

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 1st Quarter and period ended 31 March 2014. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014
--

RM	Note	2014 Current quarter ended 31 March	2013 Comparative quarter ended 31 March	2014 3 months cumulative to date	2013 3 months cumulative to date
REVENUE		153,794,499	140,244,767	153,794,499	140,244,767
OPERATING EXPENSES	1	(143,962,320)	(133,579,082)	(143,962,320)	(133,579,082)
OTHER OPERATING INCOME		4,067,076	1,467,001	4,067,076	1,467,001
PROFIT FROM OPERATIONS		13,899,255	8,132,686	13,899,255	8,132,686
FINANCE COSTS		(5,023,293)	(2,940,919)	(5,023,293)	(2,940,919)
INVESTING RESULTS	2	-	-	-	-
PROFIT BEFORE TAXATION		8,875,962	5,191,767	8,875,962	5,191,767
TAX EXPENSE		(4,398,138)	(2,928,435)	(4,398,138)	(2,928,435)
PROFIT FOR THE PERIOD	3	4,477,824	2,263,332	4,477,824	2,263,332
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Capital reserve		-	-	-	-
Foreign currency translation differences for foreign operations		(1,808,386)	1,189,998	(1,808,386)	1,189,998
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,669,438	3,453,330	2,669,438	3,453,330

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
 OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014**

RM	Note	2014 Current quarter ended 31 March	2013 Comparative quarter ended 31 March	2014 3 months cumulative to date	2013 3 months cumulative to date
PROFIT ATTRIBUTABLE TO :-					
OWNERS OF THE COMPANY		4,479,506	2,457,027	4,479,506	2,457,027
NON-CONTROLLING INTERESTS		(1,682)	(193,695)	(1,682)	(193,695)
PROFIT FOR THE PERIOD		4,477,824	2,263,332	4,477,824	2,263,332
COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
OWNERS OF THE COMPANY		2,747,565	3,647,396	2,747,565	3,647,396
NON-CONTROLLING INTERESTS		(78,127)	(194,066)	(78,127)	(194,066)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,669,438	3,453,330	2,669,438	3,453,330

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

Basic (sen)	1.62	0.89	1.62	0.89
Diluted (sen)	NA	NA	NA	NA

Note 1 - Operating Expenses

Operating expenses represents the followings:-

Cost of sales	130,099,186	119,527,671	130,099,186	119,527,671
Other operating expenses	13,863,134	14,051,411	13,863,134	14,051,411
Total	143,962,320	133,579,082	143,962,320	133,579,082

Note 2 - Investing Results

Investing results represents the followings:-

Share of results from associated companies	-	-	-	-
Share of results from joint ventures	-	-	-	-
Total	-	-	-	-

Note 3 Profit is arrived at after charging/ (crediting) the following items:

RM	2014 Current quarter ended 31 March	2013 Comparative quarter ended 31 March	2014 3 months cumulative to date	2013 3 months cumulative to date
a) Interest income	(656,578)	(644,667)	(656,578)	(644,667)
b) Other income including investment income	(3,410,498)	(822,334)	(3,410,498)	(822,334)
c) Interest expense	4,577,437	2,632,295	4,577,437	2,632,295
d) Depreciation and amortisation	4,391,293	3,513,642	4,391,293	3,513,642
e) Foreign exchange (gain) or loss	(1,697,240)	(342,209)	(1,697,240)	(342,209)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

RM	(Not Audited) As at 31/03/2014	(Audited) As at 31/12/2013
Non-current assets		
Property, plant and equipment	78,991,275	80,897,559
Prepaid lease payment	8,420,711	8,398,951
Land held for development	8,958,539	8,958,539
Biological assets	123,955,785	123,251,574
Investment property	18,000,000	18,000,000
Goodwill	3,747,557	3,747,557
Intangible assets	2,796,085	2,796,085
Investments in associates	160,885	160,885
Interest in joint ventures	(254,352)	(254,352)
Available-for-sale investments	115,500	115,500
Deferred tax assets	12,729,772	10,911,561
Trade receivable-Long term	12,006,050	11,573,208
Total non current assets	269,627,807	268,557,067
Current assets		
Inventories	9,166,260	12,314,854
Property development costs	13,047,702	11,994,798
Trade & other receivables	537,104,255	450,548,485
Current tax assets	4,799,395	4,771,079
Cash & cash deposits	88,892,446	102,840,044
Total current assets	653,010,058	582,469,260
Total assets	922,637,865	851,026,327
Equity attributable to equity holders of the parent		
Share capital	138,471,095	138,471,095
Reserves and treasury shares	78,364,128	75,616,563
Total equity	216,835,223	214,087,658
Minority interest	5,248,548	5,326,675
Total equity and minority interest	222,083,771	219,414,333
Non-current liabilities		
Long-term borrowings	259,247,044	230,155,175
Retirement benefits	1,472,166	1,294,851
Deferred tax	27,788,016	23,663,382
Total non-current liabilities	288,507,226	255,113,408
Current liabilities		
Short term borrowings	53,957,806	40,688,271
Current portion of long-term borrowings	19,534,601	20,036,474
Trade and other payables	328,511,984	304,451,913
Current tax liabilities	10,042,477	11,321,928
Total current liabilities	412,046,868	376,498,586
Total liabilities	700,554,094	631,611,994
Total equity and liabilities	922,637,865	851,026,327

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY FOR THE PERIOD ENDED 31 MARCH 2014**

RM	Attributable to owners of the Company						Non-Controlling Interests	Total Equity	
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Capital Reserve	Retained Profits	Treasury Shares			Sub-total
Period ended 31 March 2014									
Balance at the beginning of the year	138,471,095	24,636	3,506,815	-	73,110,899	(1,025,787)	214,087,658	5,326,675	219,414,333
Movements during the period									
Profit for the period	-	-	-	-	4,479,506	-	4,479,506	(1,682)	4,477,824
Foreign currency translation differences for foreign operations	-	-	(1,731,941)	-	-	-	(1,731,941)	(76,445)	(1,808,386)
Total comprehensive income for the period	-	-	(1,731,941)	-	4,479,506	-	2,747,565	(78,127)	2,669,438
Balance at the end of the period	138,471,095	24,636	1,774,874	-	77,590,405	(1,025,787)	216,835,223	5,248,548	222,083,771
Period ended 31 March 2013									
Balance at the beginning of the year	138,471,095	24,636	(1,282,090)	-	71,516,003	(1,025,787)	207,703,857	5,345,872	213,049,729
Movements during the period									
Profit for the period	-	-	-	-	2,457,027	-	2,457,027	(193,695)	2,263,332
Foreign currency translation differences for foreign operations	-	-	1,190,369	-	-	-	1,190,369	(371)	1,189,998
Total comprehensive income for the period	-	-	1,190,369	-	2,457,027	-	3,647,396	(194,066)	3,453,330
Balance at the end of the period	138,471,095	24,636	(91,721)	-	73,973,030	(1,025,787)	211,351,253	5,151,806	216,503,059

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March 2014 RM	3 months ended 31 March 2013 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,875,962	5,191,767
Adjustments for:-		
Amortisation of prepaid land lease payments	109,566	51,106
Amortisation of biological assets	1,783,837	683,710
Depreciation of property, plant & equipment	2,327,818	2,778,826
Amortisation of transaction costs	170,072	-
Interest expenses	4,577,437	2,632,295
Interest revenue	(656,578)	(644,667)
Gain on disposal of property, plant & equipment	(54,754)	(196,395)
Property, plant & equipment written off	289,657	-
Employee benefits	85,313	-
Gain on foreign exchange -unrealised	(1,697,240)	(342,209)
Operating profit before working capital changes	15,811,090	10,154,433
Decrease/(Increase) in inventories	3,148,594	(5,553,349)
Increase in in amount due from customers for contract work	(68,988,523)	(19,358,294)
Increase in property development expenditure	(1,052,904)	(408,322)
Increase in trade and other receivables	(15,982,305)	(21,290,455)
Decrease/(Increase) in amount due to customers for contract work	(1,086,214)	5,855,926
Increase in trade and other payables	24,549,158	13,694,344
Cash used in from operations	(43,601,104)	(16,905,717)
Tax paid	(2,710,464)	(3,479,870)
Interest received	452,921	498,887
Interest paid	(4,300,707)	(2,529,170)
Net cash used in operating activities	(50,159,354)	(22,415,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
New planting expenditures incurred	(3,053,476)	180,574
Purchase of property, plant & equipment	(300,766)	(331,087)
Proceeds from disposal of property, plant & equipment	(189,658)	211,750
Net cash generated from investing activities	(3,543,900)	61,237
BALANCE CARRIED FORWARD	(53,703,254)	(22,354,633)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March 2014 RM	3 months ended 31 March 2013 RM
BALANCE CARRIED DOWN	(53,703,254)	(22,354,633)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to ultimate holding company	(108,725)	(50,095)
Repayment to related companies	(8,160)	(432,836)
Decrease in pledged fixed deposits	(284,998)	(499,185)
Proceeds from trust receipts	7,155,705	9,800,050
Repayment of trust receipts	(1,060,218)	(1,047,231)
Payment for finance lease liabilities	(1,140,158)	(1,143,430)
Term loan drawdown	32,918,765	11,266,653
Term loan repayment	(3,776,790)	(3,742,091)
Net cash generated from financing activities	33,695,421	14,151,835
Effects of exchange difference on cash & cash equivalents	(1,398,811)	1,094,950
Net decrease in cash and cash equivalents	(20,007,833)	(8,202,798)
Cash and cash equivalents at beginning of the year	40,639,274	15,946,953
Cash and cash equivalents at end of the period	19,232,630	8,839,105
Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts :-		
Cash and bank balances	29,459,028	30,434,585
Cash deposits with licensed banks	59,433,418	68,885,074
Bank overdrafts	(24,738,117)	(27,137,986)
Less: Pledged fixed deposits	(44,921,699)	(63,342,568)
	19,232,630	8,839,105

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014

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 2013 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 2013.

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 2013 audited financial statements as well as those mandatory new/revised standards that take effects on annual financial period commencing on and after 1 January 2014.

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 2013 was not subject to any qualification.

4. REVIEW OF SEASONALITY OR CYCLICALITY OF OPERATIONS

The divisions are not significantly affected by any seasonal or cyclical factors.

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 31 March 2014.

6. CHANGES IN ESTIMATES REPORTED IN PRIOR FINANCIAL PERIOD

There was no material changes in estimates of amounts reported in prior financial periods 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

Treasury Shares

There was no share buyback exercise during the financial quarter under review. The total treasury shares as at 31 March 2014 comprise of 1,478,100 units at RM1,025,787.

Other than the above, 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 for the 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	Plantation	Other operations	Eliminations	Consolidated
31-Mar-14	RM	RM	RM	RM	RM	RM
REVENUE						
External revenue	139,935,270	10,644,913	1,295,196	1,919,121	-	153,794,500
Inter – segment revenue	-	2,706,567	-	-	(2,706,567)	-
Total revenue	139,935,270	13,351,480	1,295,196	1,919,121	(2,706,567)	153,794,500
RESULT						
Segment results	13,365,729	3,654,890	(4,501,528)	(3,643,129)	-	8,875,962
Interest income	614,676	24,533	2,696	14,673	-	656,578
Interest expenses	(2,967,484)	(14,235)	(574,004)	(1,021,714)	-	(4,577,437)
Non cash expenses Note (i)	-	-	(2,061,739)	(291,393)	-	(2,353,132)
Depreciation	(1,483,366)	(260,334)	(341,914)	(242,204)	-	(2,327,818)

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

9. SEGMENT REPORTING (continued)

	Construction	Trading in oil and gas & other related services	Plantation	Other operations	Eliminations	Consolidated
31-Mar-13	RM	RM	RM	RM	RM	RM
REVENUE						
External revenue	126,919,434	12,197,450	712,714	415,169	-	140,244,767
Inter – segment revenue	-	1,943,181	-	-	(1,943,181)	-
Total revenue	126,919,434	14,140,631	712,714	415,169	(1,943,181)	140,244,767
RESULT						
Segment results	7,574,550	5,113,926	(3,660,632)	(3,836,077)	-	5,191,767
Interest income	600,532	26,935	340	16,860	-	644,667
Interest expenses	(1,396,867)	(20,064)	(56,339)	(1,159,025)	-	(2,632,295)
Non cash expenses Note (i)	-	-	(733,081)	(1,735)	-	(734,816)
Depreciation	(2,065,035)	(258,067)	(241,953)	(213,771)	-	(2,778,826)

Note (i) : Non cash expenses

	Group	
	2014	2013
	RM	RM
Amortisation of planting expenditures	1,783,837	683,710
Amortisation of prepaid land lease payments	109,566	51,106
Amortisation of transaction costs	170,072	-
Property , plant and equipment written off	289,657	-
	2,353,132	734,816

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.

11. SUBSEQUENT EVENTS

There was no material event subsequent to the end of the current quarter up to 27 May 2014 (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 except the following:

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

11.SUBSEQUENT EVENTS (continued)

- (i) On 17 April 2014, a jointly controlled entity of the Group namely Salcon MMCB AZSB JV Sdn Bhd received the Letter of Acceptance dated 16 April 2014 from Pengurusan Aset Air Berhad for the Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur (Langat 2 WTP and Water Reticulation – Phase 1) and Package 2A – Construction and Completion of 1130 MLD Langat 2 Water Treatment Plant for a total value of RM993.9 million. Salcon MMCB AZSB JV Sdn Bhd is a jointly controlled entity of Salcon Engineering Berhad (36%), a wholly-owned subsidiary of Salcon Berhad, MMC Corporation Berhad (34%) and Ahmad Zaki Sdn Bhd (30%), a wholly-owned subsidiary of AZRB.
- (ii) On 16 May 2014, the Company successfully completed its corporate proposals as stated in Part B of item 6.

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 for the following :

Acquisition of Residence Inn & Motel Sdn. Bhd (“RIM”)

On 25 February 2014, the Company entered into a Sale of Shares Agreement with Zaki Holdings (M) Sdn Bhd (“ZHSB”) to acquire 100% or 750,000 ordinary shares of RM1.00 each in RIM held by ZHSB for a cash consideration of RM1.0 million only. RIM has an authorised share capital of RM1,000,000 and a paid-up share capital of RM750,000. The acquisition will result in RIM becoming a wholly-owned subsidiary of AZRB. RIM’s principal activities are managing a Hotel, Resort, and Chalet chain and all activities related to the tourism industry. The acquisition was pending completion and hence its results was not consolidated for the current under review.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any material contingent liabilities as at 27 May 2014 (being the latest practicable date from the date of issuance of the 1st Quarter Report) save as disclosed in Part B item 8.

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

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:

	2014	2013
	3 months	3 months
	cumulative	cumulative
	to date	to date
	RM	RM
Trade		
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	1,873,461	1,699,064
- Chuan Huat Hardware Sdn Bhd	56,970	1,029,176
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	13,640	76,058
- Kemaman Quarry Sdn Bhd	-	102,928
Non-Trade		
Administrative service charged by Zaki Holdings (M) Sdn Bhd	30,000	30,000
Insurance premium paid and payable to Zaki Holdings (M) Sdn Bhd	253,145	270,893
Accommodation charges paid and payable to Residence Inn & Motels Sdn Bhd	5,112	-
Rental paid/payable to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	9,000

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

1. REVIEW OF PERFORMANCE

The Group posted higher revenue than preceding year’s quarter by **RM13 million or 9.7%** with pre-tax profit improved by **RM3.6 million (71%)**. This was mainly attributable to better margin projects that achieved higher progress rate under its Construction Division during the quarter under review.

Overall, the balance order book in Construction Division stood at **RM2,032 million** mainly comprising Completion of the Remaining Works of Lebuhraya Pantai Timur Project, Phase 2, Terengganu [Package 2: From CH15100.00 to CH26100.00] (**RM48 million**), The Proposed Development of International Islamic University Malaysia Teaching Hospital in Kuantan (“UIAH”), Pahang through Private Finance Initiative (**RM296 million**), Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang for the Package V6 Construction and Completion of Viaduct Guideway and Other Associated Works from Plaza Phoenix to Bandar Tun Hussein Onn Station (**RM413 million**) (“MRTV6”), Upgrading existing 35 storey office blocks and reconstruction of new 56 storey hotel tower at Lot 1194, Jalan Sultan Ismail, Seksyen 57, Bandar Kuala Lumpur, Wilayah Persekutuan for Permodalan Nasional Berhad (**RM649 million**), The Design and Build Students Accommodation Complex at University Technology Malaysia, Jalan Semarak, Kuala Lumpur (**RM169 million**), The Proposed Construction and Completion of the Pangkalan Semenanjung Pasukan Gerakan Udara Polis Diraja Malaysia on Part of Lot 1210 (PA 27811), and Jalan Lapangan Terbang Subang, Seksyen U3, Shah Alam Selangor (**RM159 million**), and The Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur (Langat 2 WTP and Water Reticulation – Phase 1) and Package 2A – Construction and Completion of 1130 MLD Langat 2 Water Treatment Plant (**RM298 million** or 30% of joint venture).

2. REVIEW OF MATERIAL CHANGES BETWEEN CURRENT QUARTER AND PRECEDING QUARTER

	Current Qtr RM	Preceding Qtr RM	+/(-) RM
Revenue	153,795	127,142	26,653
Profit before tax	8,876	12,030	(3,154)

On a quarter to quarter basis, the Group’s revenue was higher than last quarter due to its on going projects that achieved higher rate of progress whilst in last quarter, some of its projects were at completion stage. Nevertheless, higher profit reported in previous quarter due to favourable outcome from finalisation of claims and/or accounts for those nearly completed or completed projects respectively.

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

3. PROSPECTS

The Group's Construction Division expects to perform better as the remaining order book balance remains strong and the prospects for enhancement of the order book is encouraging. Moving forward, the Oil and Gas Division continues to be robust with steady flow of income to the Group. The Group also looks forward to achieving positive development in Plantation Division.

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

Not applicable.

5. TAXATION

Taxation comprises :

	Current Qtr 31.03.2014 RM	Cumulative Current YTD 31.03.2014 RM
Current tax expense	1,438,600	1,438,600
Deferred tax expenses:		
- Origination of temporary differences	2,959,538	2,959,538
Total income tax expense	4,398,138	4,398,138

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 31.03.2014 RM	Cumulative Current YTD 31.03.2014 RM
Accounting profits before taxation	8,875,962	8,875,962
Tax at the statutory income tax rate of 25%	2,218,991	2,218,991
- Non deductible expenses	2,179,147	2,179,147
Tax Expense	4,398,138	4,398,138

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

5. TAXATION (continued)

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 :

Movement of Deferred Tax Liabilities/(Assets)

	Current Qtr 31.03.2014 RM	Cumulative Current YTD 31.03.2014 RM
At beginning of the period/year	12,751,820	12,751,820
Transfer to income statement	2,959,538	2,959,538
Translation differences	(653,114)	(653,114)
At end of the year	15,058,244	15,058,244

Recognised deferred tax assets/(liabilities)

	Assets RM	Liabilities RM	Net RM
Tax loss carry-forward	12,462,523	-	12,462,523
Taxable temporary differences	-	(18,261,574)	(18,261,574)
Employee benefits	267,249	-	267,249
Property, plant and equipment	319,993	(2,151,838)	(1,831,845)
Fair value adjustment of investment property	-	(494,140)	(494,140)
Fair value adjustment of acquisition of subsidiary	-	(2,610,777)	(2,610,777)
Derecognition of results of joint venture in MCHJV	-	(4,589,680)	(4,589,680)
Tax assets/(liabilities)	13,049,765	(28,108,009)	(15,058,244)
Set off of tax	(319,993)	319,993	-
Net tax assets/(liabilities)	12,729,772	(27,788,016)	(15,058,244)

6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 27 May 2014 (being the latest practicable date from the date of issuance of the 1st Quarter Report) except for the following :

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

6. CORPORATE PROPOSALS (continued)

On 15 January 2014, the Company announced the following corporate proposals (Collectively referred to as the “Proposals”):

- (i) proposed reduction of the issued and paid-up share capital of AZRB via the cancellation of RM0.25 of the par value of each existing ordinary share of RM0.50 each in AZRB (“Proposed Par Value Reduction”);
- (ii) proposed renounceable rights issue of up to 207,706,641 new ordinary shares of RM0.25 each in the Company (“AZRB Shares”) (“Rights Shares”) together with up to 103,853,320 free detachable warrants (“Warrants”) at an issue price of RM0.50 per Rights Share on the basis of six (6) Rights Shares together with three (3) free Warrants for every eight (8) existing AZRB Shares held after the Proposed Par Value Reduction (“Proposed Rights Issue With Warrants”);
- (iii) proposed establishment of an employees’ share scheme of up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of AZRB and its subsidiaries (“AZRB Group” or “Group”) which are not dormant at any point in time (“Proposed ESS”); and
- (iv) proposed amendments to the Company’s Memorandum and Articles of Association to facilitate the Proposed Par Value Reduction (“Proposed Amendments to M&A”).

The Proposals are subject to the following approvals being obtained:-

- (a) the approval of Bursa Securities for:-
 - (i) the admission of the Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants; and
 - (ii) the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue With Warrants as well as the new AZRB Shares to be issued pursuant to the Proposed ESS and the exercise of the Warrants on the Main Market of Bursa Securities;
- (b) the approval of shareholders of AZRB at an Extraordinary General Meeting (“EGM”) to be convened on 17 March 2014 for the Proposals;
- (c) the confirmation of the High Court of Malaya in respect of the Proposed Par Value Reduction; and
- (d) consent or approval of any other authorities and/or parties.

The Proposed Par Value Reduction and Proposed Amendments to M&A are inter-conditional upon one another but not conditional or inter-conditional upon the Proposed Rights Issue With Warrants or Proposed ESS.

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

6. CORPORATE PROPOSALS (continued)

The Proposed ESS is not conditional or inter-conditional upon the Proposed Rights Issue With Warrants. The Proposals are not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

The above Proposals were successfully implemented and completed on 16 May 2014 with the Rights Shares and Warrants listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 16 May 2014.

7. GROUP BORROWINGS AND DEBTS SECURITIES

The Group borrowings as at 31 March 2014 are as follows:

Secured	Denominated in currency	Current	Non Current	Total
		RM'000	RM'000	RM'000
Bank Overdrafts	RM	24,738	-	24,738
Trust Receipts	RM	2,930	-	2,930
Revolving Credits	RM	26,289	-	26,289
Term Loans	RM	15,341	214,215	229,556
Term Loans	USD	-	16,670	16,670
Term Loans	IDR	4	21,983	21,987
Finance Lease Liabilities	RM	4,085	6,321	10,406
Finance Lease Liabilities	IDR	105	58	163
Total		73,492	259,247	332,739

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

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

On 13 October 2010, SESB served a Writ and Statement of Claim dated 12 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 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 the sum of RM58,000,600 as special damages (“AZRB Counterclaim”).

On 19 January 2011, AZRB filed an application to strike out SESB’s Writ and Statement of Claim which was dismissed by the High Court on 17 August 2011. However, on 5 January 2012, the Court of Appeal has allowed AZRB’s appeal against the decision of the High Court on 17 August 2011 in dismissing AZRB’s striking out application of SESB’s Writ and Statement of Claim. SESB have filed their Notice of Motion for leave to appeal in the Federal Court against the decision of the Court of Appeal on 3 February 2012 and the Federal Court has on 29 April 2013 dismissed SESB’s leave to appeal accordingly. In light of the dismissal, SESB’s claim against AZRB in the High Court for the sum of RM15,246,000.00, interests and costs has now come to an end and stand dismissed.

With regards to AZRB’s Counterclaim, parties are undergoing the process of discovery. On 7 November 2013, the Court has fixed the Trial dates as follows:

- 9 to 13 June 2014
- 25 to 29 August 2014
- 27 to 31 October 2014

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

8. MATERIAL LITIGATION (continued)

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

AZRB has also been served with an application to strike out its Counterclaim by SESB and Sinohydro Corporation. Such application was allowed by the High Court on 27 March 2014. On 1 April 2014, AZRB filed Notice of Appeal at the Court of Appeal against the striking out decision. AZRB also filed stay application on 11 April 2014 to stay all the proceedings in this Suit pending the outcome of AZRB’s appeal in the Court of Appeal (“Stay Application”). On 21 April 2014, the High Court allowed AZRB’s Stay Application to stay all the proceedings pending AZRB’s appeal and also vacated the trial dates that were previously fixed. The Court of Appeal has fixed 24 June 2014 as the date for Case Management.

AZRB, in consultation with its solicitors, is of the view that AZRB has a valid case against SESB and the MCH JV Exco in its counterclaim.

(ii) **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 Al-Faisal University and the Company pertaining to Al-Faisal University Campus Development Project Phase 1 & 2 in Riyadh, Saudi Arabia. AZRB filed its statement of claim in respect of the final relief on 18 January 2012.

The hearing was held on 27 May 2012 and on 29 July 2013, the Company received notification that the Sole Arbitrator in ICC Arbitration case No. 17768/ND/MCP, AZRB Vs AFU and King Faisal Foundation (“KFF”) pertaining to the Contract (“the Arbitration”) has issued his final judgment and award. In the aforesaid final judgment and award, the Sole Arbitrator had ordered AFU and KFF to jointly and severally pay to AZRB the total amount of SAR 92,570,300 in respect of claims made by the Company in the Arbitration. The Group is now in the process of submitting this award and judgment to the local courts in Saudi Arabia for enforcement.

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD
 LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B**
8. MATERIAL LITIGATION (continued)

b) Claim or litigation brought against its subsidiary:

Multiglow Corporation Sdn Bhd (“Multiglow”) vs Ahmad Zaki Sdn Bhd (“AZSB”)

On 7 May 2014, its wholly-owned subsidiary, AZSB has been served with Writs of Summons and Statement of Claims dated 2 May 2014 by its subcontractor, Multiglow claiming for the sum of RM9,860,691.78 in relation to Kertih Polymer Park (“KPP”) Phase 1 Project (“KPP1 Project”) and KPP Phase 2 Project (“KPP2 Project”) and for the sum of RM2,722,476.33 in relation to Lebuhraya Pantai Timur Phase 2 5A Project (“LPT2 5A Project”) in Terengganu (collectively, known as “the Projects”). The High Court in Kuala Lumpur has fixed 25 June 2014 for Case Management.

AZSB contests the alleged claims and has consulted its solicitors who will defend the suits on AZSB’s behalf.

9. DIVIDEND

The Board did not recommend any dividend for the current financial period under review.

10. 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 31/03/2014	Current Quarter ended 31/03/2013	Cumulative Quarters ended 31/03/2014	Cumulative Quarters ended 31/03/2013
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	4,479,506	2,457,027	4,479,506	2,457,027
Basic				
Weighted average number of ordinary shares in issue	276,942,190	276,942,190	276,942,190	276,942,190

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

**11. STATEMENT ON REALISED AND UNREALISED RETAINED PROFITS
DISCLOSURE**

	Current financial Quarter ended 31.03.2014	As at the end of last financial year
	RM'000	RM'000
Total retained profits of Ahmad Zaki Resources Berhad and its subsidiaries		
- Realised	108,572	112,502
- Unrealised	(7,240)	(11,122)
	101,332	101,380
Total share of retained profits from associated companies		
- Realised	51	51
- Unrealised	-	-
	51	51
Total share of retained profits from jointly controlled companies		
- Realised	(288)	(254)
- Unrealised	-	-
	(288)	(254)
Less : Consolidated adjustments	(23,505)	(28,066)
Total Group retained profits as per consolidated accounts	77,590	73,111