

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 and period ended 30 June 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 30 JUNE 2014

RM	Note	2014 Current quarter ended 30 June	2013 Comparative quarter ended 30 June	2014 6 months cumulative to date	2013 6 months cumulative to date
REVENUE		171,360,280	128,625,415	325,154,779	268,870,182
OPERATING EXPENSES	1	(159,700,002)	(121,175,507)	(303,662,321)	(254,754,589)
OTHER OPERATING INCOME		93,146	1,209,444	4,160,222	2,676,445
PROFIT FROM OPERATIONS		11,753,424	8,659,352	25,652,680	16,792,038
FINANCE COSTS		(5,418,417)	(3,610,816)	(10,441,710)	(6,551,735)
INVESTING RESULTS	2	-	-	-	-
PROFIT BEFORE TAXATION		6,335,007	5,048,536	15,210,970	10,240,303
TAX EXPENSE		(3,011,588)	(3,487,238)	(7,409,726)	(6,415,673)
PROFIT FOR THE PERIOD	3	3,323,419	1,561,298	7,801,244	3,824,630
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Capital reserve		-	-	-	-
Foreign currency translation differences for foreign operations		1,399,930	1,055,150	(408,456)	2,245,148
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,723,349	2,616,448	7,392,788	6,069,778

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
 OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014**

RM	Note	2014 Current quarter ended 30 June	2013 Comparative quarter ended 30 June	2014 6 months cumulative to date	2013 6 months cumulative to date
PROFIT ATTRIBUTABLE TO :-					
		3,637,888	1,554,502	8,117,395	4,011,529
		(314,469)	6,796	(316,151)	(186,899)
PROFIT FOR THE PERIOD		3,323,419	1,561,298	7,801,244	3,824,630
COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
		4,953,173	2,613,830	7,700,739	6,261,226
		(229,824)	2,618	(307,951)	(191,448)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,723,349	2,616,448	7,392,788	6,069,778

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

Basic (sen)	1.10	0.56	2.46	1.45
Diluted (sen)	1.09	NA	2.43	NA

Note 1 - Operating Expenses

Operating expenses represents the followings:-

Cost of sales	146,062,421	106,563,031	276,161,607	226,090,702
Other operating expenses	13,637,581	14,612,476	27,500,714	28,663,887
Total	159,700,002	121,175,507	303,662,321	254,754,589

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 30 June	2013 Comparative quarter ended 30 June	2014 6 months cumulative to date	2013 6 months cumulative to date
a) Interest income	(842,023)	(644,343)	(1,498,601)	(1,289,010)
b) Other income including investment income	748,877	(565,101)	(2,661,621)	(1,387,435)
c) Interest expense	5,025,790	3,478,652	9,603,227	6,110,947
d) Depreciation and amortisation	3,957,700	3,404,155	8,348,993	6,917,797
e) Foreign exchange (gain) or loss	2,243,327	619,521	546,087	277,312

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

RM	(Not Audited) As at 30/06/2014	(Audited) As at 31/12/2013
Non-current assets		
Property, plant and equipment	77,964,171	80,897,559
Prepaid lease payment	8,179,177	8,398,951
Land held for development	9,207,365	8,958,539
Biological assets	125,771,951	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	45,648	(254,352)
Available-for-sale investments	115,500	115,500
Deferred tax assets	16,594,824	10,911,561
Trade receivable-Long term	12,438,830	11,573,208
Total non current assets	275,021,993	268,557,067
Current assets		
Inventories	8,012,106	12,314,854
Property development costs	12,400,376	11,994,798
Trade & other receivables	605,774,066	450,548,485
Current tax assets	2,338,639	4,771,079
Cash & cash deposits	162,565,612	102,840,044
Total current assets	791,090,799	582,469,260
Total assets	1,066,112,792	851,026,327
Equity attributable to equity holders of the parent		
Share capital	120,885,064	138,471,095
Reserves and treasury shares	202,543,517	75,616,563
Total equity	323,428,581	214,087,658
Minority interest	5,018,724	5,326,675
Total equity and minority interest	328,447,305	219,414,333
Non-current liabilities		
Long-term borrowings	302,105,508	230,155,175
Retirement benefits	1,440,985	1,294,851
Deferred tax	34,351,401	23,663,382
Total non-current liabilities	337,897,894	255,113,408
Current liabilities		
Short term borrowings	33,526,517	40,688,271
Current portion of long-term borrowings	19,515,985	20,036,474
Trade and other payables	338,826,446	304,451,913
Current tax liabilities	7,898,645	11,321,928
Total current liabilities	399,767,593	376,498,586
Total liabilities	737,665,487	631,611,994
Total equity and liabilities	1,066,112,792	851,026,327

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY FOR THE PERIOD ENDED 30 JUNE 2014**

RM	Attributable to owners of the Company							Non-Controlling Interests	Total Equity	
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Warrant Reserve	Capital Reserve	Retained Profits	Treasury Shares			Sub-total
Period ended 30 June 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	-	-	-	-	-	8,117,395	-	8,117,395	(316,151)	7,801,244
Foreign currency translation differences for foreign operations	-	-	(416,656)	-	-	-	-	(416,656)	8,200	(408,456)
Total comprehensive income for the period	-	-	(416,656)	-	-	8,117,395	-	7,700,739	(307,951)	7,392,788
Changes in ownership interests in subsidiary	-	-	-	-	-	-	-	-	-	-
Dividend payable by subsidiary	-	-	-	-	-	-	-	-	-	-
Total transactions with non controlling interests	-	-	-	-	-	-	-	-	-	-
Par value reduction	(69,235,547)	-	-	-	7,667,034	61,568,513	-	-	-	-
Right issue with free warrants	51,649,516	23,758,778	-	27,890,739	-	-	-	103,299,033	-	103,299,033
Dividend to owner of the Company	-	-	-	-	-	-	-	-	-	-
Right issue expenses	-	(1,658,849)	-	-	-	-	-	(1,658,849)	-	(1,658,849)
Total transactions with owners of the Company	(17,586,031)	22,099,929	-	27,890,739	7,667,034	61,568,513	-	101,640,184	-	101,640,184
Balance at the end of the period	120,885,064	22,124,565	3,090,159	27,890,739	7,667,034	142,796,807	(1,025,787)	323,428,581	5,018,724	328,447,305
Period ended 30 June 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	-	-	-	-	-	4,011,529	-	4,011,529	(186,899)	3,824,630
Foreign currency translation differences for foreign operations	-	-	2,249,697	-	-	-	-	2,249,697	(4,549)	2,245,148
Total comprehensive income for the period	-	-	2,249,697	-	-	4,011,529	-	6,261,226	(191,448)	6,069,778
Dividend payable by subsidiary	-	-	-	-	-	-	-	-	(191,400)	(191,400)
Total transactions with non controlling interests	-	-	-	-	-	-	-	-	(191,400)	(191,400)
Dividend to owner of the Company	-	-	-	-	-	(4,131,961)	-	(4,131,961)	-	(4,131,961)
Total transactions with owners of the Company	-	-	-	-	-	(4,131,961)	-	(4,131,961)	-	(4,131,961)
Balance at the end of the period	138,471,095	24,636	967,607	-	-	71,395,571	(1,025,787)	209,833,122	4,963,024	214,796,146

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	6 months ended 30 June 2014 RM	6 months ended 30 June 2013 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	15,210,970	10,240,303
Adjustments for:-		
Amortisation of prepaid land lease payments	218,573	111,940
Amortisation of biological assets	3,216,919	1,301,857
Depreciation of property, plant & equipment	4,577,229	5,504,000
Amortisation of transaction costs	336,272	-
Interest expenses	9,603,226	6,110,947
Interest revenue	(1,498,601)	(1,289,010)
Gain on disposal of property, plant & equipment	(200,478)	(897,853)
Employee benefits	54,132	-
Loss on foreign exchange -unrealised	546,087	277,312
Operating profit before working capital changes	32,064,329	21,359,496
Decrease/(Increase) in inventories	4,302,749	(1,763,584)
Increase in in amount due from customers for contract work	(134,559,289)	(19,725,624)
Increase in property development expenditure	(405,578)	(681,523)
Increase in trade and other receivables	(18,413,249)	(41,990,078)
Decrease in amount due to customers for contract work	(7,068,555)	(2,672,740)
Increase/(Decrease) in trade and other payables	40,602,897	(122,690)
Cash used in operations	(83,476,696)	(45,596,743)
Tax paid	(3,417,496)	(7,035,060)
Interest received	1,107,694	1,004,236
Interest paid	(8,976,894)	(5,938,514)
Net cash used in operating activities	(94,763,392)	(57,566,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
New planting expenditures incurred	(6,302,724)	212,671
Purchase of land held for development	(248,826)	-
Purchase of property, plant & equipment	(1,465,995)	(383,560)
Proceeds from disposal of property, plant & equipment	258,696	933,250
Investment in joint controlled entity	(300,000)	-
Net cash (used in)/ generated from investing activities	(8,058,849)	762,361
BALANCE CARRIED FORWARD	(102,822,241)	(56,803,720)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	6 months ended 30 June 2014 RM	6 months ended 30 June 2013 RM
BALANCE CARRIED DOWN	(102,822,241)	(56,803,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to ultimate holding company	(142,246)	(50,095)
Repayment to related companies	(3,131,595)	(524,126)
Decrease in pledged fixed deposits	(609,315)	399,215
Proceeds from issuance of shares	101,640,184	-
Proceeds from trust receipts/revolving credits	11,122,893	18,240,448
Repayment of trust receipts/revolving credits	(10,419,661)	(4,177,938)
Payment for finance lease liabilities	(2,010,523)	(2,901,755)
Term loan drawdown	81,703,512	52,279,418
Term loan repayment	(7,553,790)	(22,909,636)
Net cash generated from financing activities	170,599,459	40,355,531
Effects of exchange difference on cash & cash equivalents	(795,979)	2,453,399
Net decrease in cash and cash equivalents	67,777,218	(16,448,189)
Cash and cash equivalents at beginning of the year	40,639,274	15,946,953
Cash and cash equivalents at end of the period	107,620,513	1,952,163
Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts :-		
Cash and bank balances	110,286,071	22,995,725
Cash deposits with licensed banks	52,279,541	68,778,977
Bank overdrafts	(9,699,083)	(27,378,371)
Less: Pledged fixed deposits	(45,246,016)	(62,444,168)
	107,620,513	1,952,163

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 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 30 June 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

Coporate Proposals

During the quarter under review, the Company has completed the following exercises pertaining to its equity shares:

- (i) cancellation of RM0.25 of its par value of each existing ordinary share of RM0.50 each in AZRB (“Proposed Par Value Reduction”);
- (ii) a total issue of 206,598,066 new ordinary shares of RM0.25 each (“Rights Shares”) together with 103,853,320 free detachable warrants (“Warrants”) at an exercise price of RM0.70 each in the Company pursuant its Rights issue exercise 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”). The Rights Shares and Warrants were listed on the Main Market of Bursa Malaysia on 16 May 2014.

Treasury Shares

There was no share buyback exercise during the financial quarter under review. The total treasury shares as at 30 June 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 .

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

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
30-Jun-14	RM	RM	RM	RM	RM	RM
REVENUE						
External revenue	296,909,689	20,567,437	2,605,055	5,072,598	-	325,154,779
Inter – segment revenue	-	4,169,864	-	-	(4,169,864)	-
Total revenue	296,909,689	24,737,301	2,605,055	5,072,598	(4,169,864)	325,154,779
RESULT						
Segment results	28,612,852	6,906,894	(12,457,837)	(7,850,939)	-	15,210,970
Interest income	1,173,587	59,403	4,906	260,705	-	1,498,601
Interest expenses	(6,037,844)	(27,014)	(1,517,698)	(2,020,671)	-	(9,603,227)
Non cash expenses Note (i)	19,716	-	(3,768,291)	(889,290)	320,014	(4,317,851)
Depreciation	(2,895,915)	(520,865)	(676,042)	(484,407)	-	(4,577,229)

	RM	RM	RM	RM	RM	RM
30-Jun-13						
REVENUE						
External revenue	234,975,130	29,110,020	1,733,746	3,051,286	-	268,870,182
Inter – segment revenue	-	4,232,052	-	-	(4,232,052)	-
Total revenue	234,975,130	33,342,072	1,733,746	3,051,286	(4,232,052)	268,870,182
RESULT						
Segment results	14,508,014	11,906,703	(8,386,642)	(7,787,772)	-	10,240,303
Interest income	1,212,965	37,147	674	38,224	-	1,289,010
Interest expenses	(3,551,103)	(38,670)	(227,033)	(2,294,141)	-	(6,110,947)
Non cash expenses Note (i)	(648,824)	-	(1,410,325)	(4,131)	372,171	(1,691,109)
Depreciation	(4,077,866)	(508,040)	(481,127)	(436,967)	-	(5,504,000)

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

9. SEGMENT REPORTING (continued)

Note (i) : Non cash expenses	Group	
	2014 RM	2013 RM
Amortisation of planting expenditures	3,216,919	1,301,857
Amortisation of prepaid land lease payments	218,573	111,940
Amortisation of transaction costs	336,272	-
Loss on foreign exchange -unrealised	546,087	277,312
	4,317,851	1,691,109

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 26 August 2014 (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 other than the followings:.

- (i) On 23 July 2014, Ahmad Zaki Sdn Bhd a wholly owned subsidiary of AZRB has received a Letter of Award from Putrajaya Resources Sdn Bhd (“the Award”) for a project known as “The Proposed Construction and Completion of 2 Blocks of Office Buildings, Retails Spaces and External Works on Plots Z1 and Z2, 3 levels of Basement Parking and Access Road on Plots Z1, Z2, Z3 and Z4; and Upgrading Works to Jalan Alamanda with Associated Infrastructures and Landscaping Works at Precinct 1, Wilayah Persekutuan Putrajaya (“the Works”). The Award for the Works amounts to a total value of RM185,143,496.51 with a contractual period of 28 months commencing from the date of site possession.
- (ii) On 11 August 2014, AZRB has entered into a Supplemental Agreement with the other parties of Malaysian-China Hydro Joint Venture (“MCH JV”) where each of the parties to the MCH JV has agreed to release, waive, relinquish, withdraw and discharge any and all claims, actions, causes of actions, obligations, liabilities, judgments, orders and demands whatsoever nature whether known or unknown, related to and/or arising out of the MCHJV and/or the CW2 Contract which it had instituted or may now have or may hereafter have against each other in accordance with and subject to the terms under the Supplemental Agreement.

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

11. SUBSEQUENT EVENTS (continued)

- (iii) On 19 August 2014, AZRB has submitted all the necessary documents to Bursa Securities for the implementation of the Employees' Share Scheme of up to 15% of its paid up share capital which takes effect on 18 August 2014.

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 :

(i) 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 quarter under review.

(ii) Incorporation of jointly controlled entity, Salcon MMCB AZSB JV Sdn Bhd

On 17 April 2014, the Group formed a jointly controlled entity with Salcon Berhad and MMC Corporation Berhad, namely Salcon MMCB AZSB JV Sdn Bhd to undertake 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.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any material contingent liabilities as at 26 August 2014 (being the latest practicable date from the date of issuance of the 2nd 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 6 months cumulative to date RM	2013 6 months cumulative to date 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	4,260,834	3,459,523
- Chuan Huat Hardware Sdn Bhd	256,266	1,043,716
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	17,260	135,807
- Kemaman Quarry Sdn Bhd	-	111,410
Non-Trade		
Administrative service charged by Zaki Holdings (M) Sdn Bhd	60,000	60,000
Insurance premium paid and payable to Zaki Holdings (M) Sdn Bhd	463,340	471,671
Accommodation charges paid and payable to Residence Inn & Motels Sdn Bhd	6,765	21,289
Rental paid/payable to Dato' Sri Haji Wan Zaki bin Haji Wan Muda	36,000	18,000

**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 the preceding year's period by RM56 million or 21% with pre-tax profit improved by RM5 million (49%). This was mainly attributable to better margin projects that achieved higher progress rate under its Construction Division during the period under review.

Overall, the balance order book in Construction Division stood at **RM2,088 million** mainly comprising Completion of the Remaining Works of Lebuhraya Pantai Timur Project, Phase 2, Terengganu [Package 2: From CH15100.00 to CH26100.00] (**RM31 million**), The Proposed Development of International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang through Private Finance Initiative (**RM255 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 (**RM357 million**), 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 (**RM642 million**), The Design and Build Students Accommodation Complex at University Technology Malaysia, Jalan Semarak, Kuala Lumpur (**RM165 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 (**RM155 million**), The Proposed Construction and Completion of 2 Blocks of Office Buildings, Retails Spaces and External Works on Plots Z1 and Z2, 3 levels of Basement Parking and Access Road on Plots Z1, Z2, Z3 and Z4; and Upgrading Works to Jalan Alamanda with Associated Infrastructures and Landscaping Works at Precinct 1, Wilayah Persekutuan Putrajaya (**RM185 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	171,360	153,794	17,566
Profit before tax	6,335	8,876	(2,541)

On a quarter to quarter basis, the Group's revenue improved with higher progress achieved by Construction operation whilst lower pre-tax profit was affected by higher loss posted by Plantation operation mainly due to foreign exchange loss arising from retranslation of borrowings in USD in the current quarter as compared to foreign exchange gain in preceding quarter.

**PART B :EXPLANATORY NOTES TO BURSA MALAYSIA SECURITIES BERHAD
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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 30.06.2014 RM	Cumulative Current YTD 30.06.2014 RM
Current tax expense	1,085,526	2,524,126
Deferred tax expenses:		
- Origination of temporary differences	1,926,062	4,885,600
Total income tax expense	3,011,588	7,409,726

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 30.06.2014 RM	Cumulative Current YTD 30.06.2014 RM
Accounting profits before taxation	6,335,007	15,210,970
Tax at the statutory income tax rate of 25%	1,583,752	3,802,743
- Non deductible expenses	1,427,836	3,606,983
Tax Expense	3,011,588	7,409,726

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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 30.06.2014 RM	Cumulative Current YTD 30.06.2014 RM
At beginning of the period/year	15,058,244	12,751,820
Transfer to income statement	1,926,062	4,885,600
Translation differences	772,271	119,157
At end of the period	17,756,577	17,756,577

Recognised deferred tax assets/(liabilities)

	Assets RM	Liabilities RM	Net RM
Tax loss carry-forward	16,327,575	-	16,327,575
Taxable temporary differences	-	(24,824,960)	(24,824,960)
Employee benefits	267,249	-	267,249
Property, plant and equipment	319,993	(2,151,837)	(1,831,844)
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)	16,914,817	(34,671,394)	(17,756,577)
Set off of tax	(319,993)	319,993	-
Net tax assets/(liabilities)	16,594,824	(34,351,401)	(17,756,577)

6. CORPORATE PROPOSALS

- (a) There are no corporate proposals which have been announced by the Company but not completed as at 26 August 2014 (being the latest practicable date from the date of issuance of the 2nd Quarter Report).

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6. CORPORATE PROPOSALS (continued)

- (b) On 16 May 2014, the Company has completed a total rights issue of 206,598,066 new ordinary shares of RM0.25 each (“Rights Shares”) together with 103,853,320 free detachable warrants (“Warrants”) at an exercise price of RM0.70 each in the Company 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”).

As at 30 June 2014, the status of utilisation of the proceeds raised from the above corporate exercise are as follows:

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation Amount (RM'000)	Explanations
(a)	Funding of projects	74,446	13,545	Within 18 months	NA	Not yet fully utilised
(b)	Repayment of borrowings	15,000	15,000	Within 6 months	-	Completed
(c)	Working capital	12,053	12,000	Within 12 months	NA	Not yet fully utilised
(d)	Estimated expenses	1,800	1,616	Within 6 months	NA	Not yet fully utilised
	Total	103,299	42,161			

7. GROUP BORROWINGS AND DEBTS SECURITIES

The Group borrowings as at 30 June 2014 are as follows:

Secured	Denominated in currency	Current	Non Current	Total
		RM'000	RM'000	RM'000
Bank Overdrafts	RM	9,699	-	9,699
Trust Receipts	RM	5,491	-	5,491
Revolving Credits	RM	18,337	-	18,337
Term Loans	RM	15,447	242,223	257,670
Term Loans	USD	-	33,535	33,535
Term Loans	IDR	4	20,492	20,496
Finance Lease Liabilities	RM	3,985	5,810	9,795
Finance Lease Liabilities	IDR	80	45	125
Total		53,043	302,105	355,148

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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

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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 21 August 2014 as the date for Case Management. On 11 August 2014, a Supplemental Agreement was executed between the Parties and in effect the matter is being settled amicably. On 21 August 2014, AZRB’s solicitors has updated the Court on the Supplemental Agreement and filed Notice of Discontinuance for its respective Striking Out appeals against SESB and Sinohydro Corporation.

(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.

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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.

(i) Multiglow Corporation Sdn Bhd vs Ahmad Zaki Sdn Bhd (KPP1 & KPP2 Projects)

The Registrar has fixed 7 and 8 October 2014 for Trial and 2 September 2014 for Case Management while the Parties are in the midst of resolving the matter through Mediation which is fixed on 26 August 2014.

(ii) Multiglow Corporation Sdn Bhd vs Ahmad Zaki Sdn Bhd (LPT2 5A Project)

The Registrar has fixed 19 and 20 January 2015 for Trial and 2 September 2014 for Case Management while the Parties are in the midst of resolving the matter through Mediation which is fixed on 26 August 2014.

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 while diluted earnings per share was calculated based the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

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10. EARNINGS PER SHARE (continued)

	Current Quarter ended 30/06/2014	Current Quarter ended 30/06/2013	Cumulative Quarter ended 30/06/2014	Cumulative Quarter ended 30/06/2013
	RM	RM	RM	RM
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,637,888	1,554,502	8,117,395	4,011,529
Basic				
Weighted average number of ordinary shares in issue	329,447,775	276,942,190	329,447,775	276,942,190
Diluted				
Weighted average number of ordinary shares in issue	329,447,775	276,942,190	329,447,775	276,942,190
Effects of dilution resulting from unexercised warrants on issue	4,245,166	-	4,245,166	-
Adjusted weighted average number of ordinary shares in issue and issuable	333,692,941	276,942,190	333,692,941	276,942,190

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

	Current financial Quarter ended 30.06.2014	As at the end of last financial year
	RM'000	RM'000
Total retained profits of Ahmad Zaki Resources Berhad and its subsidiaries		
- Realised	178,518	112,502
- Unrealised	(12,182)	(11,122)
	166,336	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	(23,302)	(28,066)
Total Group retained profits as per consolidated accounts	142,797	73,111