

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 2008 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 2008.

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 2008 audited financial statements

b. Status of Financial Statements Qualification

The auditors' report on preceding audited financial statements for the year ended 31 December 2008 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.

f. Changes in Equity/Debt Securities

There were no issuance, cancellation, share-buy-back, resale of treasury shares and repayment of debt and equity securities by the Company during the current quarter and financial year-to-date.

g. **Dividends Paid**

There were no dividend paid during the financial period ended 31 March 2009.

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-09	RM	RM	RM	RM	RM
REVENUE					
External revenue	103,333,037	6,205,771	565,241	-	110,104,049
Inter – segment revenue	-	1,905,416	-	(1,905,416)	-
Total revenue	103,333,037	8,111,187	565,241	(1,905,416)	110,104,049
RESULT					
Segment result	4,249,327	3,419,597	(916,872)	-	6,752,052
Interest revenue					1,063,493
Interest expenses					(3,287,989)
Share of results in joint ventures	462,615				462,615
Share of results in associated co.	-	1,681,372			1,681,372
Income taxes					(2,906,258)
Profit after taxation but before minority interest					3,765,285
Minority interest					(69,390)
Profits attributable to shareholders					3,695,895

	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	0	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 associated co.	-	1,480,074			1,480,074
Income taxes					(2,121,531)
Profit after taxation but before minority					2,752,879
Minority interest					(322,863)
Profits attributable to shareholders					2,430,016

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 28 May 2009 (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 .

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

The Group do not have material contingent liabilities as at 28 May 2009 (being the latest practicable date from the date of issuance of the 1st Quarter Report) save as disclosed in item 11 below.

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Bursa Malaysia Revised Listing Requirements

1. Review of Performance

	Quarter ended 31/03/2009 (RM'000)	Quarter ended 31/03/2008 (RM'000)	Variance (RM'000)
Revenue	110,104	159,867	(49,763)
Profit before tax	6,672	4,874	1,798

The Group achieved better profit before tax by **RM1.8M** despite lower revenue for the quarter due to lower overhead costs and expected improve margin for selected projects.

The construction division registered a total revenue of **RM103.4 million** or 94% of the Group's revenue (2008: **RM138.0 million** or 86%). Profit before tax before associated companies and joint-ventures' results and interest stood at **RM3.8 million** (2008: **RM3.5 million**) which showed marginal improvement of **RM0.3million**.

The Group's bunkering operation achieved similar performance as per preceding year quarter by registering profit before tax of **RM3.4 million** (2008: **RM3.4 million**) on the back of a lower revenue by **RM13.7 million**. The bunkering division posted a revenue of **RM6.2 million** or 5.6% of the Group's revenue (2007: **RM19.9 million** or 12.5%) which mainly due to lower sales volume recorded.

Associated company, Eastern Pacific Industrial Corporation Berhad ("EPIC"), continued to contribute positively to the Group. Share of profit recognised for the period todate was **RM1.7 million** (2008:**RM1.5 million**).

Overall, order book for its construction division stood at **RM845 million** mainly comprise of Subang Kelana Link Phase II (**RM12 million**), Federal Road 3 from Pekan to Kuantan (**RM223 million**), Putrajaya Mosque (**RM3 million**), Lebuhraya Pantai Timur Package 6, 5A & 9C (**RM183 million**),Sekolah Menengah Sains Hulu Terengganu (**RM17 million**), University Darul Imam Infrastructure (**RM34 million**), Maternity Hospital Terengganu (**RM 114 million**), Rectification works at Dataran Putra Persint 1, Putrajaya (**RM41 million**) , IT Expressway (**RM3 million**), , Reinforced Concrete Structure for Laboratory Buildings of King Abdullah University of Science and Technology (**RM6 million**) and Alfaisal University (**RM20 million**), Reinforced Concrete Structures for Tower H1-A, Jabal Omar Development. Mecca (**RM189 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 2009 to 28 May 2009 (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	110,104	154,231	(44,127)
Profit before tax	6,672	6,019	653

On quarter to quarter basis, the Group registered lower revenue with better profit owing to lower overhead costs incurred for the period under review.

3. **Prospects**

With the existing economic climate, AZRB is fully aware of the continuing challenges ahead. There is a need for the Company to remain prudent and diligent in our operation and capital spending in order to remain competitively and financially robust.

AZRB is optimistic that initiatives announced by the Government to spur the economic growth, such as the RM60 billion stimulus package, will yield vast opportunities. We shall prepare ourselves to be in a good running to bid and undertake these projects initiated under such programmes.

Continuous efforts and initiatives shall be formulated and be put in place to ensure sustainability of the Group's businesses.

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

Not applicable.

5. **Taxation**

Taxation comprises :

	Current Qtr 31.03.2009 RM	Cumulative Current YTD 31.03.2009 RM
Base on results for the year	2,906,258	2,906,258
Origination and reversal of temporary differences	-	-
	2,906,258	2,906,258
Under/(over) provision in prior years	-	-
	2,906,258	2,906,258

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 31.03.2009 RM	Cumulative Current YTD 31.03.2009 RM
Accounting profits before taxation	6,671,543	6,671,543
Tax at the statutory income tax rate of 25%	1,667,886	1,667,886
- Effect of lower tax rate of foreign subsidiary	-	-
- Non deductible expenses	1,238,372	1,238,372
- Under/(over) provision in prior years	-	-
Tax Expense	2,906,258	2,906,258

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

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

7. Investment in Quoted Securities

- a) There is no purchase of any quoted securities during the financial quarter or financial year to date
- b) The total investment in quoted shares as at end of the financial period to date are as follows:

	31.03.2009 RM'000
i) At Cost	85,487
ii) At Carry Value	85,487
iii) At Market Value	47,840

8. Corporate Proposals

There are no corporate proposals which have been announced by the Company but not completed as at 28 May 2009 (being the latest practicable date from the date of issuance of the 1st Quarter Report).

9. Group Borrowings and Debts Securities

The Group borrowings as at 31 March 2009 are as follows:

	Secured RM	Unsecured RM	Total RM
<i>Short Term</i>			
Bank Overdrafts	14,310,282	-	14,310,282
Trust Receipts	190,633	-	190,633
Murabahah	28,520,000	-	28,520,000
Term Loans	4,000,000	-	4,000,000
Hire Purchase	5,797,518	-	5,797,518
Subtotal	52,818,434	-	52,818,434
<i>Long Term</i>			
Term Loan	63,000,000	85,000,000	148,000,000
Hire Purchase	9,457,100	-	9,457,100
Subtotal	72,457,100	85,000,000	157,457,100
Grand total	125,275,534	85,000,000	210,275,534

The Group does not have any foreign loan as at 31 March 2009.

10. Off Balance Sheets Financial Instruments

The Group does not have any financial instruments with off balance sheets risk as at 28 May 2009 (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 **2 September 2009** deadline for submission and filing of the Statement of Agreed Facts, List of Issues to be Tried and Common Bundle of Documents by all parties involved to the Registrar and Managing Judge.

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 hearing date for this matter on **16 June 2009**.

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 **26 August 2009** for further case management to enable plaintiff to file their bundle of documents.

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 2009.

13. Earnings Per Share

The basic earnings per share has been calculated based on the consolidated profit after taxation and minority interests of **RM3,695,895** (2008: **RM2,430,016**) and on the weighted average number of ordinary shares in issue during the year of **276,531,600** (2008: **276,531,600**).

Fully diluted loss per share for the current quarter and financial year-to-date are not presented as the exercise price of the assumed conversion of the outstanding options under the Group's employees share option scheme is anti-dilutive.

The fully diluted earnings per share for previous period has been calculated using an enlarged weighted average number of shares of **279,606,215** after the inclusion of the number of unexercised options outstanding as at 31 March 2008 of **9,529,953** shares.