

**ANNOUNCEMENT**

The Board of Directors of Ahmad Zaki Resources Berhad (“AZRB” or “the Company”) would like to announce the following unaudited consolidated results for the 2nd quarter ended 30 June 2011. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the quarterly condensed financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
 INCOME FOR THE PERIOD ENDED 30 JUNE 2011**

RM	Note	2011 Current quarter ended 30 June	2010 Comparative quarter ended 30 June	2011 6 months cumulative to date	2010 6 months cumulative to date
<b>REVENUE</b>		135,759,772	140,358,256	260,418,643	248,323,724
<b>OPERATING EXPENSES</b>	1	(127,155,255)	(132,349,618)	(241,483,487)	(228,491,954)
<b>OTHER OPERATING INCOME</b>		910,723	717,738	3,149,824	1,974,014
<b>PROFIT FROM OPERATIONS</b>		9,515,240	8,726,376	22,084,980	21,805,784
<b>FINANCE COSTS</b>		(2,450,010)	(2,538,665)	(5,704,953)	(6,209,639)
<b>INVESTING RESULTS</b>	2	-	3,269,142	-	5,374,755
<b>PROFIT BEFORE TAXATION</b>		7,065,230	9,456,853	16,380,027	20,970,900
<b>TAX EXPENSE</b>		(3,409,911)	(3,359,883)	(7,348,362)	(6,791,079)
<b>PROFIT FOR THE PERIOD</b>		3,655,319	6,096,970	9,031,665	14,179,821
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>					
Foreign currency translation differences for foreign operations		360,303	(138,990)	421,456	(7,778,559)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		4,015,622	5,957,980	9,453,121	6,401,262

<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011</b>				
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		2011 Current quarter ended 30 June	2010 Comparative quarter ended 30 June	2011 6 months cumulative to date	2010 6 months cumulative to date
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**PROFIT ATTRIBUTABLE TO :-**

<b>OWNERS OF THE COMPANY</b>		3,578,039	6,079,321	8,738,993	13,825,302
<b>MINORITY INTEREST</b>		77,280	17,649	292,672	354,519
<b>PROFIT FOR THE PERIOD</b>		<b>3,655,319</b>	<b>6,096,970</b>	<b>9,031,665</b>	<b>14,179,821</b>

**COMPREHENSIVE INCOME ATTRIBUTABLE TO :-**

<b>OWNERS OF THE COMPANY</b>		3,938,342	5,940,331	9,160,449	6,046,743
<b>MINORITY INTEREST</b>		77,280	17,649	292,672	354,519
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,015,622</b>	<b>5,957,980</b>	<b>9,453,121</b>	<b>6,401,262</b>

**EARNINGS PER SHARE (SEN) ATTRIBUTABLE TO OWNERS OF THE COMPANY:**

<b>Basic (sen)</b>		1.29	2.20	3.16	5.00
<b>Diluted (sen)</b>		1.29	2.20	3.16	4.99

**Note 1 - Operating Expenses**

Operating expenses represents the followings:-

Cost of sales		116,622,222	119,799,151	219,435,476	208,025,470
Other operating expenses		10,533,033	12,550,467	22,048,011	20,466,484
<b>Total</b>		<b>127,155,255</b>	<b>132,349,618</b>	<b>241,483,487</b>	<b>228,491,954</b>

**Note 2 - Investing Results**

Investing results represents the followings:-

Share of results from associated companies		-	3,134,799	-	5,208,567
Share of results from joint ventures		-	134,343	-	166,188
<b>Total</b>		<b>-</b>	<b>3,269,142</b>	<b>-</b>	<b>5,374,755</b>

**UNAUDITED CONDENSED CONSOLIDATED CHANGES IN FINANCIAL POSITION**

<b>RM</b>	<b>Not Audited</b>	<b>(Audited)</b>
	<b>As at 30/06/2011</b>	<b>As at 31/12/2010</b>
<b>Non-current assets</b>		
Property, plant and equipment	55,640,350	53,361,982
Prepaid lease payment	10,191,503	10,208,340
Goodwill	3,744,605	3,744,605
New planting expenditure	113,691,951	105,437,701
Investment properties	18,500,000	18,500,000
Investments in associates	162,700	162,700
Interest in joint ventures	(288,352)	(288,352)
Other investments	115,500	115,500
<b>Total non current assets</b>	<b>201,758,257</b>	<b>191,242,476</b>
<b>Current assets</b>		
Inventories	11,355,215	6,502,805
Property development expenditure	6,401,002	5,128,549
Trade & other receivables	292,877,280	332,905,818
Tax assets	5,323,026	5,287,491
Cash & cash deposits	123,494,017	115,915,364
<b>Total current assets</b>	<b>439,450,540</b>	<b>465,740,027</b>
<b>Total assets</b>	<b>641,208,797</b>	<b>656,982,503</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	138,381,722	138,347,702
Reserves and treasury shares	47,110,409	43,107,488
<b>Total equity</b>	<b>185,492,131</b>	<b>181,455,190</b>
<b>Minority interest</b>	<b>5,447,383</b>	<b>5,154,711</b>
<b>Total equity and minority interest</b>	<b>190,939,514</b>	<b>186,609,901</b>
<b>Non-current liabilities</b>		
Long-term borrowings	85,990,514	93,581,276
Deferred tax	8,641,320	8,641,320
<b>Total non-current liabilities</b>	<b>94,631,834</b>	<b>102,222,596</b>
<b>Current liabilities</b>		
Trade and other payables	307,826,120	311,795,083
Short term borrowings	926,997	25,922,963
Current portion of long-term borrowings	35,351,436	25,764,054
Tax liabilities	6,371,286	4,667,906
Dividend payable	5,161,610	-
<b>Total current liabilities</b>	<b>355,637,449</b>	<b>368,150,006</b>
<b>Total liabilities</b>	<b>450,269,283</b>	<b>470,372,602</b>
<b>Total equity and liabilities</b>	<b>641,208,797</b>	<b>656,982,503</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
EQUITY FOR THE PERIOD ENDED 30 JUNE 2011**

	Attributable to equity holders of the parent						Minority Interest	Total Equity	
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Capital Reserve	Retained Profits	Treasury Shares			Sub-total
<b>RM</b>									
<b>6 months ended 30 June 2011</b>									
Balance at the beginning of the year	138,347,702	9,828	(2,015,812)	-	46,139,259	(1,025,787)	181,455,190	5,154,711	186,609,901
Movements during the period									
Issue of option pursuant to ESOS	34,020	4,082	-	-	-	-	38,102	-	38,102
Interim dividend 2011 -RM 2.5 sen per share less tax					(5,161,610)		(5,161,610)		(5,161,610)
Total comprehensive income for the period	-	-	421,456	-	8,738,993	-	9,160,449	292,672	9,453,121
<b>Balance at the end of the period</b>	<b>138,381,722</b>	<b>13,910</b>	<b>(1,594,356)</b>	<b>-</b>	<b>49,716,642</b>	<b>(1,025,787)</b>	<b>185,492,131</b>	<b>5,447,383</b>	<b>190,939,514</b>
<b>6 months ended 30 June 2010</b>									
Balance at the beginning of the year	138,317,965	6,260	(811,168)	67,951	114,993,575	(1,004,622)	251,569,961	5,119,654	256,689,615
Movements during the period									
Issue of option pursuant to ESOS	22,160	2,659		-			24,819		24,819
Purchase of own shares						(13,265)	(13,265)		(13,265)
Total comprehensive income for the period			(7,778,559)		13,825,302		6,046,743	354,519	6,401,262
First & final dividend 2009 -RM 3.5 sen per share less tax					(7,224,212)		(7,224,212)		(7,224,212)
<b>Balance at the end of the period</b>	<b>138,340,125</b>	<b>8,919</b>	<b>(8,589,727)</b>	<b>67,951</b>	<b>121,594,665</b>	<b>(1,004,622)</b>	<b>250,417,311</b>	<b>5,474,173</b>	<b>255,891,484</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2010

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended 30 June 2011 RM	6 months ended 30 June 2010 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before taxation</b>	<b>16,380,027</b>	<b>20,970,900</b>
Adjustments for:-		
Amortisation of prepaid lease rental	3,473	3,473
Depreciation of property, plant & equipment	4,380,839	4,393,178
Interest expenses	5,642,349	5,306,204
Interest revenue	(1,140,413)	(1,289,499)
(Gain)/Loss on disposal of property, plant & equipment	(728,511)	23,832
Fixed assets written off	-	1,912
Impairment loss on investment in unquoted shares & property	-	3,500,000
Unrealised loss/(gain) of foreign exchange	-	459,548
Share of results of joint ventures	-	(166,188)
Share of results of associated companies	-	(5,208,567)
<b>Operating profit before working capital changes</b>	<b>24,537,764</b>	<b>27,994,793</b>
Decrease in inventories	(4,852,410)	(1,405,744)
Increase in amount due from customers for contract work	(8,510,417)	(26,531,198)
Increase in property development expenditure	(1,272,453)	(724,192)
(Increase)/Decrease in trade and other receivables	(2,978,511)	3,755,973
(Decrease)/Increase in amount due to customers for contract work	(13,898,876)	1,632,233
Increase in trade and other payables	11,356,488	80,256,183
<b>Cash generated from operations</b>	<b>4,381,585</b>	<b>84,978,048</b>
Tax paid	(5,680,517)	(6,284,253)
Interest payment	(6,963,489)	(6,874,973)
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,262,421)</b>	<b>71,818,822</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development expenditure	(8,087,746)	(13,490,904)
Distribution of Joint Venture profits	-	166,188
Interest received	1,162,564	1,312,353
Purchase of property, plant & equipment	(4,889,294)	(4,101,724)
Proceeds from disposal of property, plant & equipment	2,729,395	122,678
Proceeds from disposal of investment	51,541,043	-
Dividend Revenue	-	674,438
<b>Net cash generated from/(used in) investing activities</b>	<b>42,455,962</b>	<b>(15,316,971)</b>
BALANCE CARRIED FORWARD	34,193,541	56,501,851
BALANCE CARRIED DOWN	34,193,541	56,501,851

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>6 months ended 30 June 2011 RM</b>	<b>6 months ended 30 June 2010 RM</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment to ultimate holding company	(99,199)	(125,295)
(Repayment to)/Advance from related companies	(51,962)	225,112
Advance from Joint Ventures	-	51,558
Proceeds from paid up capital	38,102	24,819
Proceeds from trust receipts/murabahah	6,212,296	5,548,143
Repayment of trust receipts/murabahah	(26,148,664)	(2,626,872)
Payment to hire purchase creditors	(3,577,479)	(2,635,707)
Term loan drawdown	87,341,457	2,000,000
Repayment of term loan	(88,830,720)	(59,965,957)
Purchase of treasury shares	-	(13,265)
<b>Net cash used in financing activities</b>	<b>(25,116,169)</b>	<b>(57,517,464)</b>
Effects of exchange difference on cash & cash equivalents	(22,753)	(7,441,769)
Net increase/(decrease )in cash and cash equivalents	9,077,372	(1,015,613)
Cash and cash equivalents at beginning of the year	113,512,401	135,923,083
<b>Cash and cash equivalents at end of the period</b>	<b>122,567,020</b>	<b>127,465,701</b>
<b>Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts :-</b>		
Cash and bank balances	25,851,356	26,969,848
Cash deposits with licensed banks	97,642,661	116,344,707
Bank overdrafts	(926,997)	(15,848,854)
	<b>122,567,020</b>	<b>127,465,701</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2010.

**PART A :EXPLANATORY NOTES PURSUANT TO FRS 134, PARA 16**

**1. ACCOUNTING POLICIES**

The interim financial statements has been prepared in accordance with Financial Reporting Standards (FRS) 134 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 2010 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 2010.

**2. CHANGES IN ACCOUNTING POLICIES**

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 2010 audited financial statements as well as those mandatory new/revised standards that take effects on annual financial period commencing on and after 1 January 2011.

The adoption of the any new/revised standards or interpretations is not expected to have any significant impact on the results and financial position of the Group and the Company.

**3. STATUS OF FINANCIAL STATEMENTS QUALIFICATION**

The auditors' report on preceding audited financial statements for the year ended 31 December 2010 was not subject to any qualification.

**4. 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.

**5. ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS THAT ARE UNUSUAL TO THE NATURE, SIZE OR INCIDENCE**

There were no unusual items due to the nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows for the financial quarter ended 30 June 2011.

**6. CHANGES IN ESTIMATES REPORTED IN PRIOR FINANCIAL YEAR**

There was no material changes in estimates of amounts reported in prior financial years which have a material effect on the current quarter.

**PART A :EXPLANATORY NOTES PURSUANT TO FRS 134, PARA 16**

**7. CHANGES IN EQUITY/DEBT SECURITIES**

**a) Employee Share Option Scheme (ESOS)**

A total of 68,040 AZRB Shares were issued under the AZRB Employees' Share Option Scheme at the option price of RM0.56 per share during the financial year to-date.

**b) Treasury Shares**

There was no sharebuyback exercise during the financial quarter under review. The total treasury shares as at 30 June 2011 comprise of 1,478,100 units at RM1,025,787.

Other than the above ESOS there were no issuance, cancellation, resale of treasury shares and repayment of debt and equity securities by the Company during the current quarter and financial year-to-date.

**8. DIVIDENDS PAID**

No dividend was paid during the financial period under review.

**9. 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
<b>30-Jun-11</b>	RM	RM	RM	RM	RM
<b>REVENUE</b>					
External revenue	232,992,350	21,830,107	5,596,186	-	260,418,643
Inter – segment revenue	-	12,911,997	-	(12,911,997)	-
<b>Total revenue</b>	<b>232,992,350</b>	<b>34,742,104</b>	<b>5,596,186</b>	<b>(12,911,997)</b>	<b>260,418,643</b>
<b>RESULT</b>					
Segment result	13,380,830	11,175,839	(8,176,642)	-	16,380,027
Interest revenue	(822,069)	(140,529)	(177,815)	-	(1,140,413)
Interest expenses	736,847	22,022	4,883,480	-	5,642,349
Share of results in joint ventures	-	-	-	-	-
Share of results in associated co.	-	-	-	-	-
Non cash expenses Note (i)	-	-	3,473	-	3,473
Depreciation	3,629,169	339,192	412,478	-	4,380,839



**PART A :EXPLANATORY NOTES PURSUANT TO FRS 134, PARA 16**

**9. SEGMENT REPORTING (Cont'd)**

	<b>Construction</b>	<b>Trading in oil and gas &amp; other related services</b>	<b>Other operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>30-Jun-10</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>REVENUE</b>					
External revenue	221,209,363	24,785,840	2,328,521	-	248,323,724
Inter – segment revenue	-	12,636,084	-	(12,636,084)	-
<b>Total revenue</b>	<b>221,209,363</b>	<b>37,421,924</b>	<b>2,328,521</b>	<b>(12,636,084)</b>	<b>248,323,724</b>
<b>RESULT</b>					
Segment results	15,825,183	13,717,386	(8,571,669)		20,970,900
Interest revenue	(865,335)	(100,663)	(323,501)	-	(1,289,499)
Interest expenses	1,276,641	17,156	(6,600,001)	-	(5,306,204)
Share of results in joint ventures	166,188			-	166,188
Share of results in associated co.		5,208,567		-	5,208,567
Non cash expenses Note (i)	459,548		29,216	-	488,764
Depreciation	3,684,563	363,436	345,179	-	4,393,178

**Note (i) : Non cash expenses**

	<b>Group</b>	
	<b>2011 RM</b>	<b>2010 RM</b>
Amortisation of prepaid land	3,473	3,472
Loss on foreign exchange -unrealised	-	459,548
Loss on disposal of fixed assets	-	23,832
Property , plant and equipment written off		1,912
	<b>3,473</b>	<b>488,764</b>

**10. 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.

**PART A :EXPLANATORY NOTES PURSUANT TO FRS 134, PARA 16**

**11. SUBSEQUENT EVENTS**

There was no material event subsequent to the end of the current quarter up to 23 August 2011 (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.

**12. 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 except the following:

- a) On 10 June 2011, the Company acquired two (2) ordinary shares of RM1.00 each at par representing the entire issued and paid-up share capital of Peninsular Medical Sdn Bhd ("PMSB") for a total cash consideration of RM2.00.

**13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group do not have material contingent liabilities as at 23 August 2011 (being the latest practicable date from the date of issuance of the 2nd Quarter Report) save as disclosed in item Part B item 11 below.

**14. SIGNIFICANT RELATED PARTY'S TRANSACTION**

The significant transactions with the Directors, parties connected to the Directors and companies in which the Directors have substantial financial interest are as follows:

	<b>2011 6 months cumulative to date</b>	<b>2010 6 months cumulative to date</b>
<b>Trade</b>		
Purchases from following subsidiaries of Chuan Huat Resources Berhad, a company in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director :-		
- Chuan Huat Industrial Marketing Sdn Bhd	12,748,183	8,308,288
- Chuan Huat Hardware Sdn Bhd	115,793	-
Purchases from following companies, companies in which Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director		
- QMC Sdn Bhd	492,503	427,707
- Kemaman Quarry Sdn Bhd	315,061	200,240
<b>Non-Trade</b>		
Administrative service charged by Zaki Holdings (M) Sdn Bhd	60,000	60,000
Rental paid and payable to Zaki Holdings (M) Sdn Bhd	210,000	210,000
Insurance premium paid and payable to Zaki Holdings (M) Sdn Bhd	503,298	437,102
Accommodation charges paid and payable to Residence Inn & Motels Sdn Bhd	5,155	18,414
Rental paid/payable to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	18,000	18,000

PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
 LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B

**1. REVIEW OF PERFORMANCE**

	<b>6 months ended 30/06/2011 (RM'000)</b>	<b>6 months ended 30/06/2010 (RM'000)</b>	<b>Variance (RM'000)</b>
Revenue	260,419	248,324	12,095
Profit before tax	16,380	20,971	(4,591)

The Group's profit declined by **RM4.6 million** due to a significant drop of contribution from its associated company since the Group has disposed of its investment in EPIC in the preceding year. Generally, the Group's results before share of associated company's results was in lined with previous year todate.

The above performance was achieved via marginal improvement in volume of work performed by its construction activities supported further by its bunkering activities. The Group's bunkering operation registered a profit before tax of **RM11.2 million** (2010: **RM8.5 million**) and an overall external revenue of **RM21.8 million** or 8% of the Group's revenue (2010: **RM24.8 million** or 9%).

Overall, order book for its construction division stood at **RM968 million** mainly comprised of Design and Built Complex Kerja Raya 2 at Jalan Sultan Salahuddin, KL (**RM252 million**), Lebuhraya Pantai Timur Package 2, 6, 5A & 9C (**RM52 million**), University Darul Imam Package 3 Building works (**RM182 million**), Maternity Hospital Terengganu (**RM67 million**), Rectification works at Dataran Putra Precint 1, Putrajaya (**RM12 million**), Istana Negara Interchange to Jalan Duta (**RM19 million**), University Sains Islam Malaysia-Pusat Tamhidi (**RM6 million**), Hulu Terengganu Hydroelectric Project Lot CW1-O Preliminary Works (**RM3 million**), The Proposed Construction and Completion of Waterfront Shop Office and External Works on Plot 8C1, Precint 8, Putrajaya, Wilayah Persekutuan (**RM39 million**), Animal Production Units and Other Associated Facilities in Pekan (**RM7 million**), The Construction & Completion Of Earthworks & Infrastructure Works For Phase 1a & 1b at Kertih Polymer Park In Lot Q, Kertih (**RM34 million**), Earthworks for Phase 2 at Kertih in Lot Q, Kertih (**RM30 million**), The Construction and Completion of 1002 Units of Flats in Three (3) Blocks Of 17 Storeys And Related Works For The Public Housing Program at Padang Hiliran, Chabang Tiga, Kuala Terengganu, Terengganu Darul Iman (**RM120 million**) and Completion of the Remaining Works of Lebuhraya Pantai Timur Project, Phase 2, Terengganu [Package 2: From CH15100.00 to CH26100.00] (**RM145 million**).

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B**

**1. REVIEW OF PERFORMANCE (Cont'd)**

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 2011 to 23 August 2011 (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**

	<b>Current Qtr RM</b>	<b>Preceding Qtr RM</b>	<b>+ / (-) RM</b>
Revenue	135,759	124,659	11,100
Profit before tax	7,065	9,315	(2,250)

On a quarter to quarter basis, the Group's pre tax profit for the current quarter was affected by higher legal costs and other expenses related to arbitration on its Saudi project and also new term loan taken to refinance its CLO loan and working capital.

**3. PROSPECTS**

The Board maintains positive outlook for the overall construction industry and believes the Group is able to achieve reasonable performance in the coming quarters.

**4. VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT AND SHORTFALL IN PROFIT GUARANTEE**

Not applicable.

**5. TAXATION**

Taxation comprises :

	<b>Current Qtr 30.06.2011 RM</b>	<b>Cumulative Current YTD 30.06.2011 RM</b>
Based on results for the period	3,416,025	7,354,476
Over provision in prior years	(6,114)	(6,114)
	<b><u>3,409,911</u></b>	<b><u>7,348,362</u></b>

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
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**5. TAXATION (Cont'd)**

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 :

	<b>Current Qtr 30.06.2011 RM</b>	<b>Cumulative Current YTD 30.06.2011 RM</b>
Accounting profits before taxation	7,065,230	16,380,027
Tax at the statutory income tax rate of 25%	1,766,307	4,095,007
- Non deductible expenses	1,649,718	3,259,469
- Over provision in prior years	(6,114)	(6,114)
<b>Tax Expense</b>	<b>3,409,911</b>	<b>7,348,362</b>

Deferred Tax Liabilites Movement :

	<b>Current Qtr 30.06.2011 RM</b>	<b>Cumulative Current YTD 30.06.2011 RM</b>
At beginning and end of the period/year	8,641,320	8,641,320

**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 year to date.

**7. INVESTMENT IN QUOTED SECURITIES**

There was no purchase of any quoted securities during the financial quarter or financial year to date.

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
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**8. CORPORATE PROPOSALS**

There are no corporate proposals which have been announced by the Company but not completed as at 23 August 2011 (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 2011 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b><i>Short Term</i></b>			
Bank Overdrafts	927	-	927
Trust Receipts	3,584	-	3,584
Term Loans	12,800	12,000	24,800
Hire Purchase	6,967	-	6,967
<b>Subtotal</b>	<b>24,278</b>	<b>12,000</b>	<b>36,278</b>
<b><i>Long Term</i></b>			
Term Loan	78,674	-	78,674
Hire Purchase	7,317	-	7,317
<b>Subtotal</b>	<b>85,991</b>	<b>-</b>	<b>85,991</b>
<b>Grand total</b>	<b>110,269</b>	<b>12,000</b>	<b>122,269</b>

The Group does not have any foreign loan as at 30 June 2011.

**10. OFF BALANCE SHEETS FINANCIAL INSTRUMENTS**

The Group does not have any financial instruments with off balance sheets risk as at 23 August 2011 (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:

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**11. MATERIAL LITIGATION (Cont'd)**

a) Claim or litigation brought against the Company :

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

TNB had 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 had 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. The Court has fixed **24 November 2011** for further case management for parties to file the list of Witnesses, and for plaintiff to file its Witness Statement and Opening Statement.

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.

PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
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**11. MATERIAL LITIGATION (Cont'd)**

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

Signage had 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 had 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. However, the Court had dismissed AZRB’s application for striking off with cost to plaintiff. The court has fixed for further case management on **3 October 2011** for parties to agree on the issues to be tried and filing of bundle of documents.

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

**(iii) Sime Engineering Sdn Bhd (“SESB”) vs Ahmad Zaki Resources Berhad**

On 13 October 2010 SESB served a Writ and Statement of Claim dated 11 October 2010 on AZRB, claiming a sum of RM15,246,000 for alleged breaches by AZRB of the Malaysia-China Hydro Joint Venture Agreement dated 12 June 2002 relating to the Bakun Hydroelectric Project Package CW2 - Main Civil Works.

AZRB had filed its Defence at the Kuala Lumpur High Court on **2 December 2010** and also instituted a Counterclaim against Sime Engineering and members of the Malaysia-China Hydro Joint Venture (“MCH JV”) Executive Committee (“Exco”) namely Sinohydro Corporation (formerly known as China Water Resources and Hydropower Engineering Company) (“Sinohydro”) and WCT Berhad (“WCT”) for special damages of RM58,000,600 for loss of profits; general damages; interest; and costs. On 19 January 2011, AZRB filed an application to stay the above Suit pending the outcome of K.L High Court Civil Suit between SESB and its former directors and staff (‘Stay Application’) and also an application to strike out SESB’s Writ and Statement of Claim dated 11 October 2010.

The above Stay Application has been heard and pending decision while striking out application for Writ and Statement of Claim by SESB was dismissed by Court on **12 August 2011** and appeal against the decision is pending for case management on **25 August 2011**.

AZRB, in consultation with its solicitors, is of the view that AZRB has a valid defence against SESB’s claim.



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 LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B**
**11. MATERIAL LITIGATION (Cont'd)**
**b) Arbitration on Alfaisal University project**

On 3 March 2011, the Company filed its arbitration notice with the ICC International Court of Arbitration seeking various reliefs and claims including the bonds liquidated by King Faisal Foundation in respect of the contract entered into by Alfaisal University and the Company pertaining to Alfaisal University Campus Development Project Phase 1 & 2 in Riyadh, Saudi Arabia.

**12. DIVIDEND**

The Board has declared and paid 1<sup>st</sup> Interim dividend of 2.5 sen gross on 15 August 2011 for the financial year ending 31 December 2011 amounting to RM5,161,610.

**13. EARNINGS PER SHARE**

The basic earnings per share was calculated based on the consolidated profit after taxation and minority interests over the weighted average number of ordinary shares in issue during the period as set out below:

	Current Quarter ended 30/06/2011	Current Quarter ended 30/06/2010	Cumulative Quarters ended 30/06/2011	Cumulative Quarters ended 30/06/2010
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>3,578,039</b>	<b>6,079,321</b>	<b>8,738,993</b>	<b>13,825,302</b>
<b>Basic</b>				
a) Weighted average number of ordinary shares in issue	276,763,442	276,680,250	276,763,442	276,680,250
<b>Diluted</b>				
b) Weighted average number of ordinary shares in issue	276,763,442	276,680,250	276,763,442	276,680,250
Effects of dilution resulting from ESOS	175,133	185,346	175,133	185,346
Adjusted weighted average number of ordinary shares in issue and issuable	276,938,575	276,865,596	276,938,575	276,865,596

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. The effect from dilution of ESOS for the financial period is for unexercised outstanding options of 462,607 (2010: 514,851) shares.

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD  
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**14. STATEMENT ON REALISED AND UNREALISED RETAINED PROFITS DISCLOSURE**

	<b>Current financial Quarter ended 30.06.2011</b>	<b>As at the end of last financial year</b>
	RM'000	RM'000
Total retained profits of Ahmad Zaki Resources Berhad and its subsidiaries		
- Realised	84,722	76,644
- Unrealised	115	115
	84,837	76,759
Total share of retained profits from associated companies		
- Realised	54	54
- Unrealised	-	-
	54	54
Total share of retained profits from jointly controlled companies		
- Realised	(288)	(288)
- Unrealised	-	-
	(288)	(288)
Less : Consolidated Adjustments	(34,886)	(30,332)
Total Group retained profits as per consolidated accounts	49,717	46,193