

Selected Explanatory Notes

a. Accounting Policies

The interim financial statements has been prepared in accordance with Financial Reporting Standards (FRS) 134₂₀₀₄ Interim Financial Reporting, and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and these explanatory notes attached to the interim financial statements as they provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The accounting policies, method of computation and basis of consolidation applied in the unaudited condensed interim financial statements are consistent with those used in the preparation of the 2007 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by MASB that are effective for the financial year beginning on or after 1 July 2007. The new and revised FRSs considered in this announcement are as follows:-

Amendment to FRS 121	The effects of Changes in Foreign Exchange Rates – net investment in foreign operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of FRS 107,111, 112, 118, 119, 134, 137 and amendment to FRS 121 does not have any significant financial impact on the results and the financial position of the Group and the Company.

IC Interpretation 1, 2, 5, 6, 7, 8 and FRS 120, 126 and 129 are not relevant to the Group's operations.

b. Status of Financial Statements Qualification

The auditors' report on preceding audited financial statements for the year ended 31 December 2007 was not subject to any qualification.

c. Review of Seasonality or Cyclicity of Operations

Seasonality due to weather is not foreseen to affect the construction operations. However, the bunkering activity will be affected by the monsoon at the end of the year and this has been taken into consideration in the Group's annual business plan.

d. Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows That are Unusual to the Nature, Size or Incidence

There was no unusual items due to the nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows for the current quarter and financial year-to-date.

e. Changes in Estimates Reported in Prior Financial Year

There was no material changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial years which have a material effect on the current quarter or financial year-to-date.

f. Changes in Equity/Debt Securities

The issued and paid-up capital of the Company was increased from RM66,710,400 to RM138,265,800 arising from renounceable two-call rights issue of 138,265,800 new ordinary shares of RM0.50 each ("**Rights Shares**") at an issue price of RM0.50 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary shares of RM0.50 each held in the Company which was successfully completed and listed on the Bursa Malaysia on 12 February 2008.

There were no other issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares during the current quarter and financial year-to-date except that the Company has offered a total of 8,767,600 options pursuant to the employees share option scheme to its employees and directors at exercise price of 0.96 pershare.

g. Dividends Paid

There were no dividend paid during the financial period ended 31 March 2008.

h. **Segment Reporting**

Segment reporting is presented in respect of the Group's business segment. Inter-segment pricing is determined based on cost plus method.

	Construction	Trading in oil and gas & other related services	Other operations	Eliminations	Consolidated
31-Mar-08	RM	RM	RM	RM	RM
REVENUE					
External revenue	138,052,633	19,988,540	1,826,518	-	159,867,691
Inter – segment revenue	-	930,445	-	(930,445)	-
Total revenue	138,052,633	20,918,985	1,826,518	(930,445)	159,867,691
RESULT					
Segment result	3,539,191	3,439,850	(1,765,822)	-	5,213,219
Interest revenue					1,418,274
Interest expenses					(3,237,157)
Share of results in joint ventures					-
Share of results of associated co.		1,480,074			1,480,074
Income taxes					(2,121,531)
Profit after taxation but before minority interest					2,752,879
Minority interest					(322,863)
Profits attributable to shareholders					2,430,016

	Construction	Trading in oil and gas & other related services	Other operations	Eliminations	Consolidated
31-Mar-07	RM	RM	RM	RM	RM
REVENUE					
External revenue	112,199,322	9,543,161	1,825,670	-	123,568,153
Inter – segment revenue	-	574,719	-	(574,719)	-
Total revenue	112,199,322	10,117,880	1,825,670	(574,719)	123,568,153
RESULT					
Segment result	8,153,464	2,507,296	(676,705)	-	9,984,055
Interest revenue					935,422
Interest expenses					(1,646,128)
Share of results in joint ventures	(65,388)				(65,388)
Share of results of associated co.	-				-
Income taxes					(3,356,529)
Profit after taxation but before minority interest					5,851,432
Minority interest					(368,390)
Profits attributable to shareholders					5,483,042

i. **Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment has been brought forward without amendment from the latest audited annual financial statements.

j. **Subsequent Events**

On 29 May 2008, the Company announced that it has incorporated a new wholly owned subsidiary known as Unggul Energy & Construction Sdn Bhd (Company No. 819157-X) ("UEC") on 27 May 2008.

Other than abovementioned event, there were no material events subsequent to the end of the current quarter up to 29 May 2008 (being the latest practicable date from the date of issuance of the 1st Quarter Report) that have not been reflected in the financial statements for the current quarter and financial year-to-date.

k. **Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year-to-date .

l. **Changes in Contingent Liabilities and Contingent Assets**

The Group do not have material contingent liabilities as at 29 May 2008 (being the latest practicable date from the date of issuance of the 1st Quarter Report) save as disclosed in item 11 below.

Explanatory Notes
Bursa Malaysia Revised Listing Requirements

1. **Review of Performance**

	Period ended 31/03/2008 (RM'000)	Period ended 31/03/2007 (RM'000)	Variance (RM'000)
Revenue	159,868	123,568	36,300
Profit before tax	4,873	9,208	(4,335)

For the financial period ended 31 March 2008, the Group achieved higher revenue by 29% or **RM36 million** contributed by both construction as well as oil and gas related segments. Profit before tax on the other hand was lower by 47% or **RM4.3 million** than preceding year's corresponding quarter .

The construction division registered a total revenue of **RM138.0 million** or 86% of the Group's revenue (2007: **RM112.2 million** or 90%). Profit before tax before associated companies and joint-ventures' results and interest stood at **RM3.5 million** (2007: **RM8.2 million**) which indicated a negative variance of **RM4.7 million**. Lower margin recognised on present ongoing projects, especially building works, coupled by higher costs mainly from the unrealised foreign currency exchange loss, contributed to the lower profit.

The Group's bunkering operation achieved better performance than Yr 2007 by registering profit before tax of **RM3.5 million** (2007: **RM2.5 million**) on the back of a higher revenue by **RM10.6 million**. The bunkering division posted a revenue of **RM20.9 million** or 12% of the Group's revenue (2007: **RM10.1 million** or 12%) which mainly due to higher sales volume recorded.

Overall order book for its construction division is now at **RM1.0 billion** mainly comprises Subang Kelana Link Phase II (**RM57 million**), Indoor Stadium at Gong Badak (**RM12 million**), Federal Road 3 from Pekan to Kuantan (**RM289 million**) and Court Complex at Petaling Jaya (**RM9 million**), Alfaisal University (**RM105 million**), Upgrading road at Jitra – Kodiang Package 2 (**RM36 million**), IT Expressway (**RM53 million**), Putrajaya Mosque (**RM72 million**), Lebuhraya Pantai Timur Package 6, 5A & 9C (**RM299 million**), Sekolah Menengah Sains Hulu Terengganu (**RM41 million**), Reinforced Concrete Structure for Laboratory Buildings of King Abdullah University of Science and Technology (**RM15 million**) and Upgrading Road Works from Bulatan Sultan Mansur ke Kuala Berang :Package 3A (**RM33 million**) .

In the opinion of the Directors, the results for the current quarter and financial year todate have not been affected by any transaction or event of a material and unusual nature which has arisen between 31 March 2008 to 29 May 2008 (being the latest practicable date from the date of issuance of the 1st Quarter Report).

2. Review of Material Changes between Current Quarter and Preceding Quarter

	Current Qtr RM'000	Preceding Qtr RM'000	+ / (-) RM'000
Revenue	159,868	135,839	24,029
Profit before tax	4,874	6,914	(2,040)

The rise in revenue was attributed to greater contribution from both construction and trading in oil and gas related segments. Higher contribution of construction revenue mainly comes from building projects. Revenue from the oil and gas related activities continued to increase with higher volume of throughput and bunkering sales.

Despite better revenue recorded, profit before tax showed a decrease due to lower profit margin recognised, especially on local building projects. This was further aggravated by higher unrealised foreign currency exchange loss arising from exposure of ringgit advance made to overseas operations.

3. Prospects

The year would represent significant challenges to the Group's businesses in the form of significant increase in basic material prices and challenging economic conditions. Necessary measures are being, and will continue to be taken to reposition the Group's internal strategies to address the changing market environment.

Notwithstanding the above, the Group expects to better its performance in the remaining quarters of the year with its existing construction order book and continuing favorable contribution from its oil and gas related businesses.

4. Variation of Actual Profit from Forecast Profit and Shortfall in Profit Guarantee

Not applicable.

5. Taxation

Taxation comprises :

	Current Qtr 31.03.2008 RM'000	Cum Current YTD 31.03.2008 RM'000
Malaysia Income Tax		
- Current taxation	2,121,531	2,121,531
- Under/(over) provision in respect of prior years	-	-
Foreign Income Tax		
- Current taxation	-	-
- Under/(over) provision in respect of prior years	-	-
Deferred taxation	-	-
Total	2,121,531	2,121,531

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate to the profit before taxation as a result of the following differences :

	Current Qtr 31.03.2008 RM'000	Cumulative Current YTD 31.03.2008 RM'000
Accounting profit before taxation	4,874,410	4,874,410
Tax at the statutory income tax rate of 26%	1,316,091	1,316,091
- Effect of lower tax rate of foreign subsidiary	-	-
- Non deductible expenses	805,440	805,440
Total Tax Expense	2,121,531	2,121,531

6. Profit on Sale of Unquoted Investments and/or Properties

There were no profits on the sale of unquoted investments and/or properties out of the ordinary course of business for the current quarter/financial year-to-date.

7. Investment in Quoted Securities

- a) Total purchase of quoted securities during the financial quarter or financial year to date are as follows:

	Current Qtr 31.03.2008 RM'000	Current YTD 31.03.2008 RM'000
Bursa Malaysia		
Purchase#	1,877	1,877
<i># for EPIC shares</i>		

- b) Investment in quoted shares as at end of the financial year to date are as follows:

	31.03.2008 RM'000
i) At Cost	84,842
ii) At Carry Value	84,842
iii) At Market Value	65,645

8. Corporate Proposals

There are no corporate proposals which have been announced by the Company but not completed as at 29 May 2008 (being the latest practicable date from the date of issuance of the 1st Quarter Report) except for the followings:

- a) **Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**
- b) **Proposed for the Company to purchase and/hold upto ten per centum (10%) of the issued and paid –up capital of the Company (Proposed Share Buy Back)**

On 12 May 2008, the Board of Directors have announced that the Company intends to seek renewal of shareholders' mandate in respect of recurrent related party transactions of a revenue or trading nature which are in the ordinary course of business and necessary for the day to day operations of the Group pursuant to Part E, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia and the Proposed Share Buy Back respectively

The Company will be seeking shareholders' mandate for the above proposals at the forthcoming Eleventh Annual General Meeting.

9. Group Borrowings and Debts Securities

The Group borrowings as at 31 March 2008 are as follows:

Facilities	Secured RM	Unsecured RM	Total RM
Short Term			
Bank Overdraft	11,607	-	11,607
Trust Receipts	6,607,761	-	6,607,761
Murabahah	34,613,000	-	34,613,000
Term Loan	0	-	0
Hire Purchase	3,971,076	-	3,971,076
Subtotal	45,203,444	-	45,203,444
Long Term			
Term Loan	67,000,000	85,000,000	152,000,000
Hire Purchase	8,766,721	-	8,766,721
Subtotal	75,766,721	85,000,000	160,766,721
Grand total	120,970,165	85,000,000	205,970,165

The Group does not have any foreign loan as at 31 March 2008.

10. Off Balance Sheets Financial Instruments

The Group does not have any financial instruments with off balance sheets risk as at 29 May 2008 (being the latest practicable date from the date of issuance of the 1st Quarter Report).

11. Material Litigation

At the date of this announcement, the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group and the Company except as disclosed as follows:

a) Claim or litigation brought against the Company :

(i) Tenaga Nasional Berhad (TNB) vs Ahmad Zaki Resources Berhad

TNB has on 7 December 2006 filed a negligence suit against AZRB, for damage allegedly caused by AZRB on their 33kV cables. The amount of TNB's claim is RM312,995.00 in special damages and RM9 million in general damages for loss of reputation and grievances. AZRB has filed its defence and counter-claim on 28 February 2007, claiming that TNB has been negligent in not providing a proper plan which accurately states the location of

the 33kV cables. AZRB's insurer, Hong Leong Assurance Berhad is holding a watching brief in this matter.

Pursuant to a court order dated 5 July 2007 obtained pursuant to AZRB's application, TNB has filed further and better particulars on its statement of claim. In the mean time, the TNB has filed an application to amend their statement of claim, but the application has yet to be sealed and extracted. The court has fixed 4 October 2007 for case management, but the court would only issue case management directions after pleadings are closed.

During the case management on 4 October 2007, the court granted TNB's application to amend their statement of claim, and instructed TNB to file in the duly amended statement of claim. The said case was transferred from the Commercial Division to Civil Division of High Court and the Court has fixed 15 August 2008 for further case management following the case management on 27 May 2008.

AZRB, in consultation with its solicitors, is of the opinion that TNB would not be able to prove its case against AZRB, and that AZRB stands a reasonable chance of proving that negligence, if any, was the part of TNB for failure to provide a proper plan indicating the existence of the cables at the point of damage and to expediently relocate the 33kV cables.

(ii) **Signage Incorporated Sdn Bhd ("Signage") vs Ahmad Zaki Resources Berhad**

Signage has on 21 September 2007 filed a suit against AZRB at the Kuala Lumpur High Court for inter alia damages under the tort of conversion purportedly for demolition and/or removal of structures and advertisement board by AZRB. The amount of Signage's claim is RM4,400,000.00. The sealed copy of the suit was served on AZRB's solicitors on 3 October 2007. AZRB has filed its statement of defence with the High Court on 24 October 2007 and the Court had fixed the hearing date for this matter on 08 July 2008.

AZRB, in consultation with its solicitors, is of the view that AZRB has a firm defence against Signage's allegations.

b) Claims or litigations brought against its wholly owned subsidiary, Ahmad Zaki Sdn Bhd ["AZSB"] by creditors of its joint venture projects with 3rd parties

(i) **Westbury Tubular (M) Sdn. Bhd. ("Westbury") vs. AZSB, Murray & Roberts (Malaysia) Sdn. Bhd. ("M&R") and WCT Engineering Berhad ("WCT") (collectively "the Defendants")**

(a) Kuala Lumpur High Court No. S2-22-132-2000

(b) Kuala Lumpur High Court No. S4-22-758-2005

In the suit referred to in paragraph (a) above, Westbury filed a claim against the Defendants on 24 February 2000 for RM3,090,204.11 allegedly for certain works carried out Westbury for the Defendants under a subcontract agreement between them. The matter is fixed for trial from 3 March 2008 to 5 March 2008.

The suit referred to in paragraph (b) above was filed by Westbury against the Defendants on 6 September 2005 for RM14,776,522.48 allegedly for works carried out by it pursuant to variation orders issued under the aforesaid subcontract agreement.

Pursuant to Westbury's application, the court had on 8 June 2007 ordered that both suits be consolidated. On 31 July 2007, the court files in relation to both matters have been physically transferred to the same court. In the mean time, the Westbury's solicitors have written to court for case management of the matters. The court has fixed on 17 July 2008 for case management

(ii) Artic Building and Civil Engineering Sdn. Bhd. ("ABCE") vs. AZSB, Peremba Construction Sdn. Bhd. ("Peremba") and Vital Field Sdn. Bhd. ("Vital Field")

ABCE commenced an action against AZSB and Peremba on 10 April 1999 for RM587,029.63 being the outstanding amount due in respect of goods allegedly ordered by Vital Field and supplied to the joint venture project (relating to the site development at Kertih Industrial Area, Kemaman, Terengganu) undertaken by the Peremba-Ahmad Zaki JV, a JV entered into between AZSB and Peremba pursuant to a JV Agreement dated 30 December 1997 ("JV Agreement").

The solicitors of AZSB in this matter are of the view that ABCE's claim against AZSB is unlikely to succeed as there is an agreement between the Peremba-Ahmad Zaki JV, Vital Field and ABCE that Vital Field is to pay all sums incurred by Vital Field directly to ABCE. Furthermore, pursuant to the JV Agreement, AZSB has an indemnity against Peremba in respect of any claims arising howsoever in respect of the JV. AZSB has on 20 October 2000 filed in the court its defence to ABCE's claim and the Notice of Indemnity against Peremba.

Status: The Court has dismissed the case against defendant with cost on 26 February 2008 .

The Directors are of the opinion that the above litigations or claim will not have any material impact on the financial position and business of the Group due to the fact that the respective joint venture partners are contractually bound to indemnify AZSB in respect of any claims arising howsoever from the implementation of the joint-venture projects.

12. Dividend

The Board does not recommend any interim dividend for the current financial period ended 31 March 2008.

13. Earnings Per Share

The basic earnings per share has been calculated based on the consolidated profit after taxation and minority interests of **RM2,430,016** (2007: **RM5,483,042**) and on the weighted average number of ordinary shares in issue during the period of **276,531,600** (2007: **240,977,301**^{#1}).

The fully diluted earnings per share for the period has been calculated using an enlarged weighted average number of shares of **279,606,215** (2007: **242,638,723**) after the inclusion of the number of unexercised options outstanding as at 31 March 2008 of **9,529,953** (2007: **5,225,200**^{#2}) shares.

The share options were calculated based on the number of shares which could have been acquired at the market price (The share options were calculated based on the number of shares which could have been acquired at the market price (the average 3 months price of the Company's share) based on the monetary value of the subscription rights attached to the outstanding share options. No adjustment is made to the net profit attributable to the shareholders for the share options calculations as the exercise price of the option shares is deemed to be their average fair value during the period.

#1 (Yr 2007's number was adjusted due to share splitting from RM1.00/= per share to RM0.50/= per share in Yr 2007 and the 1 for 1 2 call Rights Issue completed on 12 February 2008)

#2 (Yr 2007's number was adjusted due to share splitting from RM1.00/= per share to RM0.50/= per share in Yr 2007)

	No. of Shares of RM0.50 each	
Weighted average number of shares as at 31/03/2008	276,531,600	
Add : Dilutive ESOS	3,074,615	
Adjusted weighted average number of shares	279,606,215	