future, the dam will be only the second in Malaysia to be constructed using Roller Compacted Concrete (RCC) technology, which offers a projected service life of 100 years. The package also includes ancillary buildings, infrastructure and associated works, and resettlement of the affected communities.

Flood Mitigation Works, Kuching

This project is currently at the preliminary study and design stage, and thus the precise contract value can only be fixed following the Letter of Acceptance from the Federal Government. Our revised design takes a holistic approach to floodwater management, with a bypass channel capable of dealing with catastrophic, once-in-a-century flood events.

review of operations



Management and Administrative Operations

Reviewed by Dr Sharifuddin Abdul Wahab, Deputy Managing Director

Quality

Quality is the ultimate criterion by which our business success is judged, and therefore quality is "first amongst equals" in terms of our business development and corporate re-engineering priorities. We already owe a great deal of our success to excellent quality management, and the subsequent delivery of top quality products and services, a fact that is acknowledged by a string of quality awards over the last few years.

Our recently established Quality Division has been very proactive in moving quality to the forefront of the corporate agenda. As well as auditing and reviewing our existing ISO 9002 accreditation, it has helped us obtain our new ISO9001:2000 certification for the Construction Division, and has been working on 2-year Quality Plan to achieve ISO 1801 (Safety) and ISO 14001 (Environmental) accreditations by the end of 2007.

The following Quality and Capability accreditations and registrations apply to our 100% owned operating subsidiary, Naim Cendera Sdn Bhd.

- ISO 9001 and 9002 Accreditation by Moody International Certification Ltd and ACQC Moody (Malaysia) Sdn Bhd
- Pusat Khidmat Kontraktor Negeri Sarawak (PKK) under Class A
- Unit Pendaftaran Kontraktor Negeri Sarawak (UPK) under Class A

- Construction Industry Development Board (CIDB) under Grade 7

The following Quality and Capability accreditation and registration processes are under way as part of our 2-year Quality Plan, and are expected to be awarded before the end of 2007.

- ISO 1801 (Safety)
- ISO 14001 (Environmental)

Health and Safety

Work-related illnesses and accidents delay projects, damage structures and equipment, and most importantly they cause injury, pain and suffering to people. Therefore health and safety are of overriding concern to the directors, management and staff on the Naim Group. Our rigorously enforced Healthy Workplace and Zero Accident Policies once again yielded positive results, with no work-related illnesses or accidents being reported for the year in review.

Information Technology

The adoption of new and emerging technologies gives the Naim Group a valuable competitive edge. It allows us to manage projects more effectively and to construct better homes, buildings and infrastructure. For this reason we devised a 5-year IT Plan in 2004, which has been steadily implemented throughout the year in review, with a total of RM3.3 million invested in infrastructure upgrades.



All projects are now managed using cutting-edge Primavera project management software; our property sales, marketing and management activities are run using IFCA Property Plus, and we have invested in Lotus Notes Domino Server to enable us to develop collaborative systems throughout the organization. We are also evaluating and assessing workflow management applications and land administration systems. On the systems and hardware front we now have more than half a terabyte of storage capacity serving a group-wide intranet, which we are extending to the remotest locations using V-Sat technology.

To ensure successful adoption and buy-in by IT users, we are conducting change management programmes which focus on enabling and empowering all of our employees. As a result, we are now able to provide a comprehensive range of IT services to our staff, our customers, our suppliers and our subcontractors, including the following:

- Sub-contractor management
- Direct labour management
- Plant and equipment management
- Quantity surveying for tenders
- Financial and accounting services
- Spam control
- Enhanced network security
- Online house sales and booking (by mid-2007)
- Virtual walk-throughs of properties (by mid-2007)

Business Process Re-Engineering

Our Business Process Re-Engineering Programme, introduced in 2005, continued to be the focus of our corporate priorities. This exercise involves identifying, evaluating and documenting each and every process used in the course of our business, then streamlining and integrating these processes to optimise efficiency, effectiveness, responsiveness and flexibility. Our IT systems and workflow management are currently being re-aligned to fit the precise needs of the organisation and all the individuals working within it (rather than vice versa), to maximize user adoption and buy-in. This exercise is being implemented to fully prepare ourselves for whatever challenges the future may hold for us, as we look forward to a successful long-term future of hyper-productivity and enhanced profitability.

Human Resources

Our 500-plus workforce continues to be our most important asset, and throughout the year we carried out our ongoing programme of human resource development to ensure that we recruit and retain people who share the Group's vision, goals and objectives, and who also share fairly and equably in the results of their performance and our ultimate success.

board of directors



Non-Executive Chairman
Datuk Abdul Hamed Bin Haji Sepawi

Chairman

Board Executive Committee

Nomination Committee

Business Development Committee

**Datuk Abdul Hamed
Bin Haji Sepawi,**
aged 58, was appointed as
**Non-Executive Chairman of
Naim Cendera Holdings
Berhad on 25th July 2003.**

Prior to the Naim Group's listing he was Non-Executive Chairman of Naim Cendera Sdn. Bhd. (since 12 October 1995). He received his early education at St. Columba's School, Miri and Malay College, Kuala Kangsar. He graduated with a BSc (Hons) from University of Malaya in 1971, pursued undergraduate studies in forestry at the Australia National University from 1974 to 1975, and later obtained an MSc in Forest Products from Oregon State University, USA.

Whilst remaining active in the timber and plantation industries, Datuk Abdul Hamed developed his career around his keen personal interest in the construction sector, which was first acquired through school vacation jobs in Miri. For more than 28 years, he has been active as an investor, a manager and a director in companies carrying out civil works, offshore engineering, construction, housing, and property development.

He was a member of the National Economic Consultative Council II and sits on the board of Sarawak Timber Industry Development Corporation, a state statutory body in Sarawak. He is also the Executive Chairman of Ta Ann Holdings Berhad and Chairman of Sarawak Enterprise Corporation Berhad, companies listed on Bursa Malaysia Securities Berhad. He is also a director of Sarawak Plantation Berhad, a non-listed public company.



Managing Director
Datuk Hasmi Bin Hasnan

Chairman

Risk Management Committee

Member

Audit Committee

Board Executive Committee

Remuneration Committee

Human Resource Operations Committee

Business Development Committee

Business Process Engineering Committee

Corporate Disclosure Committee

Datuk Hasmi Bin Hasnan,
aged 54, is the founder
of Naim Cendera Sdn. Bhd.,
a wholly-owned subsidiary of Naim
Cendera Holdings Berhad.

He was appointed Managing Director of Naim Cendera Holdings Berhad on 25th July 2003. He graduated in Estate Management from the London South Bank University, UK in 1978. He is a member of the Malaysia Institution of Surveyors, a Senior Certified Valuer with International Real Estate Institute, USA and a member of FIABCI.

He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993 he became the Managing Director of Naim Cendera Sdn. Bhd. and has since been the main driving force behind the company's growth and expansion.

He is also director of 2 non-listed public companies, Sarawak Plantation Berhad and Naim Incorporated Berhad.

board of directors



Deputy Managing Director

Dr. Sharifuddin Bin Abdul Wahab

(redesignated from Independent Non-Executive Director to Deputy Managing Director on 26 February 2007)

Chairman

Human Resource Operations Committee

Member

Business Development Committee

Board Executive Committee

Business Process Engineering Committee

Risk Management Committee

Corporate Disclosure Committee

(appointed member of the above 5 committees on 27 April 2007)

Remuneration Committee

(resigned as member of Remuneration Committee on 26 February 2007)

Audit Committee

(resigned as member of the Audit Committee on 26 February 2007)

Dr. Sharifuddin Bin Abdul Wahab, aged 51, was appointed Independent Non-Executive Director on 25th July 2003 and was redesignated to Deputy Managing Director on 26th February 2007. He graduated with a Doctor of Veterinary Medicine degree from the University of Agriculture, Faisalabad, Pakistan in 1981. He then pursued his postgraduate studies and obtained his Masters Degree in Science from Universiti Pertanian Malaysia in 1983. He also holds a certificate in RIA techniques from Cornell University, United States of America.

He began his career in the education field as a lecturer in Universiti Pertanian Malaysia in 1982 and was active in various research and development activities. He was awarded research grants from the International Atomic Energy Agency (IAEA) Vienna, Commonwealth Scientific and Industrial Research Organisation (CSIRO) Australia and later appointed as expert for Africa and South East Asia by the IAEA. He joined Schmidt Group from 1989-2007 and successfully restructured the Biomedical business in Malaysia. He was then appointed Executive Director of Schmidt Vietnam Co Ltd from 1995 – 1998 and later in 1999 was promoted to the position of Regional Managing Director. He was also the Chief Executive Officer of Schmidt BioMedTech Asia Ltd., a multinational company with presence in over ten countries in Asia. He left Schmidt BioMedTech Asia Ltd on 15th February 2007, and was re-appointed as an Independent Director for Schmidt BioMedTech Asia Ltd. on 26th February 2007. He also holds directorships in several private limited companies.



Executive Director

Ahmad Bin Abu Bakar

Member

Board Executive Committee

Risk Management Committee

Human Resource Operations Committee

Business Process Engineering Committee

Corporate Disclosure Committee

(appointed member of the above 4 Committees on 28 April 2006)

Ahmad Bin Abu Bakar, aged 53, was appointed Executive Director of Naim Cendera Holdings Berhad on 6 February 2006. He is a member of both the Chartered Association of Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA). He is principally responsible for overseeing the financial management and operations of the Group.

Prior to joining the Group, he held senior positions, amongst others are Group Financial Controller/Director, Executive Director – Operations, Chief Operating Officer/Director, in other multinational companies. He has worked for Malaysia Credit Finance Berhad, Fima Metal Box Bhd, DMIB Berhad, Sime Darby Group, Land and General Berhad. He has considerable experience in the finance, hotel, plantation, construction and property development industries.



Executive Director
Ir. Suyanto Bin Osman

Member

Board Executive Committee
Risk Management Committee
Business Development Committee
Business Process Engineering Committee

Ir. Suyanto Bin Osman, aged 49, was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He is responsible for the overall performance of the business development and construction of the Group. He holds a BSc in Civil Engineering from the University of Manchester Institute of Science & Technology, UK. He is a registered Professional Engineer with the Board of Engineers, Malaysia and also a member of the Institution of Engineers Malaysia and the Project Management Institute (PMI).

He started his career as an Engineer with the Public Works Department from 1981 to 1987. In 1988, he joined Dewan Bandaraya Kuching Utara (DBKU) as Deputy Director where he was responsible for the overall control of the planning and development of Kuching City, Sarawak. He later joined HAPM Consultant in 1995 as Executive Director where he was the Project Director of various mega-projects including the 77 Storey Headquarters Building of Telekom Malaysia (RM700 million), the Bakun Resettlement Scheme (RM300 million), Multimedia University Cyberjaya (RM350 million) and University Malaysia Sarawak (RM1 billion). He joined wholly-owned subsidiary Naim Cendera Sdn. Bhd. in April 2003.



Executive Director
Kueh Hoi Chuang

Member

Risk Management Committee
Human Resource Operations Committee
Business Development Committee
Business Process Engineering Committee

Mr. Kueh Hoi Chuang, aged 51, was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He holds a Bachelor of Arts degree from the University of Guelph, Canada, and is a member of the Institute of Approved Company Secretaries.

Mr Kueh has been involved in the property and construction industry since his graduation in 1983. He was initially employed by Custodev Sdn. Bhd., where he specialized in property management, development and construction. He joined wholly-owned subsidiary Naim Cendera Sdn. Bhd in 1993 and rapidly rose through the ranks. He currently heads the Naim Group's property division, responsible for the development of the Group's flagship projects at Bandar Baru Permyjaya in Miri, and Desa Ilmu and Riveria in Kota Samarahan. He also has extensive sales and marketing experience in properties developed under his leadership.

He is also a director of Naim Incorporated Berhad, a non-listed public company.

board of directors



Executive Director Abang Hasni Bin Abang Hasnan

Encik Abang Hasni Bin Abang Hasnan, aged 56, was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He received his early education in Government Secondary School, Kanowit and later pursued studies in carpentry and joinery and obtained a Certificate from City & Guilds of London Institute. In 1972 he attended a technical course in wood processing and mechanical and engineering equipment at British Columbia Institute of Technology, Canada.

From 1967 to 1983 he worked as an Instructor to the Forest Department, Kuching. From 1983 to 1988 he joined Equatorial Timber Moulding Sdn. Bhd. as Assistant Factory Manager. Thereafter he was employed as Production, Research & Development Manager by Gegasan Sdn. Bhd., a company involved in timber related business. In January 1997 he joined Naim Cendera Sdn. Bhd.



Non-Executive Director Ir. Abang Jemat Abang Bujang

Chairman

Remuneration Committee

Business Process Engineering Committee

Member

Human Resource Operations Committee

Ir. Abang Jemat Abang Bujang, aged 54, was appointed Independent Non-Executive Director on 25th July 2003. Presently he is Non-Executive Director. He holds a Bachelor of Engineering (Electrical) from Newcastle University, New South Wales, Australia. He is a registered Professional Engineer with Board of Engineers, Malaysia and also a member of the Institution of Engineer, Malaysia. He was awarded the Pingat Perkhidmatan Bakti (PPB) in 1997.

He joined Telekom Sarawak as a Telecommunication Engineer from 1979 to 1986 and assumed the post of Director from 1987 to 1990. He was the General Manager of Telekom Malaysia from 1995 to 1999. He joined TM Cellular Sdn. Bhd. as Chief Executive Officer from 1999 to 2000. He is currently the Managing Director and Chief Executive Officer of Sacofa Sdn. Bhd.



Senior Independent Non-Executive Director
**YB Tuan Haji Hamden
Bin Haji Ahmad**

Chairman

Audit Committee

Member

Nomination Committee

Risk Management Committee

YB Tuan Haji Hamden Bin Haji Ahmad, aged 59, was appointed Independent Non-Executive Director on 25th July 2003. He is a Chartered Accountant and obtained his membership of the Association of Chartered and Certified Accountants (ACCA) from the London School of Accountancy, United Kingdom in 1979. He is a Fellow member of ACCA.

He started his career as a Chief Accountant attached to Sarawak Land Development Board, Sarawak from 1978 to 1982. He later set up his own accounting firm, Hamden Kiu dan Rakan Rakan, in 1983. Currently he is an elected member of Dewan Undangan Negeri Sarawak and holds directorships in several private limited companies. He is Director of BLD Plantation Berhad, a company listed on Bursa Malaysia Securities.



Independent Non-Executive Director
Datu Haji Abdul Rashid Bin Mohd Azis

Member

Audit Committee

Nomination Committee

Human Resource Operations Committee

(appointed member of Human Resource Operations Committee on 28th April 2006)

Remuneration Committee

(appointed member of Remuneration Committee on 27th April 2007)

Datu Haji Abdul Rashid Bin Mohd Azis, aged 61, was appointed Independent Non-Executive Director on 16th February 2005. He graduated with a Master in Business Administration from Brunel University, UK. He also hold a Diploma in Management Science (Finance), Institut Tadbiran Negara Malaysia (INTAN); Certificate of Executive Programme AIM and Senior Executive Fellows Programme, Harvard University, USA.

He joined the Sarawak Administrative Service in 1965. He worked in Government Service for 40 years and has held various senior posts in Government Departments and Statutory Bodies until he retired from service in December 2005.

Datu Haji Abdul Rashid Bin Mohd Azis is currently the Deputy Chairman of Yayasan Sarawak and is also a Board member of Sarawak Economic Development Corporation (SEDC).

He was a director of Sarawak Electricity Supply Corporation (SESCO); Sarawak Widows & Orphans Pension Fund (WOPF); alternate member to State Secretary Sarawak in the Employees' Provident Fund (EPF) Board; Aseambankers (M) Berhad; Tradewinds (Malaysia) Berhad and member of Majlis Islam, Sarawak.

He is currently Chairman of the Charitable Trust, Bandar Sri Aman Mosque; and member of Yayasan Budaya Melayu Sarawak.

board of directors



Independent Non-Executive Director
Sylvester Ajah Subah
@ Ajah Bin Subah

Member

Audit Committee

Remuneration Committee

(appointed member of the above 2 Committees
on 26 February 2007)

Sylvester Ajah Subah @ Ajah Bin Subah 64, was appointed Independent Non-Executive Director on 26th February 2007. He graduated with a Diploma in Town and Country Planning in 1968 from Technical College, Kuala Lumpur and a Diploma in Town and Country Planning in 1975 from Glasgow School of Arts.

He started his career as an Assistant Planning Officer in Land & Survey Department, Sibul from 1969 to 1973. In May 1975 to 1977 he served as a Town Planning Officer in Land & Survey Department, Miri. In 1978 he was transferred to Land & Survey Department, Sibul. Mr. Sylvester joined Bintulu Development Authority (BDA) in 1979 as a Town Planning Officer. He was seconded to the Ministry of Resource Planning for 10 years from 1983 to 1993 as a Senior Planning Officer and also as Advisor to the State Planning Authority.

In 1994 he was promoted to the post of General Manager and held the position until his retirement in year 2001. As General Manager of BDA he was responsible for managing development projects in Bintulu including development of industrial estates, low cost housing, infrastructure projects and other public, social and recreational amenities.



Independent Non-Executive Director
Professor Abang Abdullah Bin Abang
Mohamad Ali

Professor Abang Abdullah Bin Abang Mohamad Ali, 55, was appointed Independent Non-Executive Director on 15 May 2007.

Professor Abang Abdullah graduated with a Bachelor of Science (Hons) degree in Civil Engineering from the University of Brighton in 1974, and a Master of Science degree in Structural Engineering from the University of Manchester in 1975. He is a Registered Professional Engineer (PEng) with the Board of Engineers, Malaysia, a Chartered Engineer (CEng) with the Engineering Council, United Kingdom, and an Honorary Fellow of the ASEAN Federation of Engineering Organisations (HonFAFEO). He is a Fellow of the following institutions:-

- a) Institution of Engineers, Malaysia (FIEM).
- b) Institution of Civil Engineers, United Kingdom (FICE).
- c) International Ferrocement Society (FIFS).
- d) Academy of Sciences, Malaysia (FASc).
- d) ASEAN Academy of Engineering & Technology (FAAET).

Professor Abang Abdullah began his career as a lecturer at Universiti Putra Malaysia on 29th January 1976, promoted to Associate Professor in 1982 and full Professor in 1987. He was upgraded to Senior Professor (Special Grade B) in 1995.

At the same time he was made Deputy Dean, Faculty of Engineering in 1981, and Dean in 1982. He was Chairman of the Malaysian Council of Engineering Deans and has been holding various positions in the public and private sectors, such as Design Engineer in Malaysian International Consultants in 1981/82 and Perunding Bakti Sdn Bhd in 1978. He served as a Board Member of the Malaysian Highway Authority (LLM) and the Board of Engineers, Malaysia (BEM).

He was elected as an Honorary Adviser to the Master Builders Association, Malaysia (MBAM) and Chairman of the CIDB Steering Committee on Industrialised Building System.

He is currently the Director & Professor (Housing Reserch Center) Universiti Putra Malaysia, President of the Federation of Engineering Institutions of Islamic Countries (FEIIC) since 2002 and a Past President of the Institution of Engineers, Malaysia (IEM). He holds various key positions in the following institutions:-

- i) Adviser to the Proposed King Abdullah University of Science and Technology (KAUST), Saudi Arabia since 2006.
- ii) Adjunct Professor at Universiti Malaysia Sarawak since 2005.
- iii) Board/Council member of Universiti Kuala Lumpur (UniKL) since 2002.
- iv) Board member of the National Accreditation Board (LAN) since 1997
- v) Director of Housing Research Centre (HRC), Universiti Putra Malaysia since 1996.
- vi) Board Member, Polytechnic Curriculum Board, Ministry of Higher Education since 2002.

In addition, he has written a book on Industrialised Buildings Systems (IBS) and has been involved on various research on housing and construction technology, specifically in the areas of low cost materials of construction, light-weight concrete, utilization of Malaysian bamboos as an engineering material, materials and structures, interlocking load bearing hollow block building system (Putra Block, which has been granted US, UK and Malaysian patents), industrialised building systems and affordable quality housing.

Professor Abang Abdullah and his research team won a gold medal for the Putra Block at the International Exhibition of Inventions and Innovations, Geneva, Switzerland on 4th April 2001. He was also awarded the CIDB R&D Award for research on the Putra Block Building System.

Please refer to page 133 for Directors' securities holdings in the Company.

Save for Abang Hasni Bin Abang Hasnan who is the brother of Datuk Hasmi Bin Hasnan, there are no other family relationship between the Directors and/or major shareholders of the Company.

All Directors are Malaysians.

None of the Directors have been convicted for any offences.

Please refer to page 49 for Directors attendance at board meetings held during the financial year.

senior management team



- 1) **Datuk Hasmi Bin Hasnan**
Managing Director
- 2) **Dr. Sharifuddin Bin Abdul Wahab**
Deputy Managing Director
- 3) **Ahmad Bin Abu Bakar**
Senior Executive Director
- 4) **Ir. Suyanto Bin Osman**
Senior Executive Director
(Business Development Construction)
- 5) **Kueh Hoi Chuang**
Senior Executive Director
(Property Development)
- 6) **Abang Hasni Bin Abang Hasnan**
Executive Director
- 7) **Ricky Kho Teck Hock**
Head of Corporate Affairs
- 8) **Haji Radzali Bin Haji Alison**
Head of Property Investment
and Overseas Business
- 9) **Affendi Sapiee**
Head of Internal Audit
- 10) **Gordon Kab**
Senior Head of Construction
- 11) **Tony Lau Hiang Chu**
Director of Sales
- 12) **Bong Siu Lian**
Company Secretary
- 13) **Haji Abdul Rahman bin Abdul Rahim**
Senior Business Development Manager
- 14) **Joseph Lee Han Sian**
Head of ICT
- 15) **Charles Arthur Bateman**
Senior General Manager
(Land administration)
- 16) **Jeffrey Sim Lai Hee**
Head of Human Resource
& Facilities Management
- 17) **Haji Abdul Razak Bin Ahmad Marzuki**
Senior General Manager
- 18) **Haji Abdullah Bin Mohd Mahyuddin**
Senior Business Development Manager
- 19) **Haji Abdul Jalal Bin Abdul Rahim**
Group Credit Controller
- 20) **Patrick Chieng Kwong Ee**
Quality Assurance Manager
- 21) **Dayang Horyati Binti Abang Sahari**
Public Relation Manager
- 22) **Bedindang Nalong**
Health, Safety & Environment
Manager
- 23) **Victor Yee**
Head of Contract Department
- 24) **Tony Paulus Vitus**
Quality Control Manager
- 25) **Ir Wan Mohamad Su'ut B Wan Moss**
Project Manager (Special Project)
- 26) **Mohd Ashraf Bin Abdullah**
Senior Project Manager
- 27) **Megat Ahmad Shah Iskandar**
Senior Accountant
- 28) **Janang Sawing**
Senior Project Manager
- 29) **Bong Siew Khim**
Head of Quantity Surveying
- 30) **Francis Ho**
Head Of Product Development

senior management



from left:

Ricky Kho Teck Hock, Group Head of Corporate Affairs and Company Secretary, holds a Bachelor of Commerce degree majoring in Accountancy from the University of Otago, New Zealand. He is a member of the New Zealand Institute of Chartered Accountants and the Malaysian Institute of Accountants (MIA), and has over 30 years of working experience in the industry.

Haji Radzali Bin Haji Alison, Head of Property Investment and Overseas Business, is a member of The Royal Institution of Surveyors, United Kingdom (MRIS) and the Institute of Surveyors Malaysia (MSIM). He has 28 years experience in the property and construction sector through his association with multinational firms. He is also a Registered Valuer and a Registered Estate Agent under the Valuers, Appraisers and Estate Agents Act of Malaysia.

Affendi Sapiee, Group Internal Auditor, obtained a Bachelor's degree in Accountancy and a Masters in Business Administration (MBA) from Universiti Teknologi Mara (UiTM). He is a Member of the Malaysian Institute of Accountants (MIA) and has 18 years of working experience in various fields.

Gordan Kab, Senior Head of Construction, has 25 years of experience in the construction and manufacturing sector including senior management positions in Shell Malaysia. He holds a BSc in Civil Engineering from Loughborough University of Technology, UK.

Tony Lau Hiang Chu, Director of Sales, holds overall responsibility for property sales and marketing activities. An MBA graduate from Charles Stuart University, New South Wales, he has 23 years of working experience in banking and administration.

Bong Siu Lian, Company Secretary*, graduated from the Institute of Chartered Secretaries and Administrators (ICSA), UK and is an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators and a member of the Company Secretaries Practice Group. She has extensive experience working with public listed companies.

*is jointly responsible for the Group's secretarial functions.



from left:

Haji Abdul Rahman bin Abdul Rahim, Senior Business Development Manager, holds an MSc in Planning Universiti Sains Malaysia, Penang, and a BSc in Business Administration from the United States International University San Diego. He has over 21 years of management experience.

Joseph Lee Han Sian, Head of Information and Communication Technology, has 24 years of working experience in the ICT field in Malaysia and overseas prior to joining the Naim Group. He is in-charge of the overall ICT infrastructure of the Group. He graduated in IT Engineering from the University of Southampton, UK, and is an Associate Member of the British Computer Society.

Charles Arthur Bateman, Senior General Manager, Land administration, is responsible for land evaluation and administration matters. He is an Associate of the Royal Institution of Chartered Surveyors, a Member of the Institution of Surveyors Malaysia, and also a Registered Valuer and Estate Agent with the Board of Valuers, Appraisers and Estate Agents of Malaysia. He has 37 years of experience in Land Administration with the government sector.

Jeffrey Sim Lai Hee, Head of Human Resource, is responsible for the overall management of the Group's Human Capital in both Human Resources and Human Resources Development. He has 23 years of working experience in human resources and facilities management and has held senior management positions with various public listed companies. He is also a professional member of the Human Capital Institute, USA.

Haji Abdul Razak Bin Ahmad Marzuki, Senior General Manager, oversees the daily operations of Naim Citra Sdn Bhd and Total Reliability Sdn. Bhd. He holds a MBA from Teknologi MARA, (UiTM) and Bachelor's Degree in Civil Engineering from the University of Westminster, UK, and is a Member of the Board of Engineers Malaysia (BEM) and a Graduate Member of the Institution of Engineers Malaysia (IEM). His 22 years of working experience includes various senior management positions.

Haji Abdullah Bin Mohd Mahyuddin, Senior Business Development Manager, has 27 years of working experience in the Federal Government, including various senior positions in government departments, agencies, and ministries. He is a Member of the Chartered Institute of Transport, UK.

senior management



from left:

Haji Abdul Jalal Bin Abdul Rahim, Group Credit Controller, has 36 years of working experience in the financial and shipping sectors and carries overall responsibility for the Group's Credit Management and Controls. He holds a Diploma in Banking and is also an Associate Member of the Chartered Shipbrokers.

Patrick Chieng, Quality Assurance Manager responsible for the overall Quality Assurance of the whole organisation, holds a Bachelor of Business degree majoring in Accounting from Edith Cowan University, Australia.

He has 16 years of working experience in various field including shipping, logistic and consulting. He is a certified ISO 9000:2000 QMS Auditor/Lead Auditor with vast experience as an Assessor and Auditor in Quality Management System.

Dayang Horyati, Public Relation Manager responsible for all public relations for the whole organisation, holds an MBA from University of Technology, Shah Alam, Selangor. She has 13 years of working experience spanning land administration, operations and marketing & communication in other public listed companies.

Bedindang Nalong, Health, Safety & Environment Manager, is a qualified registered NIOSH HSE Manager who has vast experience in the construction industry. He holds an MBA from University Technology Mara and a Bachelor of Business Administration (International Business) from Universiti Utara Malaysia. He is responsible for the overall HSE spectrum of the organisation.

Victor Yee, Head of Contracts Department holds a Bachelor of Building degree from University of Melbourne, Australia. He is responsible for the overall contract administration of the organisation. His 15 years of work experience in the construction field were mainly involved in quantity surveying and contract administration.

Tony Paulus Vitus, Quality Control Manager holds a Bachelor in Civil Engineering degree from University Malaya, Kuala Lumpur. He is responsible for the overall Quality Control spectrum of the organisation.



from left:

Ir Wan Mohamad Su'ut B Wan Moss, Project Manager (Special Project) holds a Bachelor of Engineering (Civil) degree from University of Newcastle Upon Tyne, England. He is a registered member of the Institution of Engineers, Malaysia and Professional Engineer of the Board of Engineers, Malaysia.

He has 25 years of working experiences in construction industry and his experiences span from management portfolio including QAQC and HSE matters, engineering and construction services, power services, operational and administration matters.

Mohd Ashraf Bin Abdullah, Senior Project Manager holds a Bachelor of Engineering (Mechanical) degree from New Mexico State University, USA. He has 17 years of experience in construction industry as well as the Oil & Gas industry.

Megat Ahmad Shah Iskandar, Senior Accountant, holds a Post Graduate Diploma in Applied Finance and Investment, from Financial Services Institute of Australasia. He is a registered accountant with MIA and also an Associate member of ACCA and ICSA. His 10 years of experience were involved in finance, banking, investment and corporate advisory work.

Janang Sawing, Senior Project Manager holds a Bachelor of Engineering (Civil) degree from University of Glasgow Scotland, UK and an MBA from UNIMAS. He has 18 years of experience in construction industry involving project management, planning and development.

Bong Siew Khim, Head of Quantity Surveying holds Bachelor of Applied Science In Building Studies from the University of South Australia. She is also a Graduate Member of Institution of Surveyors Malaysia and a Provisional Member of Board of Quantity Surveyors Malaysia.

Francis Ho, Head of Product Development holds a Bachelor of Science (Architecture) from the University of New South Wales, Sydney, Australia. He is also a member of the Board of Architects, Malaysia and a graduate member of Persekutuan Arkitek Malaysia (PAM). He has 26 years of experience in the construction and property development industry.

audit committee

Members

The Audit Committee comprises the following:-

YB Tuan Haji Hamden Bin Haji Ahmad

- Chairman
Senior Independent Non-Executive Director

Datuk Hasmi Bin Hasnan

- Member
Managing Director

Datu Haji Abdul Rashid Bin Mohd Azis

- Member
Independent Non-Executive Director

Sylvester Ajah Subah @ Ajah Bin Subah

- appointed member of the Audit Committee on 26th February 2007
Independent Non-Executive Director

Dr. Sharifuddin Bin Abdul Wahab

- redesignated from Independent Non-Executive Director to Deputy Managing Director on 26th February 2007 and resigned as member of the Audit Committee on the same date
Deputy Managing Director

The Audit Committee currently comprises the 3/4 Independent Non-Executive and 1/4 Executive as follows:-

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

Attendance at the Audit Committee Meetings

The Audit Committee met five times during the year 2006 and the details of attendance are as follows:-

Audit Committee Members	No. of Meetings attended	Attendance (%)
YB Tuan Haji Hamden Bin Haji Ahmad	5/5	100
Datuk Hasmi Bin Hasnan	4/4*	100
Datu Haji Abdul Rashid Bin Mohd Azis	5/5	100
Dr. Sharifuddin Bin Abdul Wahab (redesignated from Independent Non-Executive Director to Deputy Managing Director on 26 th February 2007 and resigned as member of the Audit Committee on the same date)	*2/5	40
Sylvester Ajah Subah @ Ajah Bin Subah (appointed member of the Audit Committee on 26 th February 2007)	N/A	N/A

* Absent with apology

External auditors, internal auditors and relevant management staff are invited to attend the Audit Committee meetings to discuss the results, the audit findings and financial reporting issues.

+ The Independent Directors of the Audit Committee met once in executive session with the external auditors without the presence of the executive member of the Committee and the management.

Activities of the Audit Committee

The activities of the Audit Committee during the financial year under review were as follows:-

- 1) Reviewed and discussed audited financial statements and the quarterly unaudited financial statements with management and both external and internal auditors to ensure compliance with the Financial Reporting Standards ("FRS").
- 2) Discussed with auditors matters required to be discussed on Statement on Internal Control.

- 3) Based on the review and discussion referred to in 1 and 2 above, the Audit Committee recommends to the Board of Directors for approval:-
 - a) the audited financial statements for the financial year and the Statement on Internal Control; and
 - b) the quarterly unaudited financial statements for announcement to Bursa Malaysia Securities.
- 4) Reviewed recurrent related party transactions and non-recurrent related party transactions. The Audit Committee will report to the Board its review on all commercial relationships between each director, major shareholders and persons connected and the Naim Group on a quarterly basis. When such commercial relationships exist the Audit Committee and the Board will ensure that such transactions were on normal commercial terms not more favourable to the related parties than those generally available to the public.
- 5) Reviewed and discussed the internal audit plan and reports.
- 6) Reviewed and discussed audit plan and reports with external auditor.

FUNCTIONS OF THE INTERNAL AUDIT DEPARTMENT

The functions of the Internal Audit Department are as follows:-

- Reviewing and appraising the soundness, adequacy and application of accounting administrative and other operating controls and providing advice in the use of controls to mitigate risks to an acceptable level and at reasonable cost;
- Reviewing the efficiency and effectiveness of risk management;
- Ascertaining the extent of compliance with established procedures;
- Ascertaining the extent of which assets are accounted for and are safeguarded from losses of all kinds;
- Conducting special examinations and reviews at the request of the Audit Committee and/or Board of Directors
- Evaluating the economy and efficiency with which resources are employed and recommending improvements in operations.

Authority:

To accomplish its objectives, the internal auditor is authorized to have unrestricted access to the Company's operations, functions, records, properties and personnel.

Reporting:

The Internal Audit Department reports to the Audit Committee all its auditing activities.

Duties and Responsibilities:

Each year the Internal Audit Department will develop and execute a comprehensive audit plan to be conducted in accordance with applicable auditing standards. A comprehensive report on the internal audit function will be made to the Audit Committee every quarter.

The report will include the annual audit plan, review of all previous year audits completed and in progress, including any follow-up reviews and any audits which were scheduled but not done.

Any activity which is illegal example conflict of interest, embezzlement or theft shall be reported to the Chairman of the Audit Committee and the Managing Director immediately upon discovery by the audit staff.

Scope of Internal Audit Coverage

The followings are audit reports submitted by the Internal Audit Department during the financial year ended 31st December 2006:

1. Financial audit on NCSB Engineering Sdn Bhd
2. Operational audit on the management of Sibujulau's Road Project.
3. Employees Satisfaction Survey Report.
4. Product quality and customer satisfaction survey for Bandar Baru Permyjaya Miri.
5. Contract audit related to BALB Project.
6. Project management audit on Limbang's CIQ Complex and Mukah's MRSM projects.
7. Review of progress billings, recognition and collection for property development projects.
8. Review of headquarters' administration expenses.
9. Audit on inventory management at Naim Cendera Dua Sdn Bhd and Naim Cendera Sdn Bhd.
10. Other audits pertaining to the sub-contracting terms and conditions as requested by the management.

A sound system of internal control reduces, but cannot eliminate the possibility of poor judgment in decision making. During the year, reviews on the existing internal controls covered under the audit plan reveals that controls are generally satisfactory and in areas where controls were deemed lax, additional controls have been instituted to address the weaknesses in the system.

Terms of Reference

That the Terms of Reference for the Audit Committee are as follows:-

Objectives

The objectives of the Audit Committee are to:-

- a) provide assistance to the Board in fulfilling its fiduciary responsibilities particularly in the areas of internal control systems and financial reporting;
- b) provide meetings and communication between Non-Executive Directors, the internal auditors, the external auditors and the management to exchange views and information, as well as confirm their respective authority and responsibilities;
- c) undertake such additional duties as may be appropriate to assist the Board in carrying out its duties.

audit committee

Composition

The Audit Committee shall be appointed by the Board from among their number and shall comprise no fewer than three (3) members, where the majority shall be independent Directors. At least 1 member must be MIA member

- 2 Independent Non-Executive Directors; and
- 1 Executive Director

If a member of the Audit Committee resigns dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board shall within 3 months of the event, appoint such number of new members as may be required to fill the vacancy.

Authority

The Audit Committee shall have:-

- a) the authority to investigate any activity within its terms of reference and it shall have unrestricted access to any information relevant to its activities from employees of the Naim Group. All employees are directed to cooperate with any request made by the Committee.
- b) the necessary resources required to carry out its duties and it is authorized to obtain independent professional advice as it considers necessary.

Duties and Responsibilities

The Audit Committee shall undertake the following duties and responsibilities:-

a) Internal Audit

- i) Review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- ii) Evaluate the internal audit programmes, processes, the results of internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function.

b) External Audit

- i) Review with the external auditors their audit plan, scope of audit and their audit reports;
- ii) Evaluate the system of internal controls;
- iii) Evaluate the performance of external auditors and to make recommendations to the Board of Directors on their appointment and remuneration.

c) Audit Reports

- i) To consider the major findings of internal investigations and management's response.
- ii) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of Management, where necessary)

d) Financial Reporting

Review the quarterly and annual financial statements of the Naim Group for recommendation to the Board of Directors for approval, focusing particularly on:-

- i) changes in or implementation of major accounting policy changes;
- ii) significant and unusual events; and
- iii) compliance with accounting standards and other legal requirements.

e) Related Party Matters

Review the related party transactions and the conflict of interest situations that may arise within the Naim Group including any transaction, procedures or course of conduct that raises questions of management integrity. They are also required to ensure that the Directors report such transactions annually to the shareholders via the annual report.

f) Other Matters

To consider such other matters as the Committee deems appropriate or as authorised by the Board of Directors.

Meetings

Meetings shall be not less than 4 times a year. A quorum shall consist of 2 members; the majority of members present must be independent directors.

The members of the Audit Committee shall elect a Chairman from among their number who is an Independent Director.

The Secretary of the Committee shall be the Company Secretary.

corporate governance

A Note on Terminology:

Naim Cendera Holdings Berhad is the ultimate holding company for Naim Cendera Sdn Bhd and other subsidiary companies, as well as their respective subsidiaries. As the principles and practices of good corporate governance apply not only to the ultimate holding company but also all of its subsidiaries, we have chosen to forego the use of the term "Company" in this statement, and instead use the term "Group", which encompasses all companies operating under the control of Naim Cendera Holdings Berhad.

As the function of Corporate Governance continues its involvement into the 21st Century, key elements of corporate governance namely - the structures and the relationships which determine corporate direction and performance - have nevertheless remained intact. The Board of Directors continues to play the central role through its relationships with main participants; the shareholders and management. Additional participants are employees, customers, suppliers, financial institutions, regulators, various interest groups (such as environmental groups, social welfare organisations, etc.) and the community at large. The corporate governance structures are also dependent on legal and regulatory norms and requirements.

In the past, regulatory pressure was the main driving force for change. Nowadays, however, the key forces driving future change are all concerned with the creation of shareholder value. These include the emergence of new frameworks and systems to assess an organization's best practices in corporate governance - such as the use of ratios quantifying Return on Investment, Earnings per share and so on - to build long term value creation potential in an organization viewed from a strategic perspective. At the same time, the transformation of a business entity into more democratic, transparent and accountable organization helps to unleash the wealth-generating capacity of human capital; specifically the skills and knowledge of employees.

The welcome emergence of external governance rating agencies makes it possible to measure the degree to which the company complies with best practices, and enables the accurate and independent benchmarking of these practices. These agencies are key factors in the ongoing Corporate Governance quality revolution, and also offer tangible rewards to those companies who make the necessary efforts to improve corporate governance. In the 2006 Corporate Governance Survey Report, a joint study by Minority Shareholder Watchdog Group and the University of Nottingham Business School, Naim was ranked top among Sarawak-based companies and second overall in the property sector for companies listed on Bursa Malaysia for demonstrating best practices in Corporate Governance.

The Board of Directors recognises the importance of corporate governance and is continuously managing and prioritizing governance as a crucial part of the value creation process and an essential component of Naim's long-term strategic goal. Good governance in Naim is measured using all conventional benchmarks, with special emphasis on the degree to which value is added to the outcomes achieved by the management team.

BOARD OF DIRECTORS

The Board has the overall obligations to act in the best interests of the shareholders and to protect the shareholders' investment.

The Board is responsible for the strategic direction of the business, establishing goals for management and monitoring the achievement of goals directly and through its committees.

corporate governance



Hence, the Board of Directors plays a vital role in corporate governance. It endorses the organisation's strategy, develops policy, appoints and remunerates staff, and ensures accountability to the shareholders and the relevant authorities.

BOARD COMPOSITION AND BALANCE

There were no changes in Board's composition during the year under review.

Category	No. of directors	(%)	Minimum Requirement*
Executive Directors	5	50	N/A
Non-Executive Directors	2	20	N/A
Independent Non-Executive Directors	3	30	3
Total	10	100	

It is the policy of the Company that the number of directors may be expanded to ensure that the Board functions efficiently and effectively. On 26 February 2007, Dr. Sharifuddin Bin Abdul Wahab was redesignated from being an Independent Non-Executive Director to Deputy Managing Director. As the result of the redesignation, 2 Independent Non-Executive Directors were appointed in order to comply with Paragraph 15.02 of the Listing Requirements. Mr. Sylvester Ajah Subah @ Ajah Bin Subah was appointed Independent Non-Executive Director on 26 February 2007. Professor Abang Abdullah bin Abang Mohamad Alli was appointed as an independent non-executive director on 15 May 2007. The latest composition of the Board is as follows:

Category	No. of directors	(%)	Minimum Requirement*
Executive Directors	6	50	N/A
Non-Executive Directors	2	17	N/A
Independent Non-Executive	4	33	4
Total	12	100	

* Paragraph 15.02, Bursa Malaysia Securities Listing Requirements requires $\frac{1}{3}$ of the Board to comprise of independent directors.

Currently, the Board comprises 50% Executive Directors and 50% Non-Executive Directors. Of the 50% Non-Executive Directors 66% (33% of the total Board) are independent.

Executive Directors are involved in the implementation of strategies and the operations of the Company. The advantage of having high percentage of Executive Directors on the Board is that there will be a shared understanding among Board members and the management on the overall direction. Hence for any critical decisions sought from the Board, half of the Board would be fully aware of the current general outlook of the Company and its future aspirations, whereas the other half, the Non-Executive Directors, may only be familiar with the future aspirations and long-term value.

Non-Executive Directors do not participate in the routine operations of the Group. Independent Non-Executive Directors are independent of management and free of any business or other relationship, and therefore able to promote arm's-length oversight and at the same time bring independent thinking, views and judgment to bear in decision making. The Board monitors the independence of each Director on a half yearly basis, in respect of the interests disclosed by them.

The Non-Executive Directors draw upon their professional knowledge, background, and experience - especially advice they get from outside the Group and/or through the personal and business relationships they have developed - to help the Board tackle its related challenges.

YB Tuan Haji Hamden Bin Haji Ahmad, Senior Independent Non-Executive Director, shall continue to act as a liaison between the investment community and the Group's management and the Board.

BOARD MEETINGS

The Board meets every quarter and also convenes meetings as and when deemed necessary. The Board met five times during the year in review.

Details of Board Members' attendance at Board meetings are as follows:-

Name of Director	Date of Appointment /Resignation	Number of Board Meetings attended	Percentage
Datuk Abdul Hamed Bin Haji Sepawi	Appointed on 25 July 2003	5/5	100%
Datuk Hasmi Bin Hasnan	Appointed on 25 July 2003	5/5	100%
Dr. Sharifuddin Bin Abdul Wahab	Appointed on 25 July 2003	3/5 *	60%
Ahmad Bin Abu Bakar	Appointed on 6 February 2006	5/5	100%
Ir. Suyanto Bin Osman	Appointed on 25 July 2003	5/5	100%
Kueh Hoi Chuang	Appointed on 25 July 2003	5/5	100%
Abang Hasni Bin Abang Hasnan	Appointed on 25 July 2003	5/5	100%
YB Tuan Haji Hamden Bin Haji Ahmad	Appointed on 25 July 2003	5/5	100%
Ir. Abang Jemat Bin Abang Bujang	Appointed on 25 July 2003	5/5	100%
Datu Haji Abdul Rashid Bin Mohd. Azis	Appointed on 16 February 2005	5/5	100%
Sylvester Ajah Subah @ Ajah Bin Subah	Appointed on 26 February 2007	N/A	N/A
Professor Abang Abdullah Bin Abang Mohamad Alli	Appointed on 15 May 2007	N/A	N/A

* Absent with apologies on 6th February 2006 & 28th April 2006

The Board meets at least once every quarter for the purpose of reviewing the Group's past quarterly financial performance against its annual operating plan, budget, future strategy and business plans.

DISCLOSURE POLICY IN RELATION TO FINANCIAL REPORTING

In the past, financial statements were used to gauge the financial performance of the Company. Gradually, the accounting system has been seen as recording the past or history of transactions that has taken place, and it is incapable of providing insights about the future value creation potential. Financial oversight shall continue to be deemed necessary; however, it is viewed inadequate without supporting information which presents it in a realistic business context. Hence a paradigm shift has taken place in our disclosure notes to the accounts, in particular the Reports on Prospects for year 2007 and Beyond and Forward Looking Statement as per our unaudited 4th Quarter Financial Report ended 31st December 2006 and announced to Bursa Malaysia Securities Berhad on 26th February 2007.

DIVISION OF BOARD RESPONSIBILITIES

Matters reserved for the Board and those delegated to management depend on the capability of each party and also the size, complexity and ownership structure of the matter in question, the corporate culture, and the skills of respective directors and managers. The division of responsibilities between the Board and management therefore varies with the evolution of the Group. Management is continuously reviewing the balance of responsibilities, to ensure that the division of functions is adapted according to the changing needs of the Group.

The Chairman chairs all Board meetings and he is responsible for leadership of the Board, whereas the Managing Director is charged with the day to day conduct of the Group's business. However, at Board meetings the Chairman and the Managing Director share a common role of providing leadership and guidance to the Board, facilitating effective contribution from Board members to ensure proper deliberation of all matters requiring the Board's attention.

All Board members are required to attend Board meetings. The Board also invites the external auditor, senior management staff and company secretaries to attend the meetings when appropriate. Other consultants and visitors may also be invited to attend the meetings from time to time.

corporate governance

A total of nine Board Committees assist the Board in its deliberations (see **Board Committees**, below, for further details). Each Committee reports to the Board on a regular basis, and keeps the Board fully informed of its respective activities, decisions and recommendations.

SUPPLY OF INFORMATION

Agendas are prepared for each Board meeting and circulated to Directors prior to the meetings.

Agenda items for which resolution is sought are identified and clearly stipulated in the board paper. Presentations are scheduled during Board and Committee meetings by management and/or consultants and advisors in order to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's business. Management prepares such information in advance of each Board and Committee meeting to allow for adequate review and preparation.

In addition, all Directors have unrestricted access to officers and employees of the Group.

The Managing Director, Deputy Managing Director, Executive Director (Finance & Operations), Head of Corporate Affairs, and Company Secretary are responsible for the preparation and circulation of Board papers.

BOARD AND MANAGEMENT RESPONSIBILITIES

The Board is primarily responsible for formulating policies and strategies to maximize long term shareholder value. Generally, the Board and Senior Management are collectively responsible for value creation process to achieve the Group's long-term strategic direction and overseeing the Group's performance.

Management is responsible for implementing the Group' strategic plan whereas, the Board is responsible for guiding the strategic direction, challenging management's strategic plan, revising targets where deemed appropriate, and reviewing the business plan and budget.

Once the business plan is approved by the Board, management is responsible for its implementation. Each division has its own strategic plans, alternative plans, contingency plans, which identify the risks that would hamper the achievement of the targets, identify the human factor(s) required, and monitor the performance of the division on an on-going basis.

The Group's governance framework has been designed to enable the Board to oversee effective management and to provide strategic direction.

The Board of Directors reviews the Group's long-term strategy annually. It also approves the business plan, operating budget, capital expenditure budget and financing plans annually.

The Managing Director and Deputy Managing Director oversee and monitor the performance of the Executive Directors and

the senior management team, which is charged with the day-to-day operation of the Group. The Managing Director and Deputy Managing Director evaluate senior management performance against those plans and budgets on a monthly basis. The Board reviews the financial performance of the Group on a quarterly basis and it is fundamentally responsible for exercising business judgment and deliberating, on value creation objectives of long-term significance to the Group, and evaluating performance of the management team via benchmarking tools such as Return on Investment, Return on Equity, Return on Total Assets etc.

CORPORATE RESPONSIBILITIES STATEMENT

The Group's corporate responsibilities are summarized as follows:

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

ACCESS TO ADVICE AND INFORMATION

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

All Directors have access to the advice and services of Senior Management, Company Secretaries and Accountants at all times.

All Directors are provided with timely and complete information on Board affairs and issues requiring Board's decision. Management also provides progress reports relating to operational and financial performance of the Group. Please refer to Supply of Information above.

RESTRICTION ON DEALING IN SECURITIES

Directors and Principal Officers are discouraged from dealing in the Company's securities during closed periods, i.e. from the period commencing one month prior to the targeted date of announcement of the quarterly results up to one full market day after the announcement.

Additionally, no dealing in the Company's securities is allowed from the time that price sensitive information is obtained up to one full market day after the announcement to the public. Price sensitive information is any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

APPOINTMENTS TO THE BOARD

It is the responsibility of the Board to identify and nominate candidates for appointment as members of the Board. Prior to any appointment, the Nomination Committee (see Board Committees, below) assesses and evaluates any proposal for appointment and/or redesignation and new candidate's competence in the mix of skills, knowledge, qualifications, expertise, experience and core competencies that will best complement the Board's effectiveness.

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

Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Listing Requirements and the calls on their time from other commitments, in order to ensure their full contribution as effective Board members.

The Nomination Committee also reports to the Board all past 2 years' commercial relationships and conflicts of interest (if any)

between the Group and the nominated candidate for the Board's appointment.

If the proposed appointment is deemed to be in the best interests of the Group, a recommendation will be submitted to the Board for appointment of the new Director.

Nomination Committee also reviews changes to the structure of the Board in light of the Listing Requirements and the Malaysian Code of Corporate Governance pertaining to composition of the Board and its Board committees.

RE-ELECTION OF DIRECTORS

All Directors including the Managing Director, retire by rotation at least once every three years. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting.

In addition, newly-appointed director will submit himself for retirement and re-election at the Annual General Meeting immediately following his appointment pursuant to Article 92 of the Articles of Association. Thereafter he shall be subject to the one-third rotation retirement rule.

Directors retiring by rotation are set out below :-

Director	Position	Age	Last Retirement	Year due for Retirement
Datuk Abdul Hamed Bin Haji Sepawi	Non-Executive Chairman	58	2007	2010
Datuk Hasmi Bin Hasnan	Managing Director	54	2007	2010
Dr. Sharifuddin Bin Abdul Wahab *	Deputy Managing Director	51	2005	2008
Ir. Suyanto Bin Osman	Executive Director	49	2007	2010
Mr. Kueh Hoi Chuang	Executive Director	51	2005	2008
Abang Hasni Bin Abang Hasnan	Executive Director	56	2006	2009
YB Tuan Haji Hamden Bin Haji Ahmad	Senior Independent Non-Executive Director	58	2006	2009
Ir. Abang Jemat Bin Abang Bujang	Non-Executive Director	54	2006	2009
Datu Haji Abdul Rashid Bin Mohd. Azis	Independent Non-Executive Director	61	2005	2008
Ahmad Bin Abu Bakar	Executive Director	53	2006	2009
Sylvester Ajah Subah @ Ajah Bin Subah (Appointed on 26 February 2007)	Independent Non-Executive Director	64	2007 [#]	2010
Professor Abang Abdullah Bin Abang Mohamad Alli (Appointed on 15 May 2007)	Independent Non-Executive Director	55	2007 [#]	2010

* redesignated from Independent Non-Executive Director to Deputy Managing Director on 26 February 2007

[#] Article 92 requires that "any director so appointed (to fill a casual vacancy or as an addition to the existing Directors) shall hold office until the next annual general meeting ... and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting."

corporate governance

DIRECTORS' TRAINING

Continuing Education Programme

All Directors have fully complied with the CEP requirements. Newly appointed Directors have attended the Mandatory Accreditation Programme (MAP) within the prescribed timeframe as stipulated by Bursa Malaysia Securities.

Directors who attended training during the year under review, and a brief description of the training, are listed as follows:

Name of Director	Description of Training
Datuk Hasmi Bin Hasnan	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management
Dr. Sharifuddin Bin Abdul Wahab	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management
Ahmad Bin Abu Bakar (appointed on 6 February 2006)	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management Management Development Follow Up Session Goods and Services Tax & Financial Reporting Standard Seminar Chief Financial Officer Summit 2006 Ernst & Young Seminar – 1st Quarterly Interim Reporting 2nd Annual Conference on Privatization, Public-Private Partnerships and Private Finance Initiative 2006 1-Day Awareness Seminar on Financial Standards 2-Day Intensive Workshop on Frameworks & Strategies for Private Finance Initiatives (PFI): Transaction Models & International Best Practices Strategic Planning & Implementation Workshop CEO Luncheon Talk Series 2006
Ir. Suyanto Bin Osman	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management 2nd Annual Conference on Privatization, Public-Private Partnerships and Private Finance Initiative 2006 Management Development Follow Up Session CEO Luncheon Talk Series 2006
Kueh Hoi Chuang	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management Management Development Follow Up Session CEO Luncheon Talk Series 2006 National Property Conference (NPDC) 2006
Abang Hasni Bin Abang Hasnan	<ul style="list-style-type: none"> Corporate Retreat 2006 : Strategic Management Management Development Follow Up Session
YB Haji Hamden Bin Haji Ahmad	<ul style="list-style-type: none"> Corporate Retreat 2006: Strategic Management
Ir. Abang Jemat Bin Abang Bujang	<ul style="list-style-type: none"> Corporate Retreat 2006: Strategic Management
Datu Haji Abdul Rashid Bin Mohd. Azis	<ul style="list-style-type: none"> 2nd Annual Directors Duties Conference 2006
Sylvester Ajah Subah @ Ajah Bin Subah (appointed on 26 February 2007)	N/A
Professor Abang Abdullah Bin Abang Mohamad Ali (appointed on 15 May 2007)	N/A

BOARD COMMITTEES

The Board has established 9 Board Committees as follows:



The establishment of Committees is to assist the Board in the execution of its duties, to allow detailed consideration of complex issues, and to ensure diversity of opinions, suggestions and recommendations from the Committees. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. The Committees are to ensure effective Board processes, structures and roles, including Board performance evaluation by the Nomination Committee. All matters determined by the Committees are submitted to the full Board as opinions and/or recommendations for Board decisions.

It is the view of the Board that the size of each Committee and the blend of skills and experience of its respective members are sufficient to enable the Committee to discharge its responsibilities in accordance with the charter. Members of each Committee are drawn from the Board and from the Group's senior management team, based on their respective skills, responsibilities and areas of expertise.

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

NOMINATION COMMITTEE

The Nomination Committee was established on 13 November 2003. It comprises the following members:-

Datuk Abdul Hamed Bin Haji Sepawi
- as Chairman of the Nomination Committee
Non-Executive Chairman

YB Tuan Haji Hamden bin Haji Ahmad
- as member of the Nomination Committee
Senior Independent Non-Executive Director

Datu' Haji Abdul Rashid Bin Mohd Azis
- as member of the Nomination Committee
Independent Non-Executive Director

The structure of executive and non-executive participation in the Nomination Committee is as follows:-

Category	No. of directors	Percentage
Executive Director	0	0.0%
Non-Executive Director	1	33.33%
Independent Non-Executive Director	2	66.67%
Total	3	100.00%

The main role of the Committee is to consider the nominees for appointment to the Board of directors and to assess the core competencies of each existing Board member and new appointments contributing particularly knowledge, expertise or experience and taking into account the future needs of the Group. Candidates will be evaluated in one or more of the following:-

- **Relevant Knowledge**
Board members must possess commercial knowledge, business acumen and experience.
- **Strategy and Vision**
With the requisite knowledge as mentioned earlier, Board members must possess the capability to provide insight, guidance and direction to management by promoting improvement, modeling new trends, evaluating strategies.
- **Business Judgment**
Shareholders rely on the Board to make rational and sensible decisions on their behalf to bring about a reasonable return to their investments. The Board has to maintain a sound business decisions that add value to the long-term strategic advantage of the Company.

corporate governance

• Management

Board members must be capable of monitoring management's performance through having an adequate knowledge of financial accounting and corporate finance.

• Industry Knowledge

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

• Time Commitment

Service on the Board demands a considerable commitment of time to attend and participate in regular and special meetings of the Board and its committees. Large portion of time is devoted to reviewing materials relating of the business and preparing for meetings of the Board and its committees.

• Other Directorships

The Committee will also take into consideration whether a Director is otherwise retired or to be retired from full time employment and, thereby, able to take up additional directorships.

Nomination Committee also recommends representation in subsidiaries Board and in meetings of members.

Subsidiaries Board comprises a mix representation from management and from executive members of the parent company.

The Nomination Committee also evaluates the following:-

- 1) Board structure, size and the balance of representation on the Board in light of the Listing Requirements;
- 2) Performance of the Board and Board Committees;
- 3) Review the mix of skills, experience including core competencies of non-executive Directors;
- 4) Directors' Rotational Retirement Schedule.

The Nomination Committee met twice during the year under review.

Terms of Reference

Composition

The Nomination Committee shall be appointed by the Board from among their number and shall comprise of no fewer than three (3) members, all of whom shall be Non-Executive Directors and a majority shall be Independent Non-Executive Directors.

Duties and Responsibilities

The duties and responsibilities of the Nomination Committee are as follows:-

- a) To consider and recommend to the Board competent persons of the highest calibre and integrity for appointment as:-
 - i) members of the Board
 - ii) members of the Board Committees
- b) to review the required mix of skills and experience and other qualities, including core competencies of non-executive Directors on an annual basis;

- c) to review the performance of members of the Board, Managing Directors and members of Board Committees; and to assess the effectiveness of the Board Committee and the Board as a whole and the contribution of each individual Director;
- d) to review the Board structure and size and the balance of appointments between Executive Directors and Non-Executive Directors;
- e) to review the adequacy of committee structures of Board Committees;
- f) to review the structure for management succession and development for the orderly succession of management.

REMUNERATION COMMITTEE

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

Ir. Abang Jemat Bin Abang Bujang

- as Chairman of the Remuneration Committee
- Non-Executive Director

Datuk Hasmi Bin Hasnan

- as member of the Remuneration Committee
- Managing Director

Dr. Sharifuddin Bin Abdul Wahab

- (redesignated from Independent Non-Executive Director to Deputy Managing Director and resigned as member of the Remuneration Committee on 26th February 2007)
- Deputy Managing Director

Sylvester Ajah Subah @ Ajah Bin Subah

- (appointed member of the Remuneration Committee on 26th February 2007)
- Independent Non-Executive Director

Datu Haji Abdul Rashid Bin Mohd Aziz

- (appointed member of the Remuneration Committee on 27th April 2007)
- Independent Non-Executive Director

The composition of executive and non-executive participation in the Remuneration Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	2	50.00%
Non-Executive Director	1	25.00%
Executive Director	1	25.00%
Total	4	100.00%

In determining remuneration policy and the quantum of the rewards, the Remuneration Committee takes into consideration the structures and levels of remuneration for executive directors in other comparator companies. The remuneration package is structured primarily arithmetically linked to the financial performance of the Group and with non-arithmetic element determine by reference to personality traits, changes in job scope and responsibilities. In addition, incentives will be paid based on 2 criterias, achievement of targets and outcomes and the ability to contribute to the long term value creation of the organization. The overall remuneration package is devised to retain a stable management team and to further encourage the creation of value for the shareholders.

The Remuneration Committee met twice during the year under review.

Terms of Reference

Composition

The Remuneration Committee shall be appointed by the Board from among their number and shall comprise not fewer than three (3) members, a majority of members shall be Non-Executive Directors.

Duties and Responsibilities

The duties and responsibilities of the Remuneration Committee are as follows:-

- to review annually and recommend to the Board the Company's overall remuneration policy and guidelines for Executive Directors to ensure that the remuneration packages are strongly linked to performances;
- to enhance shareholders' value by ensuring that individual performance and rewards of Executive Directors reflect and reinforce the business objectives and long term goals of the Group;
- to keep abreast with changes in the total remuneration packages in external market comparables, and reviews and recommends changes to the Board when deemed necessary.

No member of the Committee or any other Director shall be involved in the deliberations in respect of his remuneration and benefits to be granted.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 13th November 2003. The Risk Management Committee comprises the following:-

Datuk Hasmi Bin Hasnan

- as Chairman of the Risk Management Committee
Managing Director

YB Tuan Haji Hamden Bin Haji Ahmad

- as member of the Risk Management Committee
Senior Independent Non-Executive Director

Dr. Sharifuddin Bin Abdul Wahab

- (appointed member of the Risk Management Committee on 27th April 2007)
Deputy Managing Director

Ahmad Bin Abu Bakar

- (appointed member of the Risk Management Committee on 28th April 2006)
Executive Director

Ir. Suyanto Bin Osman

- as member of the Risk Management Committee
Executive Director

Kueh Hoi Chuang

- as member of the Risk Management Committee

Leong Chin Chiew

- (resigned as Senior Head of Construction Division and ceased to be a member of the Risk Management Committee on 4th October 2006)

Gordon Kab

- (appointed member of the Risk Management Committee on 5th December 2006)
Senior Head of Construction

Hii Doh Yiew

- (appointed member of the Risk Management Committee on 5th December 2006)
Senior Manager (Finance & Corporate Planning)

A representative from the Internal Audit Department

The composition of executive and non-executive participation in the Risk Management Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	1	11.11%
Executive Director	5	55.56%
Management Staff	2	22.22%
Internal Auditor	1	11.11%
Total	9	100.00%

Planning in an organization involves dealing with many kinds of risk. Risks include uncertain events and conditions which if they occur have an either positive or negative effect on the organisation's objectives. Hence, the risk management process involves forecasting into the future, trying to predict what might happen and assessing its impact on the business strategy. Effective strategic planning involves balancing these risk factors.

corporate governance

A brainstorming session is conducted annually to look at the risks or factors that would hinder and/or foster the achievement of the long-term strategic objectives of the Company.

The senior management team meets regularly (on a monthly basis) to review the performance of the Group. In the course of monitoring the results against target, management also discusses factors that impede the Group's business progress and at the same time considers opportunities that may arise. At the management level, the targets are expressed in terms of Earnings Per Share or Return on Investment or some other applicable quantifiable measurements. In order to maintain a realistic target, senior management with the approval of the Managing Director may make risk-adjustments, if deemed necessary in light of the prevailing conditions so that overestimation or underestimation of risk is minimized.

Risks are also dealt with at varying degree at all levels of operations in the following aspects:-

- a) Business planning, regular reviews of the business plan and market risk and making adjustments thereto;
- b) Financial performance – managing cashflow and ensuring that the organization meets the obligations and achieves its goal;
- c) Human Resource management – recruiting and at the same time retaining employees with the relevant talent to achieve the business goal;
- d) EDP management – setting standards and conducting frequent backups in anticipation of breakdowns and contingency planning thereto;
- e) Occupational Health and Safety division – by providing the relevant training and the imposition of fines on those who fail to comply with agreed standards;
- f) Adequate quality assurance – setting standards for houses, buildings and infrastructure facilities and implementing systems to meet those standards;
- g) Crisis management – anticipating or business continuity planning in advance.

During the year under review, the Risk Management Committee met twice.

Terms of Reference

Composition

The Risk Management Committee shall comprise no fewer than five (5) members and one of whom shall be a representative from the Internal Audit.

Duties and Responsibilities

The duties and responsibilities of the Risk Management Committee are as follows:-

- a) to establish risk policies and risk framework.

- b) to identify, evaluate, monitor the risks portfolio and formulate mitigation strategies/action plans to manage the overall risk associated with the Group's activities;
- c) to recommend appropriate risk management policies and procedures which shall be reviewed regularly to ensure that they are both appropriately dealt with a view to the long term viability of the Naim Group;
- d) to review on a periodical basis the Group's overall objectives in assessing the current risk portfolio composition and the risk appetite;
- e) to provide the Board with quarterly reports on the effectiveness of the risk management and internal control system;
- f) to ensure a proper balance between risk incurred and potential returns to shareholders;
- g) the Internal Audit Department shall assess the adequacy and reliability of the risk management process;
- h) the Internal Audit Department may pursue further in areas identified as high risks and report its findings and recommendations to the Audit Committee;
- i) such other responsibilities as may be delegated by the Board from time to time.

BOARD EXECUTIVE COMMITTEE

The Board Executive Committee was established on 13 November 2003. Its membership comprises the following:-

Datuk Abdul Hamed Bin Haji Sepawi

- as Chairman of the Board Executive Committee
Non-Executive Chairman

Datuk Hasmi Bin Hasnan

- as member of the Board Executive Committee
Managing Director

Dr. Sharifuddin Bin Abdul Wahab

- (appointed member of the Board Executive Committee
on 27th April 2007)
Deputy Managing Director

Suyanto Bin Osman

- as member of the Board Executive Committee
Executive Director

Ahmad Bin Abu Bakar

- as member of the Board Executive Committee
Executive Director

The composition of executive and non-executive participation in the Board Executive Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	20%
Executive Director	4	80%
Total	5	100%

The Board Executive Committee is crucial for ensuring effective processes, articulating direction, evaluating effectiveness and helping to pursue excellence in organizational performance by encouraging constructive dialogue within the Board and Committee.

Terms of Reference

Composition

The Board Executive Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

Responsibilities

The Board Executive Committee is responsible for implementing the decisions and policies by the Board as well as to coordinate activities necessary to ensure successful implementation of the Group's business decision.

Duties

The duties of the Board Executive Committee are as follows:-

- a) to review and adopt the strategic plan for the Group;
- b) to oversee the conduct of the Company's business plan and evaluate whether the business is properly managed;
- c) to develop and implement an investor relations programme or shareholder communications policy for the Company;
- d) to review the adequacy and the integrity of the Company's internal control systems and management information systems;
- e) to decide on all matters relating to banking facilities as may be required for the conduct of the Group's operations;
- f) The Board Executive Committee is also empowered to :-
 - i) review, recommend and approve capital expenditure;
 - ii) review, recommend and approve disposal of capital items;
 - iii) review, recommend and approve the Award of Tenders

within the restricted authority given by way of authority limits determined by the Board.

HUMAN RESOURCE OPERATIONS COMMITTEE

The Human Resource Operations Committee was established on 24th May 2004. The Human Resource Operations Committee comprises the following:-

Dr. Sharifuddin Bin Abdul Wahab

- Chairman
- Deputy Managing Director

Datuk Hasmi Bin Hasnan

- Managing Director

Ahmad Bin Abu Bakar

- (appointed member of the Human Resource Operations Committee on 28th April 2006)
- Executive Director

Ir. Abang Jemat Bin Abang Bujang

- Non-Executive Director

Kueh Hoi Chuang

- Executive Director

Datu' Haji Abdul Rashid Bin Mohd Azis

- (appointed member of the Human Resource Operations Committee on 28th April 2006)
- Independent Non-Executive Director

Leong Chin Chiew

- (resigned as Senior Head of Construction Division and ceased to be a member of the Human Resource Operations Committee on 4th October 2006)

Gordon Kab

- (appointed member of the Human Resource Operations Committee on 5th December 2006)
- Senior Head of Construction

Mr. Jeffrey Sim

- Senior Human Resource Manager

corporate governance



The composition of executive, non-executive and management participation in the Human Resource Operations Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	1	12.50%
Non-Executive Director	1	12.50%
Executive Director	4	50.00%
Management Staff	2	25.00%
Total	8	100.00%

Terms of Reference

Composition

The Human Resource Operations Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

Responsibilities

The Human Resource Operations Committee is responsible for forecasting the manpower requirements and evaluation based on the 5 years' corporate goals.

Duties

The duties of the Human Resource Operations Committee are as follows:-

1. to review the current organisation structure and manpower concerns of the Group;
2. to conduct a study into the current compensation and benefit system and, if necessary, to recommend changes thereto in conformance with the prevailing market rates;
3. to formulate employee recognition programme to retain and recognise performing employees;
4. to formulate a 5 year organisation charts and set schedule for human resources requirements planning for the Group;
5. to align the Human Resource's role with the 5 years' corporate goals; and,
6. to assess short and long term Human Resource performance requirements.

BUSINESS DEVELOPMENT COMMITTEE

The Business Development Committee was established on 24th May 2004. The Business Development Committee comprises the following:-

Datuk Abdul Hamed Bin Haji Sepawi

- Chairman
Non-Executive Chairman

Datuk Hasmi Bin Hasnan

- Managing Director

Dr. Sharifuddin Bin Abdul Wahab

- (appointed member of the Business Development Committee on 27th April 2007)
Deputy Managing Director

Ir. Suyanto Bin Osman

- Executive Director

Kueh Hoi Chuang

- Executive Director

Leong Chin Chiew

- (resigned as Senior Head of Construction Division and ceased to be a member of the Business Development Committee on 4th October 2006)

Gordon Kab

- (appointed member of the Business Development Committee on 5th December 2006)
Senior Head of Construction

The composition of executive, non-executive and management participation in the Business Development Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	16.67%
Executive Director	4	66.66%
Management Staff	1	16.67%
Total	6	100%

Terms of Reference

Composition

The Business Development Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

Responsibilities

The Business Development Committee is responsible for identifying, exploring avenues, sourcing and locate opportunities and to lobby for potential projects to meet the 5 years' corporate goals.

Duties

The duties of the Business Development Committee are as follows:-

- to review the market analysis, feasibility studies and recommendations for potential projects or contracts;
- to conduct strategic analysis of projects, contracts, real estate deals and land acquisition deals;
- to gather market intelligence and to understand both our direct and indirect competitors;
- to develop contacts/exchanges of information and maintain good relations with government, authorities, ministries, property developers and others; and,
- to plan and implement strategies to develop new business and opportunities.

BUSINESS PROCESS ENGINEERING COMMITTEE

The Business Process Engineering Committee (BPEC) was established on 24th May 2004. The BPEC comprises the following members:-

Ir. Abang Jemat Bin Abang Bujang

- Chairman
Non-Executive Director

Datuk Hasmi Bin Hasnan

Managing Director

Dr. Sharifuddin Bin Abdul Wahab

- (appointed member of the Business Process Engineering Committee on 27th April 2007)
Deputy Managing Director

Ahmad Bin Abu Bakar

- (appointed member of the Business Process Engineering Committee on 28th April 2006)
Executive Director

Ir. Suyanto Bin Osman

- Executive Director

Kueh Hoi Chuang

- Executive Director

Kho Teck Hock, Ricky

- Head of Corporate Affairs

Teng Cheong Ming, Alan

- (ceased to be member of the Business Process Engineering Committee 14th May 2007)
Technical Adviser

Leong Chin Chiew

- (resigned as Senior Head of Construction Division and ceased to be a member of the Business Process Engineering Committee on 4th October 2006)

Gordon Kab

- (appointed member of the Business Process Engineering Committee on 5th December 2006)
Senior Head of Construction

Jeffrey Sim

- Senior Human Resource Manager

Joseph Lee

- ICT Manager
Secretary of BPE Committee

The composition of executive, non-executive and management participation in the Business Process Engineering Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	11.11%
Executive Director	5	55.56%
Management Staff	3	33.33%
Total	9	100.00%

Business Process Mapping (BPM) was identified as one of the Business Process Re-Engineering Projects recommended by the BPE Committee. BPM refers to activities involved in defining exactly what a business entity does, who is responsible, to what standard a process should be completed and how the success of a business process can be determined. Once this is done, there can be no uncertainty as to the requirements of every internal business process.

The Business Process Map allows you to examine a business process clearly, without the 'distraction' of the organizational structure. As with process charts, the usual approach is to map a process 'as is', to use this as the basis of analysis and review - in terms of identifying process steps that are the (potential) cause of bottlenecks, delays, barriers and errors - and to create a map of the re-engineered process to aid in 'selling' identified process improvements.

The motivations for choosing BPM include the following:

- Formalize existing process and spot needed improvements. Adopting BPM forces a business to think through and formalize its understanding of current processes. Along the way, those running the business invariably spot potential improvements, such as the removal of steps, automation of manual steps, or the reengineering of a part or the whole of the flow.

corporate governance

- Facilitate automated, efficient process flow. Given that a process spans multiple activities, the less time spent between activities, the better. When a BPM software is deployed, it drives the process flow, downtime between activities is almost zero, unless the software itself is down. Even better, BPM supports process parallelism, so that independent sequences of work can be performed concurrently in isolation of each other, with their results merged and synchronized later in the flow.
- Increase productivity and decrease head count. Get work done faster with fewer people! This can be done through automation and decision laden applications.
- Allow people to solve the hard problems. Although BPM is often about removing or decreasing human participation in a process, one of its benefits is its flexibility to use people to help fix problems.
- Simplify regulations and compliance issues. BPM helps building auditable processes that help the organization to comply with various regulatory requirements.

This project was completed in nine months with an electronic library being built.

Terms of Reference

Composition

The BPEC shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

Responsibilities

The BPEC is responsible for defining the necessary organizational changes that are required to achieve the 5 years' corporate goals.

Duties

The duties of the BPEC are as follows:-

- to review the current work-flows within the organisation structure;
- to detect process weak points and to modify processes where gains can be obtained with low costs;
- to establish and implement creative solutions based on business models to ensure that the correct information is supplied to the right person at the right time in order to fulfill the Group's objectives; and,
- to introduce control procedures to ensure that the change provides the expected improvement.

CORPORATE DISCLOSURE COMMITTEE (CDC)

The CDC was established on 21 March 2005. The CDC comprises the following:-

Datuk Hasmi Bin Hasnan

- Chairman
Managing Director

Dr. Sharifuddin Bin Abdul Wahab

- (appointed member of CDC on 27th April 2007)
Deputy Managing Director

Encik Ahmad Bin Abu Bakar

- (appointed member of CDC on 28th April 2006)
Executive Director

Mr. Kho Teck Hock, Ricky

- Head of Corporate Affairs

Ms. Bong Siu Lian

- Company Secretary

The composition of executive, non-executive and management participation in the CDC is as follows:-

Category	No. of directors	Percentage
Executive Director	3	60.00%
Management Staff	2	40.00%
Total	5	100.00%

The CDC has been established to oversee all matters relating to corporate disclosure policy and procedures.

The functions and responsibilities of the CDC include:

- 1) To promote and maintain market integrity and investor confidence;
- 2) To ensure equal access to material information in an accurate, clear, timely and complete manner and to avoid selective disclosure;
- 3) To propagate the exercise of due diligence to ensure that information disseminated will be as far as possible accurate, clear, timely and complete;
- 4) To instill an efficient management of information procedure that promotes accountability for the dissemination of material information;
- 5) To take advantage of advances made in information technology in dissemination information; and,
- 6) To build good investor relations with the investing public that inspires trust and confidence.

BOARD AND DIRECTORS' PERFORMANCE EVALUATION

The performance of the Board is evaluated by the Nomination Committee and reviewed by the full Board. The evaluation is done by a scoring system with weights being assigned to each component of critical issues.

The performance of each individual Director is reviewed by the Remuneration Committee in relation to other Board members' remuneration and "market gap". The results are discussed with the Chairman and approved by the Board.

CORPORATE DISCLOSURE POLICY

It is the policy of the Group to ensure informative, timely, accurate and complete disclosure of material information concerning Naim to the public. Naim recognizes that all investors, whether individual investors or institutional shareholders, shall have equal access to material information through the widest possible publicly disseminated disclosure. As mentioned earlier, (see Disclosure Policy in relation to Financial Reporting), the Company is in the midst of improving its disclosure policies to include information that provides insight into the organisation's strategic future value creation potentials through its forward-looking statements. Although these policies have not been perfected, this change of emphasis shall guide and direct any future disclosures made by the Group.

Corporate Disclosure Policies and Procedures have been drafted for implementation with the following objectives:

- 1) To raise awareness about, and provide guidance to management concerning the Group's disclosure requirements and practices;
- 2) To provide guidance and structure in disseminating corporate information to, and in dealing with, investors, analysts, the media and the investing public;
- 3) To ensure compliance with legal and regulatory requirements on disclosure of material information.

The Non-Executive Chairman and the Managing Director of Naim are designated as the main contacts for analysts, investors, the media and others seeking information on financial and business matters. All Directors shall refer all formal and informal requests for information, comment, meetings, interviews or other questions from external sources to the Non-Executive Chairman and the Managing Director. Authorised spokespersons shall not disclose material information that has not been previously made public.

The Company's website will be regularly updated with Bursa Malaysia Securities releases.

SHAREHOLDER COMMUNICATION

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

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

In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (the Chairman, Managing Director and Head of Corporate Affairs) on a regular basis. This enables the investors to get a balanced understanding of their main issues and concerns affecting the Group. Non-Executive Directors may attend such meetings but are not expected to provide information on Group performance. Discussions at such meetings are restricted to matters that are in the public domain.

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

The Company abides to the following main principles in its investor relations:-

- thoughtful analysis of our market value relative to estimates of our intrinsic value, that is, the present value of our group based on a series of future expected net cash flows;
- ensuring that all information divested to our investors are consistent with our strategies, plans and actual performances;
- providing transparency on our operations and performance; and
- understanding our investor based and their requirements.

OTHER GUIDELINES

The Group Procedures and Authorities (GPA) and Board Policy Manual continue to be amended and adapted to the changing needs of the Group's operational activities while maintaining an adequate level of necessary checks and balances.

During the year under review, Sub-contract awarding procedures were introduced. The primary objective was to expedite the approval process via delegation of authority to senior management staff, with alignment of functions and subfunctions according to operational needs and supported by proper set of checks and balances. As the Group grows or the focus of its operation shift, the appropriate oversight and control systems may have to be reviewed and changed. Formalized structures, processes and procedures encourage and support everyone to work in conformity and deter those who might be tempted to go outside the guidelines.

corporate governance



BUSINESS ETHICS

Business ethics aims at inculcating a sense of responsibility within the Group's employees on how to conduct business. The field of business ethics is vast, encompassing areas such as corporate governance reputation management, reliable accounting and audits and has now extended to new domains such as corporate social responsibility.

The Group's Code of Ethics guides the behaviour and performance of all Employees and Directors. It sets forth how we conduct ourselves in our dealings with customers, employees, suppliers, partners, competitors and the community, seeking to improve every facet of our business through processes and procedures designed to optimise all our resources and expand opportunities.

In addition, the Code helps ensure that all those who deal with the Group are aware that they are dealing with a world-class company that adheres to high ethical, moral and business standards.

The Code was drawn up based on core values - INTEGRITY, HONESTY, RELIABILITY and RESPONSIBILITY - to our employees, customers, suppliers, communities and our shareholders.

The Code of Ethics will evolve over time, and new values may emerge as the Company adapts itself to a changing business environment. Nevertheless, the Code will continue to govern our organizational culture and corporate and individual behaviour, to encourage higher standards of business and professional integrity while at the same time aligning effective business performance with ethical business conduct.

As important as the Code is, the Group recognizes that no set of written rules can substitute for the good judgment, common sense and professional integrity that has always been expected of all Naim personnel in the course of their professional and personal activities.

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Naim's commitment to CSR is echoed in its Corporate Responsibilities Statement as mentioned above.

Naim Group believes in good corporate citizen by creating jobs, paying tax, improving the standards of living, supporting sustainable economic growth, responding to disasters and supporting the community. For further details, see Social Responsibility on page 69.

ENVIRONMENTAL RESPONSIBILITY

As society evolves towards a growing awareness of our ecosystem, the business world is gradually following suit, realising that the interdependence between business growth and sustainable development is a significant mediating element in the long term success. The manner in which a business reacts to its corporate social responsibilities determines the benefits that business will derive; the more these responsibilities are integrated into its everyday business activities, the greater the benefits will be. Naim is slowly integrating the "eco-homes" approach into its property developments, with added features like greener landscaping, better ventilation and maximum usage of natural sunlight and airflows. Those benefits may manifest in the form of enhanced reputation, cost savings, improved staff morale and greater customer loyalty, as well as contributing to preservation of the overall environment. For further details, see Corporate Citizenship on page 68.

COMPENSATION OF DIRECTORS

The Remuneration Committee is responsible for formulating the compensation arrangement for the Managing Director, Deputy Managing Director and other Executive Directors of the Company. The remuneration packages are structured to link rewards to corporate goals and individual performance.

Upon consultation with the Chairman of the Company, the Remuneration Committee formulates the remuneration of the Managing Director. Remuneration package for Deputy Managing Director and Executive Directors will be determined upon consultation with the Managing Director.

The remuneration for executive directors comprises 2 parts i.e. fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term strategy of the organisation. Non-Executive Directors shall be eligible to the fixed component and they are not eligible to participate in the variable performance-linked incentive scheme.

The key objectives of the Company's policy on executive directors' remuneration are as follows:

- 1) to attract and retain executives of the highest calibre;
- 2) to reward them at the prevailing market rate; and
- 3) to reward them in a way which promotes the creation of shareholders' value through a performance pegged to remuneration package, i.e. Key Performance Indices.

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

Remuneration for Non-Executive Directors is recommended by the Board and approved by shareholders at the annual general meeting.

No director is involved in determining his own remuneration.

Details of remuneration paid to each Director for the financial year ended 31st December 2006 are as follows:

	Basic Salary	Emoluments	Allowance	Fees paid by		Benefit-in-kind	Total
				Company	Subsidiary		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors							
Datuk Hasmi Bin Hasnan	1,133	857	-	-	7	25	2,022
Dr. Sharifuddin Bin Abdul Wahab (Redesignated as Deputy Managing Director on 26 February 2007)	-	-	-	109	-	-	109
Ahmad Bin Abu Bakar (appointed on 6 February 2006)	350	76	-	-	-	45	471
Ir. Suyanto Bin Osman	476	264	-	-	-	18	758
Kueh Hoi Chuang	347	182	-	-	5	7	541
Abang Hasni Bin Abang Hasnan	136	64	-	-	-	21	221
Non-Executive Directors							
Datuk Abdul Hamed Bin Sepawi	-	-	1,026	-	-	25	1,051
YB Tuan Haji Hamden Bin Haji Ahmad	-	-	-	132	-	-	132
Ir. Abang Jemat Bin Abang Bujang	-	-	-	109	-	-	109
Datu Haji Abdul Rashid Bin Mohd Azis	-	-	-	92	-	-	92
Dato' Peter Anak Minos (resigned on 5 September 2005)	-	-	-	35	-	-	35
Sylvester Ajah Subah @ Ajah bin Subah (appointed on 26 February 2007)	-	-	-	-	-	-	-
Professor Abang Abdullah Bin Abang Mohamad Alli (appointed on 15 May 2007)	-	-	-	-	-	-	-
Total	2,442	1,443	1,026	477	12	141	5,541

corporate governance

MANAGEMENT SUCCESSION

Management succession is implemented to ensure the availability and sustainability of capable executives who are ready to assume primary or critical roles.

The Remuneration Committee will oversee a process whereby the qualities and characteristics necessary for effective Board leadership are reviewed and updated, and will implement advance planning for contingencies affecting Executive Directors, Deputy Managing Director and the Managing Director. On the other hand, the Managing Director, Deputy Managing Director, Executive Directors and Human Resource Operation Committee shall ensure that the same process pertaining to management succession be applied to senior members of management.

FINANCIAL REPORTING

Responsibility for the preparation of financial statements and reports has been delegated to the management, under the supervision of Director of Finance and Operations. However, the Board of Directors through the Audit Committee will determine that the reports are accurate and fairly present the Group's financial position and results of its operations. At the same time, the Audit Committee has to ensure that the financial statements are prepared in accordance with the appropriate and applicable Malaysian statutory accounting requirements and drawn up on a consistent basis supported by prudent judgments and estimates.

The Audit Committee meets on a quarterly basis. The internal auditor, external auditor and relevant management staff are invited to attend the Audit Committee meetings to discuss the results of the audit examinations and financial reporting matters.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is required by the Companies Act 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of the results and cash flows of the Group and the Company of the financial year.

The Board of Directors accepts responsibility for the integrity, objectivity and reliability of the financial statements of the Company and the Group. All books and accounting records have been kept to support this. The Board of Directors upholds the principle of transparent reporting and delegating the responsibility for the preparation of the financial statements to the management.

The Board is pleased that adequate internal controls and systems are maintained for providing a reasonable assurance that assets are safeguarded based on policies and procedures implemented. The annual financial statements have been prepared on the following basis:-

- compliance with the approved accounting standards, the Financial Reporting Standards ("FRS"), provisions of the Companies Act 1965 and the Bursa Malaysia Securities Berhad Listing Requirements;
- consistent application of the appropriate and relevant accounting policies;
- reasonable prudent judgment and estimates; and
- on the going concern basis.

INTERNAL CONTROL SYSTEMS

The internal controls which set out approval limits for capital expenditure, investments, bank borrowings and cheque signatories are arranged at the Board level. Approval sublimits are also provided at management level to facilitate operational efficiency. The internal controls are designed to provide reasonable assurance that transactions are conducted in accordance with management's authority and that the assets are adequately protected against material loss or unauthorized acquisition, use or disposition, and that the transactions are properly authorized and recorded. The internal control systems are described in full in the Statement of Internal Control on page 67 of this annual report.

RELATIONSHIP WITH AUDITORS

The functions of the Audit Committee in relation to the external auditors and internal auditors are set out in pages 44 to 46 of this Annual Report.

ADDITIONAL COMPLIANCE

In compliance with the Listing Requirements of Bursa Malaysia Securities, the following information is provided hereunder.

Share Buy-Back

During the financial year, the Company bought back 237,400 shares from the open market as follows:

Date Purchased	No. of Shares	Purchase Price Per Share			Total Consideration RM
		Highest	Lowest	Average	
January	236,400	2.92	2.98	2.98	701,693.22
June	1,000	3.00	3.00	3.00	3,022.20
Total	237,400				704,715.42

No resale of treasury shares took place during the financial year ended 31st December 2006.

237,400 shares were bought-back during the year and were retained as treasury shares.

No shares were cancelled during the financial year ended 31st December 2006.

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programmes during the year under review.

Sanctions and Penalties

There were no sanctions or penalties imposed on the Company, its subsidiaries, directors and management during the financial year.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group in the financial year ended 31st December 2006 amounted to RM 116,700.00 for professional services rendered as per the following table.

Company	Consolidation Fee & Review of Quarterly Announcement Fee (RM)	Tax Fee	Advisor fee
Naim Cendera Holdings Berhad	30,000*	4,150	-
Naim Cendera Sdn. Bhd.	5,000	13,500	4,000
Total Reliability Sdn. Bhd.	3,000	8,700	-
Naim Cendera Dua Sdn. Bhd.	-	3,750	-
Desa Ilmu Sdn. Bhd.	-	14,650	-
Naim Citra Sdn. Bhd.	-	3,750	-
NCSB Engineering Sdn. Bhd.	-	5,350	-
TR Green Sdn. Bhd.	-	2,200	-
Khidmat Mantap Sdn. Bhd.	-	3,150	-
Naim Commercial Sdn. Bhd.	-	3,000	-
Yakin Pelita Sdn. Bhd.	-	1,000	-
Naim Equipment Sdn. Bhd.	-	2,400	-
Naim Cendera Tujuh Sdn. Bhd.	-	800	-
Yakin Jelas Sdn. Bhd.	-	850	-
Naim Management Sdn. Bhd.	-	650	-
Naim Housing Sdn. Bhd.	-	2,950	-
Naim Ready Mix Sdn. Bhd.	-	1,150	-
TR Bricks Sdn. Bhd.	-	2,700	-
Total	38,000	74,700	4,000
* RM30,000 consists of:			
Consolidation fee	10,000		
Statement of Internal Control	15,000		
Review of Quarterly Announcement	8,000		
	33,000		

corporate governance

Variation in Results

During the financial year under review, there were no significant variations in results.

Profit Guarantee

During the financial year under review, there were no profit guarantees given by the Company.

Revaluation Policy

For the financial year under review, the Group had not adopted any revaluation policy in relation to its landed properties.

Utilization of Proceeds

For the financial year ended 31st December 2006, proceeds were utilized as per the following table.

Utilization of Proceeds (in RM'000)			
Purposes	As per Prospectus	Utilized as at 31.12.2006	Balance Unutilized
Acquisition of land for property development and property investment	25,000	6,039	18,961
Purchase of machinery	7,400	2,003	5,397
Purchase of information technology systems	3,082	3,079	3
Repayment of bank borrowings	7,430	6,857	573
Listing expenses	4,600	4,600	-
Working capital	13,036	13,036	-
Total	60,548	35,614	24,934

Related Party Transactions

The related party transactions are disclosed on page 126 to 129 of the Annual Report.

Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year or since the end of the previous financial year.

statement of internal control

Introduction

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

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

Responsibility

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

Risk Management Framework

Risk management practices and internal control are embedded in the daily operations of the Group, which has established a strategic enterprise-wide risk management framework. This framework involves identifying the risk exposure of the Group, developing key risk profiles/corporate risk scorecards as well as implementing a continuous risk monitoring system. The Risk Management Committee (comprising representatives from the Board, the management and the internal audit department) is continuously reviewing, upgrading and improving the Group's risk management practices.

Key Processes of Internal Control

Key processes of Internal Control are summarised as follows:

- Organisational structure that lays down clear lines of responsibility and reporting.
- Budgetary control, where actual performance is regularly monitored against budgets and variances are investigated.
- Group Procedures and Authorities Manual, which sets out the operating control procedures pertaining to finance, accounting, credit control, human resources, procurements and inventory. The control procedures, inter alia, include setting limits for approving expenditure and procurements.
- Staff handbook, that sets out general employment terms and the Group's corporate code of ethics.
- Quality management system requiring the management and staff of subsidiary, Naim Cendera Sdn. Bhd. (accredited with ISO 9002 Certification since 2000) to adhere to a set of well-established standard operating procedures covering all major critical processes. Surveillance audits are conducted yearly to ensure compliance with the system.

Internal Audit

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

This statement is made in accordance with a resolution of the Board of Directors dated 27 April 2007.

corporate citizenship



Environmental Responsibility

The Group's environmental strategy is to minimize environmental risk from its activities, to improve the environment, where possible and to implement environmental waste management. The environment risk management strategy has been incorporated in all the projects plan. The Group via its Health and Safety Division conducts training at all levels and ensures all contractors and sub-contractors are aware of the Group's environment requirements. The Group also aims to minimize any detrimental effects through its cleanliness campaign and implement measures to prevent pollution arising from its work on the surrounding areas and to residents.

The Group will endeavour, where practicable, to preserve the natural flora and fauna and watercourses. Where this is not practicable, the Group will carry out environmental rehabilitation through the creation of landscaped parks and other green areas.

All site supervisors are responsible for the correct storage and disposal of waste. No burning of waste is permitted. Tree butts and other vegetation are removed from sites to avoid land compaction and risks to remaining plant life. Wherever possible, construction waste is used for land refill, thus reducing the amount of waste from sites. Contractors and sub-contractors are required to deal not only with their respective waste at sites but also polluting matters in the form of concrete, debris etc.

The Group also endeavours to promote recycling and sustainable use of materials wherever possible throughout its business activities, often with considerable success. For example, the approach roads for the recently completed Balingian Bridge were built up using scrap motor vehicle tyres, thus saving on disposal costs and related environmental pollution.



Social Responsibility

Over the last 11 years, the Naim Group has donated generously to various social and charitable organizations. However, following the Group's listing, the Board felt it necessary, for the sake of transparency and good corporate governance, for the bulk of the Group's charitable activities to be directed through a dedicated special purpose vehicle. Therefore the Group set up the **Tabung Amanah Naim** (Naim Trust Fund) on 12 September 2004. The fund was launched with a corporate donation from the Naim Group, and personal donations from the Directors. These sums are topped-up and expanded on an annual basis by donations from the Group and its subsidiaries. The Fund is controlled by a Board of Trustees and has the following objectives:

- To provide assistance, scholarships, incentives or awards for the establishment, advancement or excellence in educational or research work in Malaysia
- To provide assistance for the relief of distress amongst the Malaysian public.
- To provide assistance for the promotion of national unity through sports, arts and culture in Malaysia.
- To provide contributions for the purposes of religious worship or advancement of religion.
- To make donations for other patriotic or charitable purposes.

Tabung Amanah Naim has been donating to deserving causes, principally student scholarships, social, religious and sporting organizations, and educational charities.



naim group in the news

Property Roadshow opens

Developers Association (SHEDA), a total of 36 exhibitors, 24 of which are property developers, are showcasing a combined total of RM450-million worth of residential and commercial properties for sale. Other exhibitors are from financial institutions, interior designers and building materials.

Visitors will be spoilt at the wide range of which can suit all budgets. Most of the projects are showstoppers and some to launch exciting

Organised by the Sarawak Housing and Real Estate

Jalan baru dibina di Miri

Yang Amat Berhormat Menteri Sarawak

Sri Haji Abdul Rahman Dahlan

YB Datuk Abdul Rahman dan Datuk Patinggi Tan

1Q2006 Results Scorecard And Analysis

generally broad-based with stronger demand coming from the consumer sector. Also...

Naim Cendera diiktiraf kontraktor paling cemerlang

menyediakan projek mendahului jadual dan tanpa kos tambahan. Timbalan Ketua Setiausaha Kerajaan, Datuk

"Projek ini merupakan satu projek terbaik dan secara keseluruhan, Kementerian merasakan bahawa ia akan menjadi contoh atau tanda aras kepada

jaminan bahawa ILP Miri ini berupaya beroperasi serta-merta dan boleh menampung kemasukan pelajar baru. Mengenai Fasa 2 pula, beliau berkeinginan bahawa pihak yang bertanggungjawab akan memastikan projek ini berjalan dengan lancar.

NAIM GAWAI Festival '06

13 June - 30 June

Naim Cendera celebrates 'Naim Gawai Festival' with attractive gifts

KUCHING: Many interesting activities and mystery gifts are in store for the successful Rock Festival. The colouring contest will be held in conjunction with the Naim Gawai Festival on June 12-13.

entitled to attractive free gifts and grand lucky draws (terms and conditions apply). A children colouring contest will be held in conjunction with the Naim Gawai Festival on June 12-13.

The newly completed Phase 2 Balingian/Kuala Balingian/Kuala Tatau/Bintulu Road in Mukah.

Naim completes project ahead of schedule

construction project to Jabatan Kerja Raya (JKR) on June 29, the roads leading to the Balingian

Can the good times continue for Naim?

Companies & Strategies

Mukah attracts RM400m investments

BUKUT: Mukah is projected to attract RM400 million in investments over the next five years. The town is projected to attract RM400 million in investments over the next five years.

Good response to inaugural Naim Gawai Festival 2006

KUCHING: The inaugural Naim Gawai Festival attracted hundreds of visitors to attend the launch of the new festival.

Naim Merdeka Sales 2006

Merdeka Sales 2006

Naim Cendera sponsors RM3,000 for KDJA dinner

KUCHING: Naim Cendera Holdings Berhad on Tuesday contributed RM3,000 to Kuching Division Journalists' Association (KDJA) as their sponsorship for the association's New Year annual dinner at Kuching Park Hotel on Feb 2, 2007.

chairperson, Liew Ai Fung. Also present at the sponsorship presentation were Naim sales manager, Gary Kho and KDJA treasurer, Francis Voon.

KDJA is a non-Government organisation founded in 1972. It has 200 members from print and electronic media, as well as Bernama, RTM and Informa Department.

"Buy" call for Naim Cendera

KUALA LUMPUR: Standard & Poor's Equity Research said it is maintaining its "buy" recommendation on Naim Cendera. The firm's analysts expect Naim Cendera to continue its growth over the next five years.

entering Mukah from the junction of Jalan Sibul. The new road is expected to attract RM400 million in investments over the next five years.

The Sarawak theme beckons

Companies & Strategies

FOR almost a year now, interest in Sarawak-based stocks has been on the rise. This is due to the Sarawak state election results, which has seen the Sarawak United Peoples' Movement (SUPM) win the state.

How will these companies benefit from the Sarawak state election? This is the question that many investors are asking.

For almost a year now, interest in Sarawak-based stocks has been on the rise. This is due to the Sarawak state election results, which has seen the Sarawak United Peoples' Movement (SUPM) win the state.

How will these companies benefit from the Sarawak state election? This is the question that many investors are asking.

Kuching Property Roadshow

KUCHING: The Kuching Property Roadshow 2006, a one-stop centre for potential buyers to seek their dream homes and ideal commercial properties, is being held at Dewan Masyarakat here from yesterday until Nov 6.

Thirty-six exhibitors are participating in the roadshow, organised by the Sarawak Housing and Real Estate Developers' Association (SHEDA).

Twenty-four are property developers showcasing a combined RM500 million worth of residential and commercial properties.

A number of exciting property projects are expected to be launched at the roadshow, and they can find a wide range to suit all tastes and budgets.

Apart from property developers, a number of exciting property projects are expected to be launched at the roadshow, and they can find a wide range to suit all tastes and budgets.

Naim launches 'Jasmine' homes

KUCHING: The 'Jasmine' design double story terrace life-style houses are now available for sale at Phase 2 of 'The Riviera' here. The new attractive terrace life-style houses are now available for sale at Phase 2 of 'The Riviera' here.

Prices for RM229,888, the new attractive terrace life-style houses are now available for sale at Phase 2 of 'The Riviera' here.

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2006 diary of corporate events



Jan 19, 2006

Jan 19, 2006
CEO Dialogue 2006

Feb 11, 2006
Chinese New Year Open House at Viola Showhouse, Miri



Feb 11, 2006



Feb 22-24, 2006

Feb 12, 2006
Chinese New Year Open House at Jade Showhouse, Desa Ilmu

Feb 18, 2006
NAIM Staff attended briefing on ISO 2001

Feb 22-24, 2006
NAIM's Leadership Seminar 2006

2006 diary of corporate events



Mar 8-11, 2006

Mar 7, 2006

Official Handing Over of ILP Phase 1, Miri

Mar 8-11, 2006

NAIM Corporate Retreat 2006, Phuket Thailand

May 1, 2006

NAIM Labour Day Celebration at Desa Ilmu Kota Samarahan and Bandar Baru Permyjaya, Miri

May 9, 2006

Visit by Minister of Human Resource to ILP Phase 1, Miri

May 12, 2006

NAIM Project Operation Staff Attended workshop on Managing Construction Project and Creating Progress Report organized by PM Professional Resources at Sarawak Club, Kuching

May 23, 2006

Visit by Officers from Perbadanan Kemajuan Negeri Selangor (PKNS) to Desa Ilmu Kota Samarahan

May 25-28, 2006

NAIM joined SARBEX held at Permata Carpark Level 5, Kuching



May 1, 2006



May 23, 2006



May 9, 2006



May 25-28, 2006

2006 diary of corporate events



June 11-30, 2006



June 15, 2006



July 10-11, 2006



June 19, 2006



July 1-2, 2006

June 11-30, 2006
Inaugural NAIM Gawai Festival 2006

June 15, 2006
NAIM 4th Annual General Meeting 2006

June 19, 2006
A courtesy call by Brunei's Ministry of Development & Housing Development Department to NAIM's Miri site operation office at Bandar Baru Permyjaya

July 1-2, 2006
NAIM Sales Team attended a workshop organized by SK Brothers at Harbour View Hotel, Kuching

July 10-11, 2006
NAIM host Arab Princes' visit to Kuching and Bandar Baru Permyjaya, Miri



Aug 19-Sept 16, 2006

Aug 19-Sept 16, 2006
 NAIM Merdeka Fest held at Showhouse Village, Desa Pujut 2, Bandar Baru Permyjaya, Miri



Aug 21, 2006

Aug 21, 2006
 Tabung Amanah NAIM awarded scholarships to 5 undergraduates from Faculty of Engineering, University Malaysia Sarawak



Aug 26, 2006

Aug 26, 2006
 NAIM's staff donated 10 wheel chair to Persatuan Bekas Parajurit Malaysia, Sarawak Branch

Sept 7, 2006
 Moon Cake Festival held at Heliconia Showhouse, Desa Pujut 2 Bandar Baru Permyjaya, Miri

Sept 16-17, 2006
 Kuching Office Team Building & Family Day held at Santubong Resort, Kuching with a selected theme for the year known as 'Unite'

2006 diary of corporate events



Oct 17, 2006

Oct 17, 2006

Majlis Khatamal Quran & Sumbangan Derma to selected Masjid & Surau, Kota Samarahan held at Masjid Al Mutaqim, Kota Samarahan



Oct 20, 2006

Oct 20, 2006

Majlis Berbuka Puasa & Sumbangan Derma to selected Masjid & Surau, Miri Division held at Masjid Darul Ehsan, Piasau Jaya, Miri

Nov 4, 2006

NAIM Miri Sales Office organized Hari Raya Open House held at Heliconia showhouse, Bandar Baru Permyjaya, Miri

Nov 9-10, 2006

Visit by representative from Capitaland Mr Yong Kei Seng to Kuching and NAIM's property site

Nov 11, 2006

Tabung Amanah NAIM donated RM50,000 to Lembaga Amanah Masjid Bahagian Samarahan at the Majlis Ramah Tamah Hari Raya Bersama CM in Asajaya

Nov 11-12, 2006

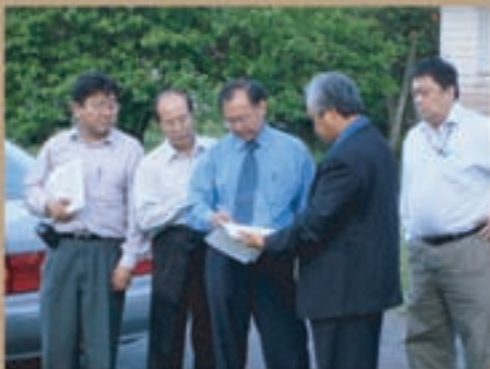
Miri Office Team Building & Family Day held at Park City Hotel, Miri with 'Jalinan Mesra' was selected as a Family Day theme for the year



Nov 4, 2006



Nov 11, 2006



Nov 9-10, 2006



Nov 11-12, 2006



Nov 13, 2006

Nov 13, 2006

NAIM's Managing Director, Datuk Hasmi bin Hasnan was awarded the Sarawak State Entrepreneur of The Year 2006 by the Sarawak Chamber of Commerce & Industry



Nov 17, 2006

Nov 17, 2006

NAIM's Managing Director, Datuk Hasmi bin Hasnan was awarded Anugerah Usahawan Bumiputera 2005/2006 Kategori Anugerah Presiden by Dewan Usahawan Bumiputera Sarawak



Nov 18-19, 2006

Nov 18-19, 2006

NAIM Sales Department Kuching held a roadshow at BCBB Satok Kuching

Dec 13, 2006

NAIM's Property Investment & Overseas Business Division with NAIM's MD paid a courtesy call on the Minister of Development, Brunei.

economic outlook

Outlook for The Malaysian Economy

The following are independent opinions from authoritative sources on the outlook for the Malaysian economy for 2007 and beyond. Unless otherwise stated these organizations have no connection with the Naim Group or its subsidiaries. All statements are copyright of their respective originators and are reproduced here under the rule of fair comment.

Public Bank Bhd chairman Tan Sri Dr Teh Hong Piow (Quoted in *The Edge Daily*)

We are confident that the Malaysian economy will continue to advance in line with its potential rate of growth. The respectable economic performance in the first half of this year shows that the Malaysian economy is resilient to high oil prices and high global interest rates. We are confident that we can leverage on this economic resilience to further grow and deal with challenges in 2007. In addition, the economy can leverage on its strong fundamentals and resources to generate growth next year. Based on this, we are of the view that the projected GDP growth of 6% for 2007 is credible and achievable. At this juncture, we do not anticipate any major bottleneck ahead that will significantly derail the growth outlook.

Institute of Developing Economies -Japan External Trade Organization

2007 Economic Outlook for East Asia

Malaysia's Economy Will Secure Stable Growth, in Spite of Slowing Growth of Both Domestic and External Demand.

In 2007, Malaysia's economy will see its exports grow at a decelerating rate in succession to 2006. The growth rate of total domestic demand will also fall. However, consumer confidence will remain high, supported by the stabilization of the labor market, and private consumption is forecast to slow, but to still grow by a higher rate than the income growth rate. The value of the ringgit, which was switched to a managed floating exchange rate regime in 2005, is expected to remain stable, and the investment climate will remain favorable during the year. The growth rate of private investment is forecast to decrease by just a small margin compared with the 2006 rate. Consequent upon these factors, the Malaysian economy is forecast to secure a stable growth rate of 5.2% in 2007, slowing by 0.5 percentage point from 2006. The inflation rate of general prices is also forecast to decrease by 0.6 percentage points from 2006. (from *2007 Economic Outlook for East Asia*)

Bank Negara Malaysia Annual Report 2006

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register solid growth in 2007, with real GDP expanding by 6%. This pace is consistent with the expansion in productive capacity following the strengthening of the recovery in capital formation. In 2007, investment, particularly private investment, is expected to play a major role in sustaining growth as strong domestic and external demand, coupled with high levels of capacity utilisation, induced firms to expand capacity. In addition, investment activity by the public sector is also expected to expand substantially with the commencement of work on infrastructure and other projects under the Ninth Malaysia Plan (9MP). Firm-level investment is also expected to benefit from the reduction in the corporate tax rate that was announced in the 2007 Budget, while ample liquidity in the financial system will ensure funding would be adequate.

Tradewatch (Australian Government) Malaysia Country Briefing, Feb 2007

The Malaysian economy grew by 5.3 per cent in 2005. The IMF forecasts GDP growth in 2006 at 5.5 per cent, and 5.8 per cent in 2007. This growth forecast is based on sustained global economic growth and high prices for primary commodities (including crude petroleum and palm oil). Ongoing challenges to Malaysia's strong economic performance include increased competition from other emerging markets in the region and increasing global inflation pressures.

Malaysia continues to have a large trade surplus (since November 1997) with total exports registering an increase of 10.7 per cent for the year to November 2006, and total imports up 11.6 per cent for the year to November 2006. The trade surplus was underpinned by strong growth in manufactured exports and high prices for commodity exports.

Inflation was 3.1 per cent for the year to December 2006, although there are emerging signs of inflationary pressure. The unemployment rate was 3.1 per cent in the third quarter of 2006 and is expected to remain below 4 per cent in 2007.

Outlook for The Sarawak Economy

Sarawak State Government

The global economic environment is expected to remain robust and dynamic right up to the next decade, with both the industrial and developing countries anticipated to maintain sustainable output growth. Global trade is predicted to expand by about 8%. This continuing favourable external outlook should keep the high growth momentum of the nation's economy at a steady and stable level.

financial statements



80	directors' report
83	statement by directors
84	statutory declaration
85	report of the auditors
86	balance sheets
88	income statements
89	statement of changes in equity
91	cash flow statements
94	notes to the financial statements
132	analysis of shareholdings
134	list of properties
138	notice of annual general meeting
143	form of proxy

directors' report for the year ended 31 december 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

Principal activities

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

Results

	Group RM'000	Company RM'000
Profit for the year	66,229	35,300

Dividends

Since the end of the previous financial year, the Company paid:

- i) a second interim dividend of 5.0 sen per ordinary share less tax at 28% totalling RM8,801,698 (equivalent to 3.6 sen net per ordinary share) in respect of the year ended 31 December 2005 on 8 March 2006; and
- ii) a interim dividend of 15.0 sen per ordinary share less tax at 28% totalling RM26,405,093 (equivalent to 10.8 sen net per ordinary share) in respect of the year ended 31 December 2006 on 5 June 2006.

The Directors do not recommend any final 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 year under review except as disclosed in the financial statements.

Directors of the Company

Directors who served since the date of the last report are:

Datuk Abdul Hamed Bin Haji Sepawi
Datuk Hasmi Bin Hasnan
Dr. Sharifuddin Bin Abdul Wahab
Ir. Suyanto Bin Osman
Ahmad Bin Abu Bakar
Kueh Hoi Chuang
Abang Hasni Bin Abang Hasnan
Y.B. Tuan Haji Hamden Bin Haji Ahmad
Ir. Abang Jemat Bin Abang Bujang
Datu Haji Abdul Rashid Bin Mohd Azis
Sylvester Ajah Subah @ Ajah Bin Subah (appointed on 26.02.2007)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of the Directors in office at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At	Bought	Sold	At
	1.1.2006			31.12.2006
Shareholdings in the Company in which Directors have direct interest				
Datuk Abdul Hamed Bin Haji Sepawi	13,555,100	-	-	13,555,100
Datuk Hasmi Bin Hasnan	28,918,850	-	-	28,918,850
Dr. Sharifuddin Bin Abdul Wahab	100,000	-	-	100,000
Ir. Suyanto Bin Osman	135,000	-	-	135,000
Kueh Hoi Chuang	144,100	-	-	144,100

Shareholdings in which Datuk Abdul Hamed Bin Haji Sepawi has deemed interests

The Company	41,055,700	-	3,000,000	38,055,700
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Total Reliability Sdn. Bhd.	1,020,000	-	-	1,020,000
TR Bricks Sdn. Bhd.	700,000	-	-	700,000
TR Smart Piles Sdn. Bhd.	255,000	-	-	255,000
Naim Housing Sdn. Bhd.	1,000	-	-	1,000
Naim Ready Mix Sdn. Bhd.	355,000	145,000	100,000	400,000

Shareholdings in which Datuk Hasmi Bin Hasnan has deemed interests

The Company	62,449,200	-	5,255,000	57,194,200
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Total Reliability Sdn. Bhd.	1,020,000	-	-	1,020,000
TR Bricks Sdn. Bhd.	700,000	-	-	700,000
TR Smart Piles Sdn. Bhd.	255,000	-	-	255,000
Naim Housing Sdn. Bhd.	1,000	-	-	1,000
Naim Ready Mix Sdn. Bhd.	355,000	145,000	100,000	400,000

None of the other Directors in office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements of the Company or its related companies, as the case may be) 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 significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

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.

directors' report for the year ended 31 december 2006



Issue of shares

There were no changes in the authorised, issued and paid-up capital of 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 year.

Other statutory information

Before the income statements and balance sheets 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) all current assets have been stated at the lower of cost and net realisable value.

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 and 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 and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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 results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

Datuk Abdul Hamed Bin Haji Sepawi

Datuk Hasmi Bin Hasnan

Kuching,

Date: 27 April, 2007

statements by directors

pursuant to Section 169(15)
of the Companies Act, 1965



In the opinion of the Directors, the financial statements set out on pages 86 to 131 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board, so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Datuk Abdul Hamed Bin Haji Sepawi

Datuk Hasmi Bin Hasnan

Kuching,

Date: 27 April, 2007

statutory declaration

pursuant to Section 169(16)
of the Companies Act, 1965



I, **Ahmad Bin Abu Bakar**, the Director primarily responsible for the financial management of Naim Cendera Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 86 to 131 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

in Kuching in the State of Sarawak

on 27 April, 2007

Ahmad Bin Abu Bakar

Before me: **PETER SIM HOI PENG**
Peasuruhjaya Sumpah,
Lot 9691, 1st Floor,
Jalan Datuk Abang Abdul Rahim,
93450 Kuching,
Sarawak.

report of the auditors

to the members of
Naim Cendera Holdings Berhad

We have audited the financial statements set out on pages 86 to 131. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i. the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
 - ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Chin Chee Kong

Partner
Approval Number: 1481/1/09 (J)

Kuching,

Date: 27 April, 2007

balance sheets at 31 december 2006



	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Assets					
Property, plant and equipment	3	44,192	40,791	-	-
Investment property	4	490	503	-	-
Investment in subsidiaries	5	-	-	279,962	279,962
Investment in associates	6	3,994	2,183	-	-
Investment in joint ventures	7	7,638	3,865	-	-
Intangible asset	8	2,133	-	-	-
Land held for property development	9	136,614	143,206	-	-
Other investments	10	449	441	-	-
Deferred tax assets	11	588	377	-	-
Total non-current assets		196,098	191,366	279,962	279,962
Inventories	12	14,837	16,651	-	-
Property development costs	13	191,788	167,538	-	-
Receivables, deposits and prepayments	14	258,862	197,673	36	42
Amount due from subsidiaries	15	-	-	13,511	17,574
Current tax recoverable		10,247	3,121	331	287
Cash and cash equivalents	16	122,009	133,928	28,785	24,643
Total current assets		597,743	518,911	42,663	42,546
Total assets		793,841	710,277	322,625	322,508

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Equity					
Share capital	17	250,000	250,000	250,000	250,000
Share premium		86,092	86,092	86,092	86,092
Capital reserves	17	200	-	-	-
Retained profits	17	169,839	139,017	508	415
Treasury shares	17	(16,315)	(15,610)	(16,315)	(15,610)
<hr/>					
Total equity attributable to shareholders of the Company		489,816	459,499	320,285	320,897
Minority interest		39,890	36,405	-	-
<hr/>					
Total equity		529,706	495,904	320,285	320,897
<hr/>					
Liabilities					
Hire purchase loans	18	1,124	51	-	-
Deferred tax liabilities	11	59,012	62,210	-	-
<hr/>					
Total non-current liabilities		60,136	62,261	-	-
<hr/>					
Payables and accruals	19	203,422	136,124	954	1,156
Amount due to subsidiaries	15	-	-	1,386	455
Hire purchase loans	18	557	184	-	-
Current tax liabilities		20	15,804	-	-
<hr/>					
Total current liabilities		203,999	152,112	2,340	1,611
<hr/>					
Total liabilities		264,135	214,373	2,340	1,611
<hr/>					
Total equity and liabilities		793,841	710,277	322,625	322,508

The notes on pages 94 to 131 are an integral part of these financial statements.

income statements for the year ended 31 december 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	20	525,997	423,094	52,411	38,337
Cost of sales	20	(404,666)	(287,526)	-	-
Gross profit		121,331	135,568	52,411	38,337
Other income		8,307	6,869	-	-
Selling and distribution costs		(4,120)	(3,053)	-	-
Administrative expenses		(25,084)	(24,132)	(3,056)	(3,767)
Other expenses		(72)	-	-	-
Interest expense		(117)	(83)	-	-
Operating profit	20	100,245	115,169	49,355	34,570
Negative goodwill recognised		-	6,268	-	-
Share of profit after tax of equity accounted associates		831	416	-	-
Share of profit after tax of joint ventures	7	3,773	1,275	-	-
Profit before taxation		104,849	123,128	49,355	34,570
Tax expense	21	(29,420)	(34,153)	(14,055)	(9,840)
Profit for the year		75,429	88,975	35,300	24,730
Attributable to:					
Shareholders of the Company		66,229	79,145	35,300	24,730
Minority interest		9,200	9,830	-	-
Profit for the year		75,429	88,975	35,300	24,730
Basic earnings per ordinary share (sen)	22	27.1	32.0		
Dividends per ordinary share (sen)	23	10.8	8.6		

The notes on pages 94 to 131 are an integral part of these financial statements.

statements of changes in equity

for the year ended
31 december 2006

	Note	Attributable to shareholders of the Company							Total equity RM'000
		Non-distributable			Distributable			Minority interest RM'000	
		Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000		
Group									
At 1 January 2005		250,000	86,092	-	68,579	(4,584)	400,087	32,405	432,492
Profit for the year		-	-	-	79,145	-	79,145	9,830	88,975
Dividends paid to:									
- shareholders of the Company	23	-	-	-	(24,931)	-	(24,931)	-	(24,931)
- minority shareholders of subsidiaries	-	-	-	-	-	-	-	(5,830)	(5,830)
Treasury shares acquired	17	-	-	-	-	(11,026)	(11,026)	-	(11,026)
At 31 December 2005		250,000	86,092	-	122,793	(15,610)	443,275	36,405	479,680
Effect of adoption of FRS 3	31	-	-	-	16,224	-	16,224	-	16,224
At 31 December 2005, restated		250,000	86,092	-	139,017	(15,610)	459,499	36,405	495,904
Group									
At 1 January 2006, stated		250,000	86,092	-	139,017	(15,610)	459,499	36,405	495,904
Bonus issued by a subsidiary		-	-	200	(200)	-	-	-	-
Profit for the year		-	-	-	66,229	-	66,229	9,200	75,429
Dividends paid to:									
- shareholders of the Company	23	-	-	-	(35,207)	-	(35,207)	-	(35,207)
- minority shareholders of subsidiaries		-	-	-	-	-	-	(5,675)	(5,675)
Treasury shares acquired	17	-	-	-	-	(705)	(705)	-	(705)
Acquisition of minority interest in an existing subsidiary	28	-	-	-	-	-	-	(40)	(40)
At 31 December 2006		250,000	86,092	200	169,839	(16,315)	489,816	39,890	529,706
		(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)			

statements of changes in equity

for the year ended
31 december 2006 (continued)

	Note	Non-distributable		Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profits RM'000	Treasury shares RM'000	
<u>Company</u>						
At 1 January 2005		250,000	86,092	616	(4,584)	332,124
Profit for the year		-	-	24,730	-	24,730
Dividends paid to shareholders	23	-	-	(24,931)	-	(24,931)
Treasury shares acquired	17	-	-	-	(11,026)	(11,026)
<hr/>						
At 31 December 2005 / 1 January 2006		250,000	86,092	415	(15,610)	320,897
Profit for the year		-	-	35,300	-	35,300
Dividends paid to shareholders	23	-	-	(35,207)	-	(35,207)
Treasury shares acquired	17	-	-	-	(705)	(705)
<hr/>						
At 31 December 2006		250,000	86,092	508	(16,315)	320,285
			(Note 17)	(Note 17)	(Note 17)	

The notes on pages 94 to 131 are an integral part of these financial statements.

cash flow statements

for the year ended
31 december 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash flows from operating activities				
Profit before taxation	104,849	123,128	49,355	34,570
Adjustments for:				
Amortisation of intangible asset (Note 8)	703	-	-	-
Depreciation of property, plant and equipment (Note 3)	6,695	4,708	-	-
Depreciation of investment property (Note 4)	13	13	-	-
Dividend income	(135)	(57)	(49,600)	(35,200)
Goodwill written off (Note 28)	5	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	68	(13)	-	-
Gain on disposal of a subsidiary (Note 28)	-	(2)	-	-
Interest expense	117	83	-	-
Interest income	(2,398)	(1,950)	(276)	(714)
Negative goodwill recognised	-	(6,268)	-	-
Share of profit of equity accounted associates	(831)	(416)	-	-
Share of profit of joint ventures	(3,773)	(1,275)	-	-
Opening profit/(loss) before changes in working capital	105,313	117,951	(521)	(1,344)
Inventories	(1,369)	5,602	-	-
Property development costs	(14,473)	(4,471)	-	-
Receivables, deposits and prepayments	(61,074)	(41,175)	6	106
Payables and accruals	67,182	13,371	(201)	798
Amount due from/to subsidiaries	-	-	4,994	(13,146)
Cash generated from/ (used in) operations	95,579	91,278	4,278	(13,586)
Tax paid	(55,733)	(37,467)	(212)	(300)
Interest paid	(43)	(2)	-	-
Interest received	2,398	1,751	276	775
Net cash from/(used in) operating activities	42,201	55,560	4,342	(13,111)

cash flow statements

for the year ended
31 december 2006 (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash flows from investing activities				
Acquisition of minority interest in an existing subsidiary (Note 28)	(45)	-	-	-
Additional investment in an associate	(980)	-	-	-
Acquisition of intangible asset (Note 8)	(2,836)	-	-	-
Proceeds from disposal of property, plant and equipment	102	50	-	-
Acquisition of other investments	(8)	(16)	-	-
Acquisition of property, plant and equipment [Note (i)]	(8,516)	(9,182)	-	-
Decrease in deposits pledged to banks	459	2,741	-	-
Dividends received	128	183	35,712	25,344
Net cash (used in)/from investing activities	(11,696)	(6,224)	35,712	25,344
Cash flows from financing activities				
Repurchase of treasury shares (Note 17)	(705)	(11,026)	(705)	(11,026)
Repayment of hire purchase loans	(304)	(640)	-	-
Dividends paid to:				
- shareholders of the Company	(35,207)	(24,931)	(35,207)	(24,931)
- minority shareholders of subsidiaries	(5,675)	(5,830)	-	-
Interest paid	(74)	(81)	-	-
Net cash used in financing activities	(41,965)	(42,508)	(35,912)	(35,957)
Net (decrease)/increase in cash and cash equivalents	(11,460)	6,828	4,142	(23,724)
Cash and cash equivalents at 1 January	131,817	124,989	24,643	48,367
Cash and cash equivalents at 31 December [Note (ii)]	120,357	131,817	28,785	24,643

Notes

i) *Acquisition of property, plant and equipment*

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

	Group	
	2006 RM'000	2005 RM'000
Paid using internal funds	8,516	9,182
Financed by hire purchase loans	1,750	-
	10,266	9,182

ii) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits (excluding deposits pledged)	45,603	67,599	10,122	9,102
Short term cash funds	45,000	13,000	17,500	13,000
Cash and bank balances	29,754	51,218	1,163	2,541
	120,357	131,817	28,785	24,643

The notes on pages 94 to 131 are an integral part of these financial statements.

notes to the financial statements

Naim Cendera Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business

9th Floor, Wisma Naim
2½ Miles, Rock Road
93200 Kuching
Sarawak, Malaysia.

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates, jointly controlled entities and unincorporated joint ventures.

1. Basis of preparation

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia.

The MASB has issued the following new and revised Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

- (i) FRS 117, *Leases* - This FRS is effective for annual periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 67B of FRS 117, the impact of applying FRS 117 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*, is not disclosed.
- (ii) FRS 124, *Related Party Disclosures* - This FRS is effective for annual periods beginning on or after 1 October 2006. By virtue of the exemption in paragraph 22A of FRS 124, the impact of applying FRS 124 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.
- (iii) FRS 139, *Financial Instruments: Recognition and Measurement* - This FRS has been issued by the MASB but the MASB has yet to announce the effective date of this standard. By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.
- (iv) Amendment to FRS 119₂₀₀₄, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures* - Certain amendments made to FRS 119₂₀₀₄ are effective for annual periods beginning on or after 1 January 2007. The adoption of these amendments does not have any significant impact on the financial statements of the Group in the period of initial application.
- (v) FRS 6, *Exploration for and Evaluation of Mineral Resources* - This FRS is effective for the annual periods beginning on or after 1 January 2007. This standard is not applicable to the Group.
- (vi) Amendment to FRS 121, *The Effect of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation* - Certain amendments made to FRS 121 are effective for annual periods beginning on or after 1 July 2007. The adoption of these amendments does not have any significant impact on the financial statements of the Group in the period of initial application.
- (vii) 6 Interpretations (IC Int.) that are effective for annual periods beginning on or after 1 July 2007.
 - IC Int. 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
 - IC Int. 2, *Members' Shares in Co-operative Entities and Similar Instruments*
 - IC Int. 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
 - IC Int. 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*
 - IC Int. 7, *Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies*
 - IC Int. 8, *Scope of FRS 2*

The initial application of these Interpretations is not expected to have any material impact on the financial statements of the Group entities.

1. Basis of preparation (continued)

a) Statement of compliance (continued)

The Group entities do not plan to early adopt any of the new or revised FRSs and Interpretations listed above, but to apply the applicable and relevant ones beginning in the annual periods in which they are effective.

The effect of adoption of the new and revised FRSs in 2006 on the financial statements is set out in Note 31.

The financial statements were approved by the Board of Directors on 27 April 2007

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(i) *Construction activities*

The Group recognises contract revenue and costs in the income statement using the percentage of completion method. The stage of completion is determined by reference to the proportion that contract costs incurred for contract work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion of construction activities, accrual of costs incurred for which claims/billings have yet to be received, estimated total contract revenue and contract costs as well as recoverability of the carrying amount of contract work-in-progress. Total contract revenue also includes an estimation of variations that are recoverable from contract customers. The Group relies when making the estimations and judgements on, *inter alia*, past experiences and the assessment of its experienced project team (comprising Budget Review Committee, project managers and quantity surveyors).

(ii) *Property development activities*

The Group recognises property development revenue and costs in the income statement 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 development activities, extent of property development costs incurred, estimated total property development revenue and costs as well as recoverability of the development projects. In making such estimations and judgements, the Group relies, as with the construction activities explained above, *inter alia*, on past experiences and the assessment of its experienced project team (comprising Budget Review Committee, project managers and quantity surveyors).



2. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation (see Note 32).

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries is stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iii) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the 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 equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to make, or has made, payments on behalf of the investee.

Investment in associates is stated in the Group's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iv) Joint ventures

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

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

Investment in joint ventures are stated in the Group's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Jointly-controlled operations

The interest of the Group in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(v) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. 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.

(vi) Transactions eliminated on consolidation

Intra-group balances, 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 investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their 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 includes the costs of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.



(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leasehold land is amortised equally over its remaining lease terms. Property, plant and equipment 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:

Buildings	2% - 10%
Furniture and fittings	10% - 50%
Motor vehicles	20%
Office and factory equipment	10% - 50%
Plant and machinery	10% - 20%

The depreciable amount is determined after deducting the residual value. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

c) Investment property

Investment property is a property which is owned or held under a leasehold interest to earn rental income or is for capital appreciation or for both.

Investment property is stated at cost less accumulated depreciation, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2 (b).

In the previous years, the investment property was included in property, plant and equipment. Following the adoption of FRS 140, *Investment Property*, the investment property is now classified separately. Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

d) Intangible assets

(i) Goodwill

Goodwill/negative goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

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.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill/negative goodwill was amortised/recognised in the income statement over five years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is allocated to cash generating units and measured at cost. It is no longer amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. The carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(ii) Rights to additional interest in construction contract

This comprises the rights to additional interest in a construction contract acquired from a joint venture partner. It is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement based on the stage of completion of the contract.

e) Investment in equity securities

Investment in equity securities are recognised initially at cost plus attributable transaction costs.

Subsequent to initial recognition, investment in non-current equity securities, other than investment in subsidiaries, associates and joint ventures, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, associates and joint ventures, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

f) 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 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.

g) 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 is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under receivables, deposits and prepayments (Note 14) and the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under payables and accruals (Note 19).

h) Inventories

(i) Developed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Other inventories

Raw materials, consumables, manufactured inventories and trading inventories are stated at the lower of cost and net realisable value with weighted average cost being the basis of cost.

The cost of inventories includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.



i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or other financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

j) 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 billing 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 receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is shown in payables and accruals as amount due to contract customers.

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

l) Impairment of assets

The carrying amounts of assets except for inventories [refer Note 2 (h)], assets arising from construction contracts [refer Note 2 (j)], deferred tax assets [refer Note 2 (s)] and financial assets (excluding investments in subsidiaries, associates and joint ventures that are not classified as held for sale or included in a disposal group that is classified as held for sale), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 the income statement in the year in which the reversals are recognised.

m) Employee benefits

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

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

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

n) Share capital

(i) Share issue expenses

Incremental costs directly attributable to issue of shares classified as equity are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or other financial asset to another entity.

p) Hire purchase loans

Property, plant and equipment acquired using hire purchase loans are capitalised and depreciated in accordance with Note 2 (b) (iii). Outstanding hire purchase instalments after deducting interest yet to fall due are disclosed as hire purchase loans in the balance sheet. Hire purchase interest is charged to the income statement over the loan tenor using the 'sum-of-digit' method.

q) Revenue

(i) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. 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.

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

(ii) Property development

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

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

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(v) Sand filling and earthwork

Revenue from provision of sand extraction and land filling services is recognised in the income statement based on quantity of sand filled at agreed rates.



(vi) Hire of equipment

Income derived from hiring of equipment is recognised as it accrues at the contracted rates.

(vii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(viii) Management fees

Management fees are charged by the Company to its subsidiaries based on a percentage of the subsidiaries' turnover.

r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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.

s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; 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 tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

t) Earnings per share

The Group presents basic 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.

u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment - Group

	Long-term leasehold land		Short-term leasehold land		Outright purchase				Under hire purchase						
	RM'000	RM'000	RM'000	RM'000	Buildings	Motor vehicles	Office and factory equipment	Plant and machinery	Assets under construction	Motor vehicles	Plant and machinery	Total	RM'000	RM'000	RM'000
Cost															
At 1 January 2005	18,259	1,470	5,681	2,661	9,726	3,628	13,554	781	893	125	56,778				
Additions	-	-	5,005	587	1,989	1,348	74	148	-	31	9,182				
Disposals	-	-	-	-	(325)	(12)	-	-	-	-	(337)				
Reclassification	(1,510)	1,510	-	-	203	-	156	-	(203)	(156)	-				
At 31 December 2005/															
1 January 2006	16,749	2,980	10,686	3,248	11,593	4,964	13,784	929	690	-	65,623				
Additions	395	112	948	424	3,368	1,813	1,451	5	1,298	452	10,266				
Disposals	-	-	-	(121)	-	(338)	-	-	-	-	(459)				
Reclassification	-	-	-	-	178	-	-	-	(178)	-	-				
At 31 December 2006	17,144	3,092	11,634	3,551	15,139	6,439	15,235	934	1,810	452	75,430				
Depreciation															
At 1 January 2005	775	127	545	1,437	5,534	2,309	9,333	-	287	76	20,423				
Depreciation for the year	309	28	150	379	1,441	589	1,576	-	146	90	4,708				
Disposals	-	-	-	-	(295)	(4)	-	-	-	-	(299)				
Reclassification	(205)	205	-	-	133	-	166	-	(133)	(166)	-				
At 31 December 2005	879	360	695	1,816	6,813	2,894	11,075	-	300	-	24,832				

3. Property, plant and equipment - Group (continued)

	Long-term leasehold land		Short-term leasehold land		Outright purchase			Under hire purchase			Total
	RM'000	RM'000	Buildings	Furniture and fittings	Motor vehicles	Office and factory equipment	Plant and machinery	Assets under construction	Motor vehicles	Plant and machinery	
Depreciation (continued)											
At 1 January 2006	879	360	695	1,816	6,813	2,894	11,075	-	300	-	24,832
Depreciation for the year	309	38	247	397	1,881	1,717	1,685	-	389	32	6,695
Disposals	-	-	-	(94)	-	(195)	-	-	-	-	(289)
Reclassification	-	-	-	-	372	-	-	-	(372)	-	-
At 31 December 2006	1,188	398	942	2,119	9,066	4,416	12,760	-	317	32	31,238
Carrying amounts											
At 1 January 2005	17,484	1,343	5,136	1,224	4,192	1,319	4,221	781	606	49	36,355
At 31 December 2005/ 1 January 2006	15,870	2,620	9,991	1,432	4,780	2,070	2,709	929	390	-	40,791
At 31 December 2006	15,956	2,694	10,692	1,432	6,073	2,023	2,475	934	1,493	420	44,192



3. Property, plant and equipment – Group (continued)

Restrictions on titles of land

The title to one parcel of short-term leasehold land and the building thereon costing RM811,000 (2005: RM811,000), the titles to another seven (2005: five) parcels of short-term leasehold land costing RM1,492,000 (2005: RM1,343,000) and the title to one (2005: nil) parcel of long-term leasehold land costing RM2,016,000 (2005: nil) have yet to be issued by the relevant authorities.

Three (2005: Three) parcels of long-term leasehold land costing RM16,747,000 (2005: RM16,747,000) have only been issued with provisional titles by the relevant authorities.

The titles to four (2005: four) parcels of short-term leasehold land costing RM25,000 (2005: RM25,000) belonging to a subsidiary are registered in the name of another subsidiary holding them in trust for the former.

In addition, the strata titles to two (2005: two) buildings costing RM359,000 (2005: RM359,000) are in the process of being obtained from the authorities.

Depreciation charge for the year is allocated as follows:

	Group	
	2006 RM'000	2005 RM'000
Income statements (Note 20)	4,902	3,788
Property development costs (Note 13)	1,006	415
Construction work-in-progress (Note 14)	787	505
	6,695	4,708

4. Investment property – Group

	Office building RM'000
Cost	
At 1 January 2005, 31 December 2005 and 31 December 2006	750
Depreciation	
At 1 January 2005	234
Depreciation for the year (Note 20)	13
At 31 December 2005 / 1 January 2006	247
Depreciation for the year (Note 20)	13
At 31 December 2006	260
Carrying amounts	
At 1 January 2005	516
At 31 December 2005 / 1 January 2006	503
At 31 December 2006	490

The indicative market value of the property as at 31 December 2006 is RM800,000 (2005: RM800,000).

notes to the **financial statements** (continued)

5. Investment in subsidiaries - Company

	2006 RM'000	2005 RM'000
Unquoted shares, at cost	279,962	279,962

The principal activities of the subsidiaries, all of which are incorporated in Malaysia, and the Company's interest therein are as follows:

Name of subsidiary	Principal activities	Effective ownership interest	
		2006 %	2005 %
Naim Cendera Sdn. Bhd. ("NCSB")	Property developer and civil and building contractor	100.0	100.0
<u>Subsidiaries of NCSB</u>			
Total Reliability Sdn. Bhd. ("TRSB")	Civil and building contractor	51.0	51.0
Desa Ilmu Sdn. Bhd.	Property developer	60.0	60.0
Naim Citra Sdn. Bhd.	Civil contractor	100.0	100.0
NCSB Engineering Sdn. Bhd.	Civil and earthwork contractor and hire of machinery	100.0	100.0
TR Smart Piles Sdn. Bhd.	Manufacture and sale of reinforced concrete piles	51.0	51.0
TR Bricks Sdn. Bhd.	Manufacture and sale of bricks	45.0 *	45.0 *
TR Green Sdn. Bhd.	Contractor for landscaping services	100.0	100.0
Naim Cendera Dua Sdn. Bhd.	Trading of construction materials	100.0	100.0
Naim Commercial Sdn. Bhd.	Property developer	100.0	100.0

5. Investment in subsidiaries - Company (continued)

Name of subsidiary	Principal activities	Effective ownership interest	
		2006 %	2005 %
<u>Subsidiaries of NCSB</u>			
Khidmat Mantap Sdn. Bhd.	Property developer	100.0	100.0
Naim Management Sdn. Bhd.	Provision of project management services	100.0	100.0
Naim Ready Mix Sdn. Bhd.	Manufacture of RC piles and provision of site clearing and earthwork	80.0	61.2
Yakin Pelita Sdn. Bhd.	Property investment	100.0	100.0
Naim Equipment Sdn. Bhd.	Supply and installation of equipment	100.0	100.0
Naim Cendera Lapan Sdn. Bhd.	Dormant	100.0	100.0
Naim Realty Sdn. Bhd.	Dormant	100.0	100.0
Naim Cendera Tujuh Sdn. Bhd.	Dormant	100.0	100.0
Dataran Wangsa Sdn. Bhd.	Dormant	100.0	100.0
Yakin Jelas Sdn. Bhd.	Dormant	100.0	100.0
Naim Housing Sdn. Bhd.	Dormant	70.6 *	70.6 *
Naim Utilities Sdn. Bhd.	Dormant	100.0	100.0
Naim Incorporated Berhad	Dormant	100.0	100.0

* Held through TRSB



6. Investment in associates

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	2,472	1,492
Share of post-acquisition reserves	1,522	691
	3,994	2,183

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

Associate	Principal activities	Effective equity interest %	Revenue (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2006						
Syarikat Usahasama Naim-RSB Sdn. Bhd.	Dormant	49.0 [^]	-	(1)	-	4
TR Concrete Sdn. Bhd.	Manufacture and sale of premix concrete	17.9 [*]	13,088	1,518	11,301	3,541
SinohydroNaim Sdn. Bhd. (formerly known as Idolink Sdn. Bhd.)	Civil contractor	49.0 [^]	14,891	613	7,710	5,097
			27,979	2,130	19,011	8,642
2005						
Syarikat Usahasama Naim-RSB Sdn. Bhd.	Dormant	49.0 [^]	-	(1)	-	3
TR Concrete Sdn. Bhd.	Manufacture and sale of premix concrete	17.9 [*]	11,766	1,189	9,636	3,395
			11,766	1,188	9,636	3,398

[^] Held through NCSB

^{*} Held through TRSB

7. Investment in joint ventures

The Group's interest in the assets and liabilities, revenue and expenses of joint ventures are as follows:

	Group	
	2006 RM'000	2005 RM'000
Non-current assets	123	141
Current assets	25,048	15,465
Current liabilities	(17,533)	(11,741)
Share of assets	7,638	3,865
Income	73,853	26,393
Expenses	(68,613)	(24,618)
Share of profit before taxation	5,240	1,775
Tax expense	(1,467)	(500)
Share of profit after taxation	3,773	1,275

Details of the jointly controlled entities/operations of the Group are as follows:

Name	Principal activities	Proportion of ownership interest	
		2006 %	2005 %
Konsortium Javel Naim Cendera	Construction contractor	50	50
Naim-PW JV	Construction contractor	51	51
PPES Works – Naim Cendera JV	Construction contractor	45	45
Syarikat Usahasama Naim Cendera Sdn Bhd – RSB Management Services Sdn. Bhd. JV	Construction contractor	90	-

8. Intangible asset

	Rights to additional interest in construction contract RM'000
Cost	
At 1 January 2005 and 1 January 2006	-
Acquisition of rights	2,836
At 31 December 2006	2,836
Amortisation	
At 1 January 2005 and 1 January 2006	-
Amortisation for the year (Note 20)	703
At 31 December 2006	703
Carrying amounts	
At 1 January 2005 and 31 December 2005	-
At 31 December 2006	2,133

This represents the cost incurred to acquire the rights to additional interest in a construction contract from a joint venture partner.

9. Land held for property development – Group

	Land RM'000
At 1 January 2005	258,012
Additions	951
Transfer to property development costs (Note 13)	(66,411)
Disposals	(49,346)
At 31 December 2005 / 1 January 2006	143,206
Transfer to property development costs (Note 13)	(6,592)
At 31 December 2006	136,614

10. Other investments

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Quoted shares in Malaysia	325	325
Unit trusts	124	116
	449	441

The market value of the quoted shares and unit trusts are shown in Note 25.

11. Deferred tax assets and liabilities - Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	366	217	(829)	(541)	(463)	(324)
Unabsorbed capital allowance	21	21	-	-	21	21
Tax loss carry-forwards	139	139	-	-	139	139
Allowances	245	89	-	-	245	89
Fair value adjustment on acquisition of subsidiaries *	-	-	(58,366)	(61,758)	(58,366)	(61,758)
Tax assets / (liabilities)	771	466	(59,195)	(62,299)	(58,424)	(61,833)
Set off of tax	(183)	(89)	183	89	-	-
Net tax assets / (liabilities)	588	377	(59,012)	(62,210)	(58,424)	(61,833)

* This relates to the land held for property development, property development costs as well as property, plant and equipment of the subsidiaries acquired in July 2003. This deferred tax liability is reversed to the income statements progressively when the subject land is developed and/or sold or when the property, plant and equipment are amortised/depreciated, as the case may be.

Movements in temporary differences during the year are as follows:

Group	At	Recognised	At	Recognised	At
	1.1.2005 RM'000	in income statement RM'000	31.12.2005/ 1.1.2006 RM'000	in income statement RM'000	31.12.2006 RM'000
Property, plant and equipment	(173)	(151)	(324)	(139)	(463)
Unabsorbed capital allowances	-	21	21	-	21
Tax loss carry-forwards	-	139	139	-	139
Allowances	89	-	89	156	245
Fair value adjustment on acquisition of subsidiaries	(75,947)	14,189	(61,758)	3,392	(58,366)
	(76,031)	14,198	(61,833)	3,409	(58,424)

(Note 21)

(Note 21)



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

In recognising the deferred tax assets attributable to unutilised tax loss carry-forwards and unabsorbed capital allowance carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders of the subsidiaries concerned. Should there be such a substantial change, the unutilised tax loss carry-forwards and unabsorbed capital allowance carry-forwards included in the computation of the deferred tax assets and liabilities will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM160,000.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2006	2005
	RM'000	RM'000
Property, plant and equipment	(13)	-
Unutilised tax loss	175	4
Unabsorbed capital allowances	551	141
	713	145

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax loss carry-forwards and unabsorbed capital allowance carry-forwards will not be available to the Group. Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

12. Inventories

	Group	
	2006	2005
	RM'000	RM'000
At cost		
Developed properties held for sale	10,303	14,324
Manufactured inventories	2,455	1,279
Raw materials	253	81
Consumables	479	445
Trading inventories	1,347	522
	14,837	16,651

13. Property development costs – Group

	Land RM'000	Development costs RM'000	Accumulated costs charged to income statement RM'000	Total RM'000
At 1 January 2005	57,466	222,776	(175,248)	104,994
Transfer from land held for property development (Note 9)	66,411	-	-	66,411
Costs incurred during the year	2,050	138,822	-	140,872
Costs charged to income statement	-	-	(136,400)	(136,400)
Transfer of completed properties to inventories, net of sales	(7,551)	(147,156)	146,368	(8,339)
At 31 December 2005	118,376	214,442	(165,280)	167,538
At 1 January 2006	118,376	214,442	(165,280)	167,538
Transfer from land held for property development (Note 9)	6,592	-	-	6,592
Costs incurred during the year	4,755	160,655	-	165,410
Costs charged to income statement	-	-	(145,024)	(145,024)
Transfer of completed properties to inventories, net of sales	(1,238)	(17,330)	15,840	(2,728)
At 31 December 2006	128,485	357,767	(294,464)	191,788

Property development costs incurred during the financial year include:

	Group	
	2006 RM'000	2005 RM'000
Depreciation (Note 3)	1,006	415
Personnel expenses:		
- contributions to the Employees Provident Fund	365	287
- wages, salaries and others	3,515	2,993
Interest expense	-	5
Hire of equipment	-	728
Rental of premises	6	15

Interest was capitalised in property development costs at the rate of 6.20% per annum in the previous financial year.



14. Receivables, deposits and prepayments

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	89,324	92,180	-	-
Less: Allowance for doubtful debts	(48)	(33)	-	-
	89,276	92,147	-	-
Progress billings receivables	85,854	76,996	-	-
Less: Allowance for doubtful debts	-	(2,554)	-	-
	85,854	74,442	-	-
Construction work-in-progress (see below)	53,447	13,204	-	-
Accrued billings	11,869	10,993	-	-
Deposits	5,883	1,698	-	-
Prepayments	8	86	-	-
Other receivables	1,556	1,213	36	42
Amount due from associates	1,870	8	-	-
Amount due from joint ventures	9,099	3,882	-	-
	258,862	197,673	36	42

Included in trade receivables of the Group is an amount of RM67,270,000 (2005: RM84,088,000) due from Syarikat Perumahan Negara Berhad ("SPNB") [which is wholly owned by the Minister of Finance (Incorporated)] for sales of vacant land in December 2005. An additional payment of RM25,226,000 was received from SPNB in February 2007 and the money is currently held by a legal solicitor until the issuance of Form L by the relevant land registry. Titles to the land will only be transferred to SPNB upon the full settlement of the purchase consideration.

Included in amount due from joint ventures is an amount of RM8,396,000 (2005: Nil) which is trade in nature. The remaining balance is non-trade in nature, unsecured and interest free.

Amount due from associates includes an amount of RM1,693,000 (2005: Nil) which is trade in nature. The remaining balance is non-trade in nature, unsecured and interest free.

14. Receivables, deposits and prepayments (continued)
Construction work-in-progress

	Group	
	2006 RM'000	2005 RM'000
Aggregate costs incurred to date	395,730	100,708
Attributable profits	84,135	25,471
Progress billings	479,865 (448,817)	126,179 (125,719)
Amount due to contract customers reclassified to payables and accruals (Note 19)	31,048 22,399	460 12,744
	53,447	13,204

Additions to aggregate costs incurred during the year include:

	Group	
	2006 RM'000	2005 RM'000
Depreciation (Note 3)	787	505
Personnel expenses:		
- contributions to the Employees Provident Fund	453	508
- wages, salaries and others	6,562	4,851
Hire of equipment	405	522
Rental of premises	1,972	101

Included in progress billings receivables of the Group are retention sums of RM1,765,000 (2005: RM4,067,000) relating to construction work-in-progress.

Retentions are unsecured, interest free and are expected to be collected as follows:

	Group	
	2006 RM'000	2005 RM'000
Within 1 year	310	2,438
1 – 2 years	580	310
2 – 3 years	310	512
3 – 4 years	565	310
4 – 5 years	-	497
	1,765	4,067



15. Amounts due from/to subsidiaries - Company

Included in amount due from subsidiaries is an amount of RM11,742,000 (2005: RM17,574,000) which is non-trade in nature, unsecured and interest free. The remaining balance is trade in nature.

The amounts due to subsidiaries are non-trade in nature, unsecured and interest free.

16. Cash and cash equivalents

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed deposits placed with licensed banks	47,255	69,710	10,122	9,102
Short term cash funds	45,000	13,000	17,500	13,000
Cash and bank balances	29,754	51,218	1,163	2,541
	122,009	133,928	28,785	24,643

Fixed deposits of the Group amounting to RM1,652,000 (2005: RM2,111,000) are pledged to banks to secure bank guarantee facilities granted to a subsidiary (2005: three subsidiaries).

17. Capital and reserves

Share capital

	Group and Company			
	Amount		Number of shares	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ordinary shares of RM1.00 each				
Authorised				
At 1 January and 31 December	500,000	500,000	500,000	500,000
Issued and fully paid				
At 1 January and 31 December	250,000	250,000	250,000	250,000

Capital reserve

This consists of the Group's share of bonus issued by a subsidiary.

17. Capital and reserves (continued)

Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the annual general meeting held on 15 June 2006, approved the Company's plan to purchase 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.

During the year, the Company repurchased 237,000 (2005: 3,772,000) of its issued shares from the open market. The average price paid for the shares repurchased was RM2.97 (2005: RM2.92) per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares were retained as treasury shares. Treasury shares have no rights to voting, dividends and participation in other distributions.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to distribute all of its retained profits at 31 December 2006 as dividends.

18. Hire purchase loans

	Group	
	2006 RM'000	2005 RM'000
Non-current	1,124	51
Current	557	184
Total	1,681	235

The hire purchase loans bear interest at 2.60% to 4.75% (2005: 3.30% to 4.75%) flat per annum and are payable as follows:

Group	Payments RM'000	Interest RM'000	Principal RM'000
2006			
Less than one year	640	83	557
Between one and two years	1,127	90	1,037
Between two and five years	88	1	87
	1,855	174	1,681
2005			
Less than one year	195	11	184
Between one and two years	37	4	33
Between two and five years	19	1	18
	251	16	235



19. Payables and accruals

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	108,348	87,873	-	-
Progress billings	12,359	12,439	-	-
Accruals	9,455	9,438	442	243
Other payables	41,347	4,464	512	913
Amount due to associates	3,825	207	-	-
Amount due to contract customers (Note 14)	22,399	12,744	-	-
Advance payments received from property buyers and contract customers	2,714	8,959	-	-
Land usage conversion premium payable	2,975	-	-	-
	203,422	136,124	954	1,156

Included in trade payables of the Group are retention sums and performance bonds amounting to RM16,296,000 (2005: RM13,396,000).

Included in accruals is an amount of RM1,656,453 (2005: Nil) accrued for state land alienated to a subsidiary.

Other payables of the Group includes an amount owing to a minority shareholder of a subsidiary of RM144,000 (2005: RM470,000) for the acquisition of land.

Included in amount due to associates is an amount of RM3,822,000 (2005: RM183,000) which is trade in nature. The remaining balance is non-trade in nature, unsecured and interest free.

20. Revenue and operating profit

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue				
- sale of development properties and vacant land	213,977	307,647	-	-
- contract revenue	271,004	95,789	-	-
- sale of goods	40,045	19,655	-	-
- sand filling and earthwork	2	3	-	-
- landscaping and turfing	2	-	-	-
- management fees	-	-	2,110	2,175
- hire of equipment	967	-	-	-
- interest income	-	-	276	714
- dividend income from subsidiaries	-	-	49,600	35,200
- realised interest/profit earned on short-term funds	-	-	425	248
	525,997	423,094	52,411	38,337

20. Revenue and operating profit (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cost of sales				
- cost of development properties and vacant land sold	144,546	191,771	-	-
- contract costs recognised as an expense	219,984	77,184	-	-
- cost of goods sold	40,136	18,571	-	-
	404,666	287,526	-	-
Operating profit is arrived at after crediting:				
Dividend income from:				
- quoted shares in Malaysia	127	40	-	-
- unit trusts	8	17	-	-
Gain on disposal of property, plant and equipment	-	13	-	-
Gain on disposal of a subsidiary (Note 28)	-	2	-	-
Interest received from:				
- fixed deposits	2,371	1,913	-	-
- overdue trade balances	27	37	-	-
Rental income from property lease	307	116	-	-
Reversal of allowance for doubtful debts	2,539	2,717	-	-
Reversal of property development costs previously written off	1,302	-	-	-
and after charging:				
Amortisation of intangible asset (Note 8)	703	-	-	-
Audit fee	198	162	15	12
Bad debts written off	2	-	-	-
Depreciation of property, plant and equipment (Note 3)	4,902	3,788	-	-
Depreciation of investment property (Note 4)	13	13	-	-
Goodwill written off (Note 28)	5	-	-	-
Interest expense on:				
- bankers' acceptances	3	-	-	-
- hire purchase loans	71	19	-	-
- other loans	-	26	-	-
- overdrafts	-	2	-	-
- overdue trade balances	43	36	-	-
Inventories written off	26	37	-	-
Loss on disposal of property plant and equipment	68	-	-	-
Personnel expenses (including key management personnel):				
- contributions to the Employees Provident Fund				
- Directors	526	351	-	-
- employees	1,290	1,931	217	201
	1,816	2,282	217	201
- wages, salaries and others	19,223	18,477	1,679	2,167
- Directors' fees	688	354	676	342
- Directors' other emoluments	3,031	3,289	4	98
- Directors' estimated monetary value of benefits-in-kind	141	96	-	-
Rental of equipment	78	41	-	-
Rental of premises	400	302	-	-



21. Tax expense

Recognised in the income statement

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
Malaysian				
- current year	33,113	48,187	14,000	9,920
- prior year	(284)	164	55	(80)
	32,829	48,351	14,055	9,840
Deferred tax expense (Note 11)				
Malaysian				
- current year	(3,324)	(14,211)	-	-
- prior year	(85)	13	-	-
	(3,409)	(14,198)	-	-
Total tax expense	29,420	34,153	14,055	9,840

Reconciliation of effective tax expense

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit for the year	75,429	88,975	35,300	24,730
Total tax expense	29,420	34,153	14,055	9,840
Profit excluding tax	104,849	123,128	49,355	34,570
Share of tax of equity accounted associates	296	185	-	-
Share of tax of joint ventures	1,467	500	-	-
	106,612	123,813	49,355	34,570

21. Tax expense (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax calculated using Malaysian tax rate of 28% (2005: 28%)	29,869	33,268	13,820	9,620
Effect of lower tax rate for certain subsidiaries/ associates [^]	(261)	(151)	-	-
Effect of change in tax rate [*]	647	-	-	-
Non-deductible expenses	1,144	1,544	180	300
Unrecognised deferred tax assets	153	-	-	-
	31,552	34,661	14,000	9,920
(Over)/Under provisions in prior years	(369)	177	55	(80)
Tax expense recognised in the income statement	31,183	34,838	14,055	9,840
Share of tax of equity accounted associates and joint ventures	(1,763)	(685)	-	-
Total tax expense	29,420	34,153	14,055	9,840

[^] With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

^{*} With effect from year of assessment 2007, the corporate tax rate is 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008. The Group provided deferred tax liabilities at 27%.

22. Basic earnings per ordinary share – Group

The calculation of basic earnings per ordinary share at 31 December 2006 was based on the profit attributable to ordinary shareholders of RM66,229,000 (2005: RM79,145,000) and a weighted average number of ordinary shares outstanding during the year of 244,491,000 (2005: 247,035,000).

Weighted average number of ordinary shares

	2006 '000	2005 '000
Issued ordinary shares, net of share bought back at 1 January	244,728	248,500
Effect of ordinary shares repurchased in:		
January	(236)	-
February	-	(1,068)
May	-	(1)
June	(1)	-
October	-	(121)
November	-	(196)
December	-	(79)
Weighted average number of ordinary shares at 31 December	244,491	247,035



23. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<u>2006</u>			
Interim 2006 ordinary	10.80	26,405	5 June 2006
Second interim 2005 ordinary	3.60	8,802	8 March 2006
Total amount		35,207	
<u>2005</u>			
First interim 2005 ordinary	5.04	12,466	10 October 2005
Final 2004 ordinary	5.04	12,465	17 June 2005
Total amount		24,931	

24. Segmental information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investment income, interest expense, share of profit after tax of equity accounted associates and joint ventures, realisation of negative goodwill and corporate taxes.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible asset other than goodwill.

Business segments

The Group comprises the following three main business segments:

- Property development - Development of residential and commercial properties.
- Construction - Construction of buildings, roads and bridges.
- Others - Manufacture and sale of construction materials, provision of sand filling/earthworks services, trading activities and property investment holdings.

All the business segments are operated solely in Malaysia, and as such, segmental reporting by geographical locations is not presented.

24. Segmental information (continued)

	Property development		Construction		Others		Elimination		Consolidated	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Total external revenue	213,977	307,647	271,004	95,789	41,016	19,658	-	-	525,997	423,094
Inter segment revenue	2,164	-	-	516	14,433	5,938	(16,597)	(6,454)	-	-
Total segment revenue	216,141	307,647	271,004	96,305	55,449	25,596	(16,597)	(6,454)	525,997	423,094
Segment result	62,367	101,836	33,160	12,327	4,508	548	(1,600)	(671)	98,435	114,040
Unallocated expenses									(580)	(758)
Results from operating activities									97,855	113,282
Investment income									2,507	1,970
Negative goodwill recognised									-	6,268
Interest expense									(117)	(83)
Share of profit after tax of equity accounted associates and joint ventures									4,604	1,691
Tax expense									(29,420)	(34,153)
Profit for the year									75,429	88,975

24. Segmental information (continued)

	Property development		Construction		Others		Consolidation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Segment assets	469,740	547,446	256,585	111,568	55,435	44,767	781,760	703,781
Investment in associates	-	-	1,280	-	2,714	2,183	3,994	2,183
Investment in joint ventures	-	-	7,638	3,865	-	-	7,638	3,865
	469,740	547,446	265,503	115,433	58,149	46,950	793,392	709,829
Other investments							449	441
Unallocated assets							-	7
Total assets							793,841	710,277
Segment liabilities	135,385	160,111	99,307	40,851	29,443	13,388	264,135	214,350
Unallocated liabilities							-	23
Total liabilities							264,135	214,373
Capital expenditure	3,145	2,698	5,648	1,259	1,473	5,225	10,266	9,182
Depreciation and amortisation of tangible assets	2,292	3,012	4,007	1,390	409	319	6,708	4,721
Amortisation of intangible asset	-	-	703	-	-	-	703	-

There are no significant non-cash expenses other than depreciation and amortisation.



25. Financial instruments

The Board of Directors undertakes on-going reviews to identify, assess and manage key financial risks to which Group activities are exposed.

Credit risk

Most of the construction projects undertaken by the Group are government funded. Prior to tendering for construction contracts, credit evaluation on potential customers is carried out. The management regularly reviews the credit risks of customers and takes appropriate measures to enhance credit control procedures. The Group's exposure to credit risk for property development is low as titles to properties are only transferred to purchasers upon full settlement of purchase consideration.

Cash and cash equivalents are only placed with licensed banks and finance companies.

At balance sheet date, other than an amount of RM67,270,000 receivable from SPNB constituting 25% of the outstanding receivables, deposits and prepayments of RM258,862,000, there are no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset in the balance sheet.

Foreign currency risk

The Group is not exposed to foreign currency risk as all its transactions are denominated in Ringgit Malaysia.

Liquidity risk

The Group constantly manages its cash flow to ensure availability of funds to meet its working capital requirements by maintaining a sufficient level of banking facilities and cash and cash equivalents.

Interest rate risk

The Group finances its daily operations through a mixture of internally generated funds and bank borrowings, the latter being in the form of hire purchase loans, the interest rate for which is fixed throughout the loan tenor. The investment in interest-bearing assets is mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds. In the current operating environment, the risk of interest rates fluctuating adversely is regarded as low.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	2006			2005		
	Effective interest rate per annum %	Total RM'000	Less than 1 year RM'000	Effective interest rate per annum %	Total RM'000	Less than 1 year RM'000
Financial assets						
Deposits with licensed banks	2.35 – 3.70	47,255	47,255	2.35 – 3.70	69,710	69,710
Short-term cash funds	2.29 – 3.20	45,000	45,000	2.29 – 2.90	13,000	13,000
Company						
Financial assets						
Deposits with licensed banks	2.35 – 2.53	10,122	10,122	2.35 – 2.53	9,102	9,102
Short-term cash funds	2.29 – 2.90	17,500	17,500	2.29 – 2.90	13,000	13,000

notes to the financial statements (continued)

Fair values

Recognised financial instruments

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, and payables and accruals approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees of RM302 million (2005: RM195 million) to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair values of the non-current financial assets, together with the carrying amounts shown in the balance sheets, are as follows:

Group	2006		2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Other investments (Note 10)				
Quoted shares in Malaysia	325	592	325	455
Unit trusts	124	243	116	185
	449	835	441	640

The fair value of quoted shares and unit trusts is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2006 and 31 December 2005.

26. Capital expenditure commitments

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment				
Authorised but not contracted for and expected to be payable within one year	10,668	6,161	2,015	-

27. Related parties

Identity of related parties

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

27. Related parties (continued)

The Group has a related party relationship with:

- (i) its subsidiaries;
- (ii) its associates;
- (iii) its joint ventures;
- (iv) companies connected to major shareholders of the Company or certain Directors of the Company or of its subsidiaries; and
- (v) the Directors of the Company and its subsidiaries:

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

Transactions with subsidiaries

	Company	
	2006 RM'000	2005 RM'000
Dividend income	(49,600)	(35,200)
Management fees income	(2,110)	(2,175)

Transactions with associates

	Group	
	2006 RM'000	2005 RM'000
TR Concrete Sdn. Bhd.		
Purchase of raw materials and other items	1,726	6,561
Sales of construction materials	(4,967)	(1)
SinohydroNaim Sdn Bhd		
Construction costs incurred	13,902	-
Sales of construction materials	(273)	-
Management Fee income	(1)	-
Rental of machinery	(1,446)	-

Transaction with an unincorporated joint venture, Syarikat Usahasama Naim Cendera Sdn. Bhd.
- RSB Management Services Sdn. Bhd.

	Group	
	2006 RM'000	2005 RM'000
Construction contract revenue	(45,809)	-

notes to the **financial statements** (continued)



Transactions with companies connected to major shareholders/Directors of the Company

	Group	
	2006 RM'000	2005 RM'000
<u>Datuk Abdul Hamed Bin Haji Sepawi and Datuk Hasmin Bin Hasnan</u>		
Custodev Dua Sdn. Bhd.		
Acquisition of property, plant and equipment	-	4,569
Rental of premises	22	-
Eastern Times News Sdn. Bhd.		
Advertisement charges	20	-
<u>Ir. Suyanto Bin Osman</u>		
Town Builder Realty Sdn. Bhd.		
Construction costs payable	3,088	-
Sales of properties	(558)	-
Sales of construction materials	(865)	-
<u>Datuk Abdul Hamed Bin Haji Sepawi</u>		
Tanarak Sdn. Bhd.		
Supply of information technology services	834	1,056
Supply of training equipment	7,568	-
Sales of properties	(532)	-
Donation to Tabung Amanah Naim, of which Datuk Abdul Hamed Bin Haji Sepawi is the Chairman		
	1,000	500

Transactions with Directors of subsidiaries and with companies connected to them

	Group	
	2006 RM'000	2005 RM'000
<u>William Wei How Sieng, Director of certain subsidiaries</u>		
Sales of property, plant equipment	-	(41)
Advisory fee paid	(120)	-
<u>Companies connected to William Wei How Sieng</u>		
HWS Properties Sdn. Bhd.		
Rental of premises	26	27
Primehold Point Sdn. Bhd.		
Watchman and cleaning services	19	71
Sales of properties	-	(69)

Transactions with Directors of subsidiaries and with companies connected to them (continued)

	Group	
	2006 RM'000	2005 RM'000
<u>Company connected Liew Lian Fa and Boon Kuat Khin</u>		
<u>Directors of a subsidiary</u>		
Smartpiles Sdn. Bhd.		
Purchase of construction materials	1,233	399
Amount due from/to related parties		
Amount due therefrom	1,461	-
Amount due thereto	(8,329)	(34)

The amounts due from/to the subsidiaries, associates and joint ventures are disclosed in the balance sheet as well as Notes 14, 15 and 19 to the financial statements.

All transactions with the related parties are priced on an arm's length basis and none of the outstanding balances is secured.

28. Acquisitions and disposals of subsidiaries

On 27 January 2006, Naim Cendera Sdn. Bhd. ("NCSB") acquired additional 145,000 shares in, representing 29% of the equity of, Naim Ready Mix Sdn. Bhd. ("NRMSB") from a minority shareholder for a consideration of RM145,000. At the same time, a subsidiary of NCSB disposed of its entire 20% equity interest, comprising 100,000 shares, in NRMSB to a third party, for a cash consideration of RM100,000. The resultant group equity interest in NRMSB increased from 61.2% to 80.0%.

On 7 April 2006, NCSB acquired the entire equity interest in SinohydroNaim Sdn. Bhd. ("SSB") for a consideration of RM2.00. On 10 April 2006, the issued and paid-up share capital of SSB was increased to RM2,000,000 and its shareholdings were restructured such that the company is now 51% owned by Sinohydro Corporation (M) Sdn. Bhd. and 49% by NCSB.

In the previous year, NCSB acquired the entire equity interest in Naim Equipment Sdn. Bhd. ("NESB") and Yakin Pelita Sdn. Bhd. ("YPSB") on 11 May 2005 and Naim Incorporated Berhad ("NIB") on 30 November 2005, each for a consideration of RM2.00, satisfied by cash.

On 9 December 2005, NCSB disposed of 51% of the equity interest in Syarikat Usahasama Naim-RSB Sdn. Bhd. ("SUNR"), for a cash consideration of RM160. SUNR thereupon became an associate of NCSB. The gain arising from the disposal to the Group was RM2,000.

28. Acquisitions and disposals of subsidiaries (continued)

The acquisitions had the following effect on the Group's assets and liabilities on the acquisition date:

a) Acquisition of minority interest in an existing subsidiary, NRMSB

	2006 RM'000
Net assets acquired	40
Goodwill on consolidation	5
<hr/>	
Cash outflow on acquisition	45

The Group's share of the net loss in NRMSB for the period subsequent to the acquisition of the additional 18.8% equity stake therein up to 31 December 2006 is approximately RM137,000. The Group also recognised a decrease in minority interest of RM40,000.

The goodwill of RM5,000 arising from the acquisition of the minority interest, not identifiable to any cash-generating unit, is written off to the income statement (Note 20).

b) Acquisitions of NESB, YPSB and NIB

	2005 RM'000
Current liabilities	(28)
Goodwill on consolidation	28
<hr/>	
Consideration paid, satisfied in cash	*
Cash acquired	*
<hr/>	
Net cash inflow	-

* Representing cash in hand of RM6

The Group's share of the net loss in NESB, YPSB and NIB for the period subsequent to the acquisitions up to 31 December 2005 was RM73,000. The acquisitions also contributed to a decrease of RM73,000 in Group net assets as at 31 December 2005.

29. Subsequent events

Acquisition of new subsidiaries

On 5 April 2007, NCSB acquired the entire equity interests in Peranan Pakatan Sdn. Bhd., Simbol Warisan Sdn. Bhd., Jelas Kemuncak Resources Sdn. Bhd., Peranan Makmur Sdn. Bhd., Warisan Makna Sdn. Bhd., Peranan Prima Sdn. Bhd. and Teroka Juta Sdn. Bhd., each for a consideration of RM2.00, satisfied by cash. These new subsidiaries are presently dormant.

30. Material litigation

Suit over land

In March 2005, Naim Cendera Tujuh Sdn. Bhd. ("NC7"), a wholly owned subsidiary, received a Writ of Summons from 5 persons suing on behalf of themselves and 79 others, claiming to have native customary rights over part of NC7's leasehold land known as Lot 23, Block 34, Kemena Land District, Bintulu. Approximately 100 acres out of a total of 1,000 acres of the land are claimed by the plaintiffs.

The said land was previously alienated by the Government of Sarawak and due land premium had been settled in prior years. Should the matter not be satisfactorily resolved or should the court rule in favour of the plaintiffs, NC7 will approach the State authorities for substitution of the land. The suit therefore does not have any material impact to the Group.

31. Change in accounting policy

The adoption of the new and revised FRSs in 2006, particularly FRS 3, *Business Combinations*, FRS 136, *Impairment of Assets* and FRS 138, *Intangible Assets*, has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with the transitional provisions of the respective FRSs.

As stated in Note 2(d)(i), Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement (as opposed to being recognised in income statements over five years previously). This has resulted in the derecognition of negative goodwill and an increase in the retained profits of the Group as at 1 January 2006 by RM16,224,000.

Had there not been a change in accounting policy, the net profit attributable to shareholders of the financial year would increase by RM6,268,000 and earnings per share would increase from 27.1 sen to 29.7 sen.

32. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation as well as the presentation requirements of FRS 101, *Presentation of Financial Statements*.

Following the adoption of FRS 3, *Business Combinations*, minority interest was reclassified into equity; likewise in arriving at profit for the year, minority interest was not deducted.

The carrying amounts of the material items affected by the reclassification as at 31 December 2005 before and after the reclassification are as follows:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<u>Balance sheets</u>				
Property, plant and equipment	40,791	41,294	-	-
Investment property	503	-	-	-
Total equity	495,904	443,275	-	-
<u>Income statements and Note 24, Segmental information</u>				
Share of profit after tax of equity accounted associates and joint ventures	1,691	2,376	-	-
Tax expense	34,153	34,838	-	-

analysis of shareholdings as at 30 april 2007

Authorised Share Capital : RM500,000,000 comprising 500,000,000 shares of RM1.00 each
 Issued and Paid-up Share Capital : RM250,000,000 comprising 250,000,000 shares of RM1.00 each
 Class of Shares : Ordinary Shares of RM1.00 each
 Voting rights : 1 vote per ordinary share

Size of Shareholding	No of Shares	% over Total Shares	No of Holders	% Over Total Shareholders
Less than 99	200	0.0001	5	0.4897
000000100 - 000001000	289,700	0.1159	360	35.2595
000001001 - 000010000	1,695,100	0.6780	369	36.1410
000010001 - 000100000	6,441,400	2.5766	175	17.1401
000100001 - 012499999	135,308,650	54.1235	107	10.4799
012500000 & Above	106,264,950	42.5060	5	0.4897
	250,000,000	100.0000	1,021	100.0000

Top Thirty Shareholders

No.	Name of Shareholder	No. of Shares Held	% of shareholding
1	Island Harvests Sdn. Bhd.	31,769,700	12.7079
2	Hasmi Bin Hasnan	28,918,850	11.5675
3	Lembaga Tabung Haji	19,075,600	7.6302
4	Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. for Tapak Beringin Sdn. Bhd.	14,000,000	5.6000
5	Lembah Rakyat Sdn. Bhd.	12,500,800	5.0003
6	Lambaian Kukuh Sdn. Bhd.	10,650,150	4.2601
7	Lembah Rakyat Sdn. Bhd.	10,000,000	4.0000
8	Hasmi & Associates Management Sdn. Bhd.	9,672,750	3.8691
9	HSBC Nominees (Asing) Sdn. Bhd. for JPMorgan Chase Bank, National Association (U.S.A.)	7,905,200	3.1621
10	Employees Provident Fund Board	7,620,100	3.0480
11	Abdul Hamed Bin Sepawi	7,150,000	2.8600
12	Cartabatan Nominees (Asing) Sdn. Bhd. SSBT Fund HG22 for Smallcap World Fund, Inc.	6,000,000	2.4000
13	HSBC Nominees (Asing) Sdn. Bhd. for JPMorgan Chase Bank, National Association (U.K.)	5,400,000	2.1600
14	Mayban Nominees (Tempatan) Sdn. Bhd. for Abdul Hamed Bin Sepawi	5,000,000	2.0000
15	HWS Properties Sdn. Bhd.	4,782,250	1.9129
16	Naim Cendera Holdings Berhad (Share Buy Back Account)	4,369,800	1.7479
17	Citigroup Nominees (Asing) Sdn. Bhd. for AIG International Funds-Acorns of Asia Balanced Fund	4,250,000	1.7000
18	HSBC Nominees (Tempatan) Sdn. Bhd. for Employees Provident Fund	3,759,900	1.5040
19	HSBC Nominees (Asing) Sdn. Bhd. for JPMorgan Bank Luxembourg S.A.	3,429,200	1.3717
20	Citigroup Nominees (Asing) Sdn. Bhd. for Prism Offshore Fund Ltd.	2,198,400	0.8794
21	Yayasan Sarawak	2,150,000	0.8600
22	HSBC Nominees (Asing) Sdn. Bhd. for Morgan Stanley & Co. International Limited	2,036,400	0.8146

Top Thirty Shareholders (continued)

No.	Name of Shareholder	No. of Shares Held	% of shareholding
23	Citigroup Nominees (Asing) Sdn. Bhd. for North of South Capital LLP	1,500,000	0.6000
24	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Alliance Capital Asset Management Sdn. Bhd. for Employees Provident Fund	1,476,000	0.5904
25	HSBC Nominees (Asing) Sdn. Bhd. for The Hong Kong and Shanghai Banking Corporation Limited (HBFS-1 CLT ACCT)	1,335,600	0.5342
26	Naim Cendera Holdings Berhad (Share Buy Back Account)	1,139,600	0.4558
27	AMMB Nominees (Tempatan) Sdn. Bhd. ASSAR Asset Management Sdn. Bhd. for Tabung Baitulmal Sarawak (Majlis Islam Sarawak)	1,080,000	0.4320
28	Cartaban Nominees (Asing) Sdn. Bhd. State Street Luxembourg Fund AA30 for Allianz Global Investors Selections RCM Malaysia Fund	1,058,800	0.4235
29	Citigroup Nominees (Asing) Sdn. Bhd. for American International Assurance Company Limited	1,029,900	0.4120
30	Pelita Dinamik Sdn. Bhd.	1,000,000	0.4000

Substantial Shareholders

Name of Substantial Shareholder	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1 Island Harvests Sdn. Bhd.	31,769,700	12.71	-	-
2 Datuk Hasmi Bin Hasnan	28,918,850	11.57	52,292,600	20.92
3 Lembah Rakyat Sdn. Bhd.	22,500,800	9.00	-	-
4 Tapak Beringin Sdn. Bhd.	14,406,900	5.76	-	-
5 Datuk Abdul Hamed Bin Sepawi	12,515,100	5.00	37,107,700	14.84
6 Employees Provident Fund Board	7,620,100	3.04	5,751,100	2.3
7 Lembaga Tabung Haji	19,075,600	7.63	-	-

Directors' Direct and Indirect Interest in the Company

	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1 Datuk Abdul Hamed Bin Sepawi	12,515,100	5.00	37,107,700	14.84
2 Datuk Hasmi Bin Hasnan	28,918,850	11.56	52,292,600	20.92
3 Dr. Sharifuddin Bin Abdul Wahab	100,000	0.04	-	-
4 Ahmad Bin Abu Bakar	-	-	-	-
5 Ir. Suyanto Bin Osman	135,000	0.05	-	-
6 Kueh Hoi Chuang	144,100	0.06	-	-
7 Abang Hasni Bin Abang Hasnan	-	-	-	-
8 YB Tuan Haji Hamden Bin Haji Ahmad	-	-	-	-
9 Ir. Abang Jemat Bin Abang Bujang	-	-	-	-
10 Datu' Haji Abdul Rashid Bin Mohd Azis	-	-	-	-
11 Sylvester Ajah Subah @ Ajah Bin Subah (appointed on 26 February 2007)	44,000	0.02	-	-
12 Professor Abang Abdullah Bin Abang Mohamad Alli (appointed on 15 May 2007)	-	-	-	-

list of properties

Lot No/ Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	At Cost/ Net Book Value RM
PROPERTIES UNDER LAND HELD FOR DEVELOPMENT				
Long Term Leasehold				
Lot 819, 820, Block 13 Kuala Baram Land District Miri (Old lot = Lot 772)	Land For Development	21.08.1997 Expiring 20.08.2057	1,671,411	53,509,307
Lot 838, 839 & 640 Block 10 Kuala Baram Land District, Miri (Old lot = Lot 800)	Land For Development	21.08.1997 Expiring 20.08.2057	692,118	20,522,400
Lot 73, 74, 75 Block 11, Kuala Baram Land District, Miri (Old lot = Lot 5156, Block 10)	Land For Development	21.08.1997 Expiring 20.08.2057	827,126	6,325,027
Lot 3247 Block 11 Kuala Baram Land District, Miri (Old lot = Lot 4281, Block 10)	Land For Development	20.07.1995 Expiring 19.07.2055	679,006	34,739,048
Lot 6434, Block 10 Kuala Baram Land District, Miri	Land For Development	20.07.1995 Expiring 19.07.2055	-	-
Lot 172, 173 & 182, Block 10 Kuala Baram Land District, Miri (Old lot = Lot 5451, Block 10)	Land For Development	21.08.1997 Expiring 19.07.2055	326,229	14,074,394
Lot 3625, Block 14 Salak Land District	Land For Development	22.06.2004 Expiring 21.06.2064	390,171	5,453,498
Short Term Leasehold				
Lot 61, Section 41 Kuching Land District, Kuching	Vacant Land	19.10.1998 Expiring 14.10.2052	6,151	1,989,828
Sub-total				136,613,502
PROPERTIES UNDER PROPERTY PLANT & EQUIPMENT				
Long Term Leasehold				
Lots 30 & 31, Block 34 Kemena Land District, Bintulu (Old lot = Lot 23, Block 34)	Vacant Land	13.02.2001 Expiring 12.02.2060	4,010,055	13,980,741
Lot 431, Block 6 Kuala Baram Land District, Miri	Industrial Land and Building (Age: 9 Years)	08.06.1997 Expiring 19.07.2055	10,118	1,187,105
Sublot 180, Lot 1534, Block 6 Kuala Baram District, Miri	Vacant Land	17.06.2002 Expiring 19.07.2055	476	61,586

Lot No/ Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	At Cost/ Net Book Value RM
Sublot 181, Lot 1535, Block 6 Kuala Baram District, Miri	Vacant Land	17.06.2002 Expiring 19.07.2055	476	61,586
Sublot 134, Lot 1488, Block 6 Kuala Baram District, Miri	Vacant Land	17.03.2006 Expiring 19.07.2094	476	32,906
Sublot 135, Lot 1489, Block 6 Kuala Baram District, Miri	Vacant Land	17.03.2006 Expiring 19.07.2094	476	32,905
Building				
Sublot 182, Lot 1539, Block 6 Kuala Baram District, Miri	Land and Buildings (Age: 6 Years)	12.03.2001 Expiring 19.07.2055	493 (137)	231,419
Sublot 183, Lot 1537, Block 6 Kuala Baram District, Miri	Land and Buildings (Age: 6 Years)	12.03.2001 Expiring 19.07.2055	509 (136)	249,613
Lot 3162, Block 10 Kuching Central Land District, Kuching	Vacant Land	24.07.2002 Expiring 20.08.2062	12,351	1,065,239
Lot 3161, Block 10 Kuching Central Land District, Kuching	Vacant Land	24.07.2002 Expiring 20.08.2062	7,140	538,830
SubLot 104, Lot 1647 PermyJaya Technology Park Kuala Baram District, Miri	Casting Yard	13.09.2006 Expiring 31.07.2094	4,999	193,809
SubLot 105, Lot 1648 PermyJaya Technology Park Kuala Baram District, Miri	Casting Yard	13.09.2006 Expiring 31.07.2094	4,952	193,657
Lot 2949-3-2, Apartment B3 Westmoore Apartment, Kuching	Apartment (Age: 11 Years)	29.06.2002 Expiring 11.04.2055	(141)	247,500
Lot 2679, Block 10 Wisma Naim, Jalan Rock Kuching Town Land District, Kuching	Office Building (Age: 11 Years)	31.07.2000 Expiring 11.04.2055	(568)	1,808,981
Sublot 5747, Lot 4279, Block 10 Kuala Baram Land District, Miri	Tulip Showhouse (Age: 8 Years)	15.08.2000 Expiring 19.07.2055	500 (181)	199,194
Sublot 5748, Lot 4279, Block 10 Kuala Baram Land District, Miri	Rose Showhouse (Age: 8 years)	15.08.2000 Expiring 19.07.2055	500 (90)	107,015
Sublot 5637, Lot 4279, Block 10 Kuala Baram Land District, Miri	Daisy Showhouse (Age: 8 years)	15.08.2000 Expiring 19.07.2055	680 (112)	124,146

list of properties

Lot No/ Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	At Cost/ Net Book Value RM
Sublot 6024, Lot 4279, Block 10 Kuala Baram Land District, Miri	Lily Showhouse (Age: 8 years)	15.08.2000 Expiring 19.07.2055	525 (90)	98,535
Sublot 4290, Lot 4279, Block 10 Kuala Baram Land District, Miri	Melati Showhouse (Age: 10 years)	31.08.2000 Expiring 28.06.2055	350 (75)	82,629
Sublot 4291, Lot 4279, Block 10 Kuala Baram Land District, Miri	Melati Showhouse (Age: 10 years)	31.08.2000 Expiring 28.06.2055	350 (75)	82,629
Sublot 4292, Lot 4279, Block 10 Kuala Baram Land District, Miri	Jasmine Showhouse (Age: 10 years)	31.08.2000 Expiring 28.06.2055	350 (84)	103,269
Sublot 4293, Lot 4279, Block 10 Kuala Baram Land District, Miri	Jasmine Showhouse (Age: 10 years)	31.08.2000 Expiring 28.06.2055	350 (84)	103,269
Sublot 1269, Lot 5905, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	160 (160)	130,666
Sublot 1270, Lot 5906, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 1271, Lot 5907, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 1272, Lot 5908, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 1273, Lot 5909, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 1274, Lot 5909, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 1275, Lot 5909, Block 10 Kuala Baram Land District, Miri	Desa Pujut Shophouse (Age: 6 years)	01.01.2006 Expiring 19.07.2055	108 (108)	130,666
Sublot 4575, Lot 4286, Block 10 Miri Town Land District, Miri	Showhouse (Age: 10 years)	31.08.2000 Expiring 28.06.2055	350 (110)	62,771
Sublot 4576, Lot 4286, Block 10 Miri Town Land District, Miri	Showhouse (Age: 9 years)	31.08.2000 Expiring 28.06.2055	350 (69)	62,771

Lot No/ Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	At Cost/ Net Book Value RM
Lot 2631, Block 1 Samarahan Land District, Samarahan	Apartment/ Site office (Age: 4 years)	31.12.2003 Expiring 30.12.2057	(102)	48,457
Lot 2631, Block 1 Samarahan Land District, Samarahan	Apartment/ Site office (Age: 4 years)	31.12.2003 Expiring 30.12.2057	(98)	48,457
Sublot 1, Lot 676, Block 10 Kuching Central Land District Eastmoore, Kuching	Office Building (Age: 6 years)	12.06.2001 Expiring 13.08.2063	270 (464)	732,678
SHORT TERM LEASEHOLD				
Lot 838, Block 10 Kuching Central Land District, Kuching	Land and Buildings (Age: 48 Years)	17.12.2002 Expiring 16.12.2038	2,060 (112)	674,060
Lot 889, Block 9 Miri Concession Land District, Miri	Office Building (Age: 12 Years)	27.01.1999 Expiring 30.09.2052	185 (740)	1,056,666
Building				
TR Smartpile Office	Office Building		10,000 (216)	7,896
Parcel 3064-1-1, Ground Floor Wisma Naim	Office Floor	12.04.1995 Expiring 11.04.2055	(305)	1,497,493
Parcel 3064-1-2, Ground Floor Wisma Naim	Office Floor	12.04.1995 Expiring 11.04.2055	(309)	1,517,477
Parcel 3064-11-1, Tenth Floor Wisma Naim	Office Floor	12.04.1995 Expiring 11.04.2055	(522)	1,505,933
No. 12C, Santubong Tower Lot 264, Block 2 Salak Land District	Condominium	31.12.2005 Expiring 12.2817	(145)	428,260
PROPERTIES UNDER INVESTMENT PROPERTY				
Lot 885, Block 9 Miri Concession Land District, Miri	4 Storey Shophouse (Age: 11 Years)	11.09.1997 Expiring 30.09.2052	110 (698)	489,608
Sub-total				29,833,754
Total				166,447,256

notice of annual general meeting



NOTICE IS HEREBY GIVEN that the 5th Annual General Meeting of Members of NAIM CENDERA HOLDINGS BERHAD will be held at Holiday Inn Resort Damai Beach, Teluk Bandung, Santubong, 93756 Kuching, Sarawak on Monday, 18th June 2007 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. Adoption of Financial Statements

To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31st December 2006.

Ordinary Resolution 1

2. Approval of Directors' Fees

To approve Directors' Fees in respect of the financial year ended 31st December 2006.

Ordinary Resolution 2

3. Re-Election of Directors

In accordance with Article 85 of the Company's Articles of Association, the following Directors retire by rotation from the Board and being eligible, offer themselves for re-election.

Datuk Abdul Hamed Bin Haji Sepawi

Datuk Hasmi Bin Hasnan

Ir. Suyanto Bin Osman

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

In accordance with Article 92 of the Company's Articles of Association, the following Directors retire from the Board and being eligible, offer themselves for re-election.

Mr. Sylvester Ajah Subah @ Ajah Bin Subah

Professor Abang Abdullah Bin Abang Mohamad Ali

Ordinary Resolution 6

Ordinary Resolution 7

4. Re-Appointment of Auditors

To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration.

Ordinary Resolution 8

SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following as Ordinary Resolutions and Special Resolution:-

5. ORDINARY RESOLUTION 9 - AUTHORITY TO ALLOT AND ISSUE SHARES

"THAT, subject always to the Companies Act 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution 9

6. ORDINARY RESOLUTION 10 - PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES

"THAT, subject always to the Companies Act, 1965 and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be and are hereby unconditionally authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interests of the Company provided THAT :-

- i) the aggregate number of shares to be purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company;
- ii) an amount not exceeding RM30 million being the amount not exceeding the total Company's latest unaudited net cash resource of RM118 million as at 31st March 2007, be allocated for the proposed share buy-back,
- iii) the Directors of the Company may decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as necessary or expedient and/or appropriate in order to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Malaysia Securities Berhad and all other relevant governmental and/or regulatory authorities.

AND THAT the authority conferred by this resolution will commence immediately and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities.

Ordinary Resolution 10

notice of annual general meeting



7. SPECIAL RESOLUTION 1 – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

“THAT the proposed amendments to the Articles of Association of the Company as contained in Appendix II attached to the Circular to Shareholders dated 24th May 2007 be and are hereby approved AND THAT the Directors of the Company be and are hereby authorized to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company.”

Special Resolution 1

8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

KHO TECK HOCK (MIA 5836)
BONG SIU LIAN (MAICSA 7002221)
Company Secretaries

Kuching, Sarawak
Dated this 24 day of May 2007

NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid the Proxy form duly completed must be deposited at the Registered Office of the Company at 9th Floor, Wisma Naim, 2 ½ Mile Jalan Rock, 93200 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

Explanatory Notes on Special Businesses

a) Ordinary Resolution 9 – Authority to Allot and Issue Share

This proposed resolution, if passed, will empower the Directors of the Company to issue and allot Ordinary Shares from the unissued capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority will unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting of the Company.

b) Ordinary Resolution 10 – Proposed Renewal of Authority to Purchase Own Shares

Please refer to the Circular to Shareholders dated 24 May 2007 for further information.

c) Special Resolution 1 – Proposed Amendment to the Articles of Association of the Company

Please refer to the Circular to Shareholders dated 24th May 2007 for further information.

Statement accompanying Notice of Annual General Meeting

1. THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION

a) The Directors who are standing for re-election at the 5th Annual General Meeting of the Company are as follows:-

Datuk Abdul Hamed Bin Haji Sepawi
Datuk Hasmi Bin Hasnan
Ir. Suyanto Bin Osman
Mr. Sylvester Ajah Subah @ Ajah Bin Subah
Professor Abang Abdullah Bin Abang Mohamad Alli

b) Further details of the above named Directors are available on pages 30 to 37 and their securities holdings on page 133 of the 2006 Annual Report.

c) The Board met 5 times during the financial year ended 31st December 2006. Details of attendance of Directors at Board Meetings during the year are set out in page 49 of the 2006 Annual Report.

2. DATE, TIME AND PLACE OF THE BOARD MEETINGS

Details of Board meetings held are as follows:-

Date	Venue	Time
6 th February 2006	Conference Room, 9 th Floor, Wisma Naim, 2½ Mile, Jalan Rock, 93200 Kuching, Sarawak	3:00 p.m
28 th April 2006	Conference Room, 9 th Floor, Wisma Naim, 2½ Mile, Jalan Rock, 93200 Kuching, Sarawak	2.30 p.m.
15 th June 2006	Pinnacle 1 and 2, Holiday Inn Resort, Damai Lagoon, Jalan Teluk Penyuk, Santubong, Kuching, Sarawak	9.00 a.m.
24 ^h August 2006	Conference Room, 9 th Floor, Wisma Naim, 2½ Mile, Jalan Rock, 93200 Kuching, Sarawak	9:00 a.m.
13 th October 2006	Conference Room, 9 th Floor, Wisma Naim, 2½ Mile, Jalan Rock, 93200 Kuching.	10:00 a.m.

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NAIM CENDERA HOLDING BERHAD
(585467 - M)
(Incorporated in Malaysia)

CDS account no. of authorized nominee

FORM OF PROXY

I/We
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No./ID No./Company No. (new) (old)

of
(FULL ADDRESS)

being a member of NAIM CENDERA HOLDINGS BERHAD, hereby appoint

.....
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

NRIC NO./Passport No (new) (old) of

.....
(FULL ADDRESS)

or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 5th Annual General Meeting of the Company to be held at Holiday Inn Resort Damai Beach, Teluk Bandung, Santubong, 93756 Kuching, Sarawak, Malaysia on Monday, 18th June 2007 at 11.00 a.m. or any adjournment thereof, in the manner indicated below:-

Resolutions		FOR	AGAINST
Ordinary Resolution 1	Adoption of the audited financial statements and reports thereto		
Ordinary Resolution 2	Approve payment of Directors' fee		
Ordinary Resolution 3	Re-election of Director : Datuk Abdul Hamed Bin Haji Sepawi		
Ordinary Resolution 4	Re-election of Director: Datuk Hasmi Bin Hasnan		
Ordinary Resolution 5	Re-election of Director: Ir. Suyanto Bin Osman		
Ordinary Resolution 6	Re-election of Director: Mr. Sylvester Ajah Subah @ Ajah Bin Subah		
Ordinary Resolution 7	Re-election of Director: Professor Abang Abdullah Bin Abang Mohamad Alli		
Ordinary Resolution 8	Re-appointment of Auditors : Messrs KPMG as Auditors and authorizing the Directors to fix their remuneration		
Special Businesses			
Ordinary Resolution 9	Authority to allot and issue shares		
Ordinary Resolution 10	Proposed renewal of authority to purchase own shares		
Special Resolution 1	Proposed amendments to the Articles of Association of the Company		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy/proxies will vote or abstain from voting as he/she/they think(s) fit.)

Date this day of 2007

Number of shares held:

Signature of Shareholder(s)/Common Seal

Notes:

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- To be valid this form duly completed must be deposited at the Registered Office of the Company at 9th Floor, Wisma Naim, 2 ½ Mile Jalan Rock, 93200 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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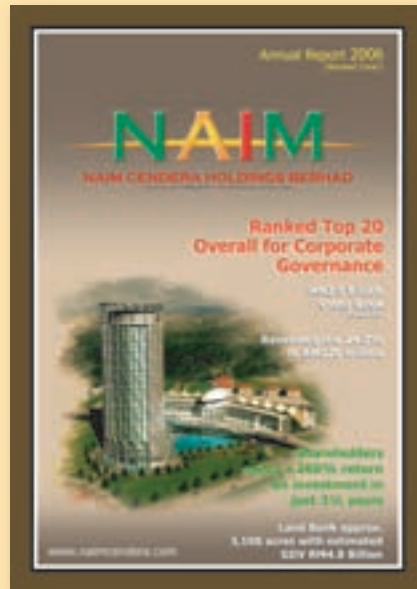
STAMP

The Company Secretary
NAIM CENDERA HOLDINGS BERHAD

9th Floor, Wisma Naim,
2½ Mile, Jalan Rock,
93200 Kuching,
Sarawak.

2. Fold here / Lipat di sini

from where we began . . .



Annual Report 2006
NAIM CENDERA
HOLDINGS BERHAD



Annual Report 2002
(Non-PUBLIC LISTED COMPANIES CATEGORY)
NAIM CENDERA
SDN BHD



Annual Report 2003
NAIM CENDERA
HOLDINGS BERHAD



Annual Report 2004
NAIM CENDERA
HOLDINGS BERHAD



Annual Report 2005
NAIM CENDERA
HOLDINGS BERHAD



Annual Report 1998
NAIM CENDERA
SDN BHD



Annual Report 1999
NAIM CENDERA
SDN BHD



Annual Report 2000
NAIM CENDERA
SDN BHD



Annual Report 2001
NAIM CENDERA
SDN BHD



NAIM CENDERA HOLDINGS BERHAD

COMPANY NO. 585467-M * INCORPORATED IN MALAYSIA

Registered and Head Office

9th Floor Wisma Naim,
2½ Mile, Rock Road 93200
Kuching, Sarawak, Malaysia.

Tel : 6 082 411667

Fax : 6 082 233667

E-mail : cendera@po.jaring.my

Website: www.naimcendera.com