Selected Explanatory Notes

a. **Accounting Policies**

The interim financial statements has been prepared in accordance with Financial Reporting Standards (FRS) 134_{2004} 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 o 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 Cyclicality 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**

Other than as disclosed below, there were no issuance, cancellation, share-buy-back, resale of treasury shares and repayment of debt and equity securities by the Company :-:

a) Right Issue

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 sucessfuly completed and listed on the Bursa Malaysia on 12 February 2008.

b) Treasury Shares

On 17 June 2008, the Company has obtained Shareholders' approval for the proposed Share – Buyback. However there were no actual purchase of own shares taken place for period ended 30 June 2008.

c) Employee Share Option Scheme ('ESOS')

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 on 28 March 2008 which already expired on 27 June 2008. No ESOS was exercised by employees for the period ended 30 June 2008.

g. **Dividends Paid**

There were no dividend paid during the financial period ended 30 June 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.

30- June-08	Construction RM	Trading in oil and gas & other related services RM	Other operations RM	Eliminations RM	Consolidated RM
REVENUE					
External revenue	299,815,120	39,848,080	3,138,452	-	342,801,652
Inter – segment revenue	-	4,187,305	-	(4,187,305)	-
Total revenue	299,815,120	44,035,385	3,138,452	(4,187,305)	342,801,652
RESULT					
Segment result	11,015,037	7,044,971	(4,227,860)	-	13,832,148
Interest revenue					2,960,250
Interest expenses					(6,241,901)

h. Segment Reporting (cont'd)

	Construction	Trading in oil and gas & other related services	Other operations	Eliminations	Consolidated
30- June-08	**RM**	**RM**	**RM**	**RM**	**RM**
Share of results in joint ventures					301,016
Share of results of associated co.		3,190,946			3,190,946
Income taxes					(6,439,116)
Profit after taxation but before minority interest					7,603,343
Minority interest					(452,571)
Profits attributable to shareholders					7,150,772

30- June-07	**RM**	**RM**	**RM**	**RM**	**RM**
REVENUE					
External revenue	214,540,498	22,056,944	2,595,957	-	239,193,399
Inter – segment revenue	-	932,976	-	(932,976)	-
Total revenue	214,540,498	22,989,920	2,595,957	(932,976)	239,193,399
Segment result	18,019,583	5,289,582	(838,240)	-	22,470,925
Interest revenue					2,092,110
Interest expenses					(4,042,566)
Share of results in joint ventures	(136,925)				(136,925)
Share of results of associated co.	(120)				(120)
Income taxes					(7,052,147)
Profit after taxation but before minority interest					13,331,277
Minority interest					(517,185)
Profits attributable to shareholders					12,814,092

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**

There were no material events subsequent to the end of the current quarter up to 29 August 2008 (being the latest practicable date from the date of issuance of the 2nd 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**

Other then mentioned below, there were no changes in the composition of the Group during the current quarter and financial year-to-date .

a) On 29 May 2008, the Company has incoporated a new wholly owned subsidiary known as Unggul Energy & Construction Sdn Bhd (Company No. 819157-X) ("UEC”) on 27 May 2008.
b) AZSB Machineries Sdn Bhd which previously a direct wholly owned subsidiary of AZRB is now being directly held by Ahmad Zaki Sdn Bhd , a 100% owned subsidiary of AZRB.

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

The Group do not have material contingent liabilities as at 29 August 2008 (being the latest practicable date from the date of issuance of the 2nd Quarter Report) save as disclosed in item 11 below.

Explanatory Notes
Bursa Malaysia Revised Listing Requirements

1. **Review of Performance**

	Period ended 30/06/2008 (RM'000)	Period ended 30/06/2007 (RM'000)	Variance (RM'000)
Revenue	342,802	239,193	103,609
Profit before tax	14,043	20,384	(6,341)

For the financial period ended 30 June 2008, the Group's profit before tax declined by **RM6.3 million** than preceding year, despite recorded higher revenue by 43% or **RM103.6 million** . Escalating construction material prices which resulted in margin erosion, impairment loss on non quoted investment, and unrealised foreign currency exchange loss reported in 1st quarter 2008 arising from exposure of ringgit advance made to overseas operations ,contributed to the lower Group's result.

The construction division registered a total revenue of **RM299.8 million** or 87% of the Group's revenue (2007: **RM214.5 million** or 89%). Profit before tax before associated companies and joint-ventures' results and interest stood at **RM11.0 million** (2007: **RM18.0 million**) which indicated a negative variance of **RM7.0 million**. Profit margins of its on-going local projects were revised downward to account for the higher construction costs.

The Group's bunkering operation achieved better performance than Yr 2007 by registering profit before tax of **RM7.0 million** (2007: **RM5.3 million)** on the back of a higher revenue by **RM21.1 million**. The bunkering division posted a revenue of **RM44.0 million** or 13% of the Group's revenue (2007: **RM22.9 million** or 10%) which mainly due to higher sales volume recorded.

The Group's other operations registered higher loss than preceeding year due to higher borrowing cost incurred and loss from impairment of non quoted investment during the quarter.

Overall, order book for its construction division stood at **RM924 million** mainly comprise of Subang Kelana Link Phase II **(RM39 million**), Indoor Stadium at Gong Badak **(RM7 million),** Federal Road 3 from Pekan to Kuantan **(RM273 million)** and Court Complex at Petaling Jaya **(RM6 million),** Alfaisal University **(RM102 million),** Upgrading road at Jitra – Kodiang Package 2 **(RM25 million),** IT Expressway **(RM48 million),** Putrajaya Mosque **(RM59 million),** Lebuhraya Pantai Timur Package 6, 5A & 9C **(RM269 million),**Sekolah Menengah Sains Hulu Terengganu **(RM34 million)**, University Darul Imam Maintenance Building **(RM4 million),** Reinforced Concrete Structure for

Laboratory Buildings of King Abdullah University of Science and Technology **(RM25 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 30 June 2008 to 29 August 2008 (being the latest practicable date from the date of issuance of the 2nd Quarter Report).

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

	Current Qtr RM'000	**Preceding Qtr RM'000**	**+/(-) RM'000**
Revenue	182,934	159,867	23,067
Profit before tax	9,168	4,873	4,295

On a quarter to quarter basis, the Group achieved better performance by showing improved revenue and profit before tax of RM23 million and RM4.2 million respectively. The rise in revenue was attributed to greater contribution from overseas projects in particular the Reinforced Concrete Structure for Laboratory Buildings of King Abdullah University which is expected to complete by 3rd quarter 2008. Oil and gas related activities continued to contribute positively to the Group's revenue and profit.

3. **Prospects**

The remaining months of the year would continue to pose similar challenges to the overall Group's business activities. Necessary measures are being, and will continue to be taken to reposition the Group's internal strategies to address these challenges.

The recent signing of the new Throughput Agreement between Inter-Century Sdn Bhd ("ICSB"), a wholly owned subsidiary of AZRB, with Petronas Dagangan Berhad is anticipated to contribute favorably to the Group's earnings.

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 30.06.2008 RM'000	**Cum Current YTD 30.06.2008 RM'000**
Malaysia Income Tax		
- Current taxation	2,411,118	4,532,649
- Under/(over) provision in respect of prior years	-	-
Foreign Income Tax		
- Current taxation	1,946,861	1,946,861
- Under/(over) provision in respect of prior years	9,146	9,146
Deferred taxation	-	-
Total	**4,317,585**	**6,439,116**

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 30.06.2008 RM'000	**Cumulative Current YTD 30.06.2008 RM'000**
Accounting profit before taxation	9,168,049	14,042,459
Tax at the statutory income tax rate of 26%	2,383,692	3,651,040
- Effect of lower tax rate of foreign subsidiary	(583,510)	(583,510)
- Non deductible expenses	2,508,257	3,362,440
- (Over)/under provision of taxation in prior years	9,146	9,146
Total Tax Expense	**4,317,585**	**6,439,116**

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:

7. **Investment in Quoted Securities (cont'd)**

	Current Qtr 30.06.2008 RM'000	Current YTD 30.06.2008 RM'000
Bursa Malaysia		
Purchase#	-	1,877

 # for EPIC shares

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

	30.06.2008 RM'000
i) At Cost	84,842
ii) At Carry Value	84,842
iii) At Market Value	63,162

8. **Corporate Proposals**

There are no corporate proposals which have been announced by the Company but not completed as at 29 August 2008 (being the latest practicable date from the date of issuance of the 2nd Quarter Report).

9. **Group Borrowings and Debts Securities**

The Group borrowings as at 30 June 2008 are as follows:

Facilities	Secured RM	Unsecured RM	Total RM
Short Term			
Bank Overdraft	-	-	-
Trust Receipts	-	-	-
Murabahah	33,605,000	-	33,605,000
Term Loan	-	-	-
Hire Purchase	4,567,293	-	4,567,293
Subtotal	38,172,293	-	38,172,293

Facilities	Secured RM	Unsecured RM	Total RM
Long Term			
Term Loan	67,000,000	85,000,000	152,000,000
Hire Purchase	11,907,191	-	11,907,191
Subtotal	78,907,191	85,000,000	163,907,191
Grand total	**117,079,484**	**85,000,000**	**202,079,484**

The Group does not have any foreign loan as at 30 June 2008.

10. **Off Balance Sheets Financial Instruments**

The Group does not have any financial instruments with off balance sheets risk as at 29 August 2008 (being the latest practicable date from the date of issuance of the 2nd 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 tranferred from the Commercial Division to Civil Division of High Court and the Court has fixed 13 November 2008 for further case management pending filing of the Statement of Agreed Facts, List of Issues to be Tried and Common Bundle of Documents by the Plaintiff**.**

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 application to strike out the suit by Signage on 8 July 2008 and the Court had fixed the mention date for this matter on 9 October 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 13 October 2008 for case management

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 30 June 2008.

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13. **Earnings Per Share**

The basic earnings per share has been calculated based on the consolidated profit after taxation and minority interests of **RM7,150,772** (2007: **RM12,814,092**) and on the weighted average number of ordinary shares in issue during the period of **276,531,600** (2007: **241,255,093**[#1]).

The fully diluted earnings per share for the period has been calculated using an enlarged weighted average number of shares of **276,923,257** (2007: **243,520,194**) after the inclusion of the number of unexercised options outstanding as at 30 June 2008 of **762,353** (2007**: 4,983,200**[#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 6 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 30/06/2008	276,531,600	
Add : Dilutive ESOS	391,657	
Adjusted weighted average number of shares	276,923,257	