AHMAD ZAKI RESOURCES BERHAD (432768-X)
INCORPORATED IN MALAYSIA
QUARTERLY REPORT ON THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2018

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 2018. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

RM'000	Note	2018 Current quarter ended 30 June	2017 Comparative quarter ended 30 June	2018 6 months cumulative to date	2017 6 months cumulative to date
REVENUE		339,698	237,479	643,834	487,665
OPERATING EXPENSES	1	(335,540)	(221,340)	(629,877)	(462,334)
OTHER OPERATING INCOME		15,544	17,499	31,352	32,336
PROFIT FROM OPERATIONS		19,702	33,638	45,309	57,667
FINANCE COSTS		(16,064)	(11,921)	(29,059)	(29,171)
PROFIT BEFORE TAXATION		3,638	21,717	16,250	28,496
TAX EXPENSE		(1,305)	(6,260)	(5,687)	(7,946)
PROFIT FOR THE PERIOD	2	2,333	15,457	10,563	20,550
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Foreign currency translation differences for foreign operations		4,237	4,421	7,615	6,181
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,570	19,878	18,178	26,731
PROFIT ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		5,306	15,839	14,438	21,954
NON-CONTROLLING INTEREST		(2,973)	(382)	(3,875)	(1,404)
PROFIT FOR THE PERIOD		2,333	15,457	10,563	20,550

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

RM'000	**2018 Current quarter ended 30 June**	**2017 Comparative quarter ended 30 June**	**2018 6 months cumulative to date**	**2017 6 months cumulative to date**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	9,377	20,047	21,663	27,826
NON-CONTROLLING INTERESTS	(2,807)	(169)	(3,485)	(1,095)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,570	19,878	18,178	26,731
EARNINGS PER SHARE (SEN) ATTRIBUTABLE TO OWNERS OF THE COMPANY:				
Basic (sen)	1.00	3.04	2.72	4.37
Diluted (sen)	0.98	2.88	2.67	4.13

Note 1 - Operating Expenses

Operating expenses represents the following:				
Cost of sales	299,182	194,274	561,197	414,805
Other operating expenses	36,358	27,066	68,680	47,529
TOTAL	**335,540**	**221,340**	**629,877**	**462,334**

Note 2 - Profit is arrived at after charging/ (crediting) the following items:

a) Interest income	(912)	(1,048)	(1,981)	(1,659)
b) Accretion of fair value of non-current receivables	(14,314)	(17,524)	(28,669)	(28,984)
c) Interest expense	16,064	11,164	29,059	26,383
d) Depreciation and amortisation	5,455	5,574	10,910	11,332
e) Employee share scheme expenses	-	-	678	1,700
f) Loss/(Gain) on foreign exchange - unrealised	13,799	(324)	18,232	(2,439)

AHMAD ZAKI RESOURCES BERHAD (432768-X)
INCORPORATED IN MALAYSIA
QUARTERLY REPORT ON THE SECOND QUARTER AND PERIOD ENDED
30 JUNE 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

RM '000	(Unaudited) As at 30/06/2018	(Restated) As at 31/12/2017	(Restated) As at 1/1/2017
Non-current assets			
Property, plant and equipment	319,429	306,324	284,258
Prepaid lease payment	23,453	23,869	20,860
Land held for development	36,130	36,130	38,630
Biological assets	208,315	198,665	173,055
Intangible assets	21,798	22,620	41,060
Concession service assets	1,040,467	829,873	398,071
Goodwill	41,781	41,781	36,490
Investments in associates	165	165	165
Interest in joint ventures	34	34	34
Available-for-sale investments	116	116	116
Deferred tax assets	25,991	27,294	22,712
Trade and other receivables	698,365	625,536	704,236
Total non-current assets	**2,416,044**	**2,112,407**	**1,719,687**
Current assets			
Inventories	18,930	19,240	12,222
Property development cost	27,144	15,843	19,366
Trade and other receivables	821,715	798,537	786,517
Current tax assets	11,214	10,898	11,782
Other investment	682,289	699,510	823,856
Cash and deposits	254,698	281,338	190,052
Total current assets	**1,815,990**	**1,825,366**	**1,843,795**
TOTAL ASSETS	**4,232,034**	**3,937,773**	**3,563,482**
Equity			
Share capital	197,536	197,478	120,885
Reserves	270,359	248,018	243,537
Equity attributable to owners of the Company	**467,895**	**445,496**	**364,422**
Minority interest	13,456	16,941	23,431
TOTAL EQUITY	**481,351**	**462,437**	**387,853**
Non-current liabilities			
Loans and borrowings	2,256,647	2,171,467	2,000,353
Employee benefits	3,251	3,029	2,836
Deferred tax liabilities	76,845	77,114	74,785
Trade and other payables	116,217	116,217	57,800
Total non-current liabilities	**2,452,960**	**2,367,827**	**2,135,774**
Current liabilities			
Loans and borrowings	238,563	257,260	187,424
Trade and other payables	1,041,639	831,187	852,127
Current tax liabilities	17,521	19,062	304
Total current liabilities	**1,297,723**	**1,107,509**	**1,039,855**
TOTAL LIABILITIES	**3,750,683**	**3,475,336**	**3,175,629**
TOTAL EQUITY AND LIABILITIES	**4,232,034**	**3,937,773**	**3,563,482**

AHMAD ZAKI RESOURCES BERHAD (432768-X)
INCORPORATED IN MALAYSIA
QUARTERLY REPORT ON THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Attributable to the owners of the Company										
RM'000	**Share Capital**	**Share Premium**	**Foreign Exchange Translation Reserve**	**Employee Share Scheme Reserve**	**Warrant Reserve**	**Capital Reserve**	**Retained Profits**	**Treasury Shares**	**Subtotal**	**Non Controlling Interests**	**Total Equity**
Period ended 30 June 2018											
Balance at the beginning of the period	**197,478**	**-**	**20,284**	**1,000**	**27,889**	**-**	**200,105**	**(1,026)**	**445,730**	**16,941**	**462,671**
MFRS adoption	-	-	(8,753)	-	-	-	8,519	-	(234)	-	(234)
Restated	**197,478**	**-**	**11,531**	**1,000**	**27,889**	**-**	**208,624**	**(1,026)**	**445,496**	**16,941**	**462,437**
Movement during the period:											
Profit/(Loss) for the period	-	-	-	-	-	-	14,438	-	14,438	(3,875)	10,563
Foreign currency translation differences for foreign operations	-	-	7,225	-	-	-	-	-	7,225	390	7,615
Total comprehensive income/(loss) for the period	**-**	**-**	**7,225**	**-**	**-**	**-**	**14,438**	**-**	**21,663**	**(3,485)**	**18,178**
Employee share scheme expenses	-	-	-	678	-	-	-	-	678	-	678
Issuance of ordinary shares net of expenses	58	-	-	-	-	-	-	-	58	-	58
Total transactions with owners of the Company	**58**	**-**	**-**	**678**	**-**	**-**	**-**	**-**	**736**	**-**	**736**
Balance at the end of the period	**197,536**	**-**	**18,756**	**1,678**	**27,889**	**-**	**223,062**	**(1,026)**	**467,895**	**13,456**	**481,351**
Period ended 30 June 2017											
Balance at the beginning of the period	**120,885**	**21,889**	**8,753**	**-**	**27,891**	**7,667**	**178,857**	**(1,026)**	**364,916**	**23,431**	**388,347**
Movement during the period:											
Profit/(Loss) for the period	-	-	-	-	-	-	21,954	-	21,954	(1,404)	20,550
Foreign currency translation differences for foreign operations	-	-	5,872	-	-	-	-	-	5,872	309	6,181
Total comprehensive income/(loss) for the period	**-**	**-**	**5,872**	**-**	**-**	**-**	**21,954**	**-**	**27,826**	**(1,095)**	**26,731**
Employee share scheme expenses	-	-	-	1,700	-	-	-	-	1,700	-	1,700
Issuance of ordinary shares	47,029	-	-	-	-	-	-	-	47,029	-	47,029
Total transactions with owners of the Company	**47,029**	**-**	**-**	**1,700**	**-**	**-**	**-**	**-**	**48,729**	**-**	**48,729**
Balance at the end of the period	**167,914**	**21,889**	**14,625**	**1,700**	**27,891**	**7,667**	**200,811**	**(1,026)**	**441,471**	**22,336**	**463,807**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

RM '000	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,250	28,496
Adjustments for:		
Amortisation of prepaid land lease payments	181	1,712
Amortisation of intangible assets	845	-
Amortisation of biological assets	3,036	3,429
Depreciation of property, plant and equipment	6,848	6,191
Accretion of non-current receivables	(28,669)	(28,984)
Property, plant and equipment written off	129	-
Interest expenses	29,059	26,383
Interest income	(1,981)	(1,659)
Gain on disposal of property, plant and equipment	(103)	(32)
Employee share scheme expenses	678	1,700
Employee benefits	342	131
Loss/(Gain) on foreign exchange - unrealised	18,232	(2,439)
Operating profit before working capital changes	**44,847**	**34,928**
Decrease/(Increase) in inventories	310	(11,013)
(Increase)/Decrease in property development expenditure	(11,301)	8,153
Increase in concession service assets	(210,594)	(164,120)
(Increase)/Decrease in trade and other receivables	(49,905)	174,090
Increase/(Decrease) in trade and other payables	212,281	(197,250)
Cash used in operations	**(14,362)**	**(155,212)**
Tax paid	(6,510)	(4,651)
Interest received	1,981	1,659
Interest paid	(29,059)	(59,383)
Net cash used in operating activities	**(47,950)**	**(217,587)**
CASH FLOWS FROM INVESTING ACTIVITIES		
New planting expenditures incurred	(12,686)	(15,300)
Purchase of leasehold land	-	(6,829)
Withdrawal of other investment	-	60,668
Purchase of property, plant and equipment	(20,063)	(11,852)
Proceeds from disposal of property, plant and equipment	84	-
Net cash (used in)/generated from investing activities	**(32,665)**	**26,687**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

RM '000	6 months ended 30 June 2018	6 months ended 30 June 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged fixed deposits	(266)	(6,194)
Proceeds of trust receipts/revolving credits	30,097	55,667
Repayment of trust receipts/revolving credits	(24,036)	(24,707)
Payment for finance lease liabilities	(5,758)	(5,789)
Term loan drawdown	292,384	280,648
Term loan repayment	(244,436)	(47,227)
Issuance of new share capital	58	47,029
Net cash generated from financing activities	**48,043**	**299,427**
Net (decrease)/increase in cash and cash equivalents	(32,572)	108,527
Effects of exchange difference on cash and cash equivalents	(271)	8,548
Cash and cash equivalents at beginning of the period	202,706	115,289
Cash and cash equivalents at end of the period	**169,863**	**232,364**
Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts:		
Cash and bank balances	190,384	256,739
Cash deposits with licensed banks	64,314	56,167
Bank overdrafts	(34,506)	(24,413)
Less: Pledged fixed deposits	(50,329)	(56,129)
	169,863	**232,364**

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 2017 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 financial year ended 31 December 2017.

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 2017 audited financial statements as well as those mandatory new/revised standards that take effects on annual financial period commencing on and after 1 January 2018. Adoption of amendments to Standards and Annual Improvements to Standards are as follows:

1. MFRS 15 - Revenue from Contracts with Customers (effective on and after 1 January 2018)
2. MFRS 9 - Financial Instruments (effective on and after 1 January 2018)
3. MFRS 141 - Agriculture (effective upon the adoption of MFRS framework)
4. MFRS 116 - Property, Plant & Equipment (effective upon the adoption of MFRS framework)
5. MFRS 121 - The Effects of Changes in Foreign Exchange Rates (effective upon the adoption of MFRS framework)
6. Annual Improvements to MFRS Standards 2014 - 2016 Cycle (effective on and after 1 January 2018)

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

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, except as mentioned below:

Transition from FRS 116 to MFRS 116 - Property, Plant & Equipment

The impact of transition from FRS 116 to MFRS 116 summarised as follows:

	01/01/2017 RM'000	**31/12/2017 RM'000**
Impact on Statement of Financial Position	**(Ct)/Dt**	**(Ct)/Dt**
Retained earnings	494	234
Property, Plant & Equipment	(806)	(546)
Deferred tax liabilities	312	312
Impact on the Statement Profit or Loss for the year ended 31/12/2017		
Depreciation	-	260

MFRS 121 - The Effects of Changes in Foreign Exchange Rates

	31.12.2017 RM'000
Impact on Statement of Changes in Equity	**(Ct)/Dt**
Retained earnings	(8,753)
Foreign exchange translation reserve	8,753

3. STATUS OF FINANCIAL STATEMENTS QUALIFICATION

The auditors' report on preceding audited financial statements for the year ended 31 December 2017 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.

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

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 2018.

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.

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 30 June 2018 comprise 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.

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.

	Engineering & Construction RM'000	Concession RM'000	Oil & Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
30/06/2018								
REVENUE								
External revenue	534,967	17,581	25,581	57,268	8,437	-	-	643,834
Inter-segment revenue	552	-	1,312	-	-	7,316	(9,180)	-
Total revenue	**535,519**	**17,581**	**26,893**	**57,268**	**8,437**	**7,316**	**(9,180)**	**643,834**
RESULTS								
Segment results	29,906	25,506	(2,007)	(23,388)	689	(15,055)	599	16,250
Interest income	1,648	119	3	11	20	180	-	1,981
Interest expenses	(6,566)	(11,582)	(2,206)	(3,948)	(626)	(4,730)	599	(29,059)
Non cash expenses (note i)	-	28,669	(845)	(21,791)	-	-	-	6,033
Depreciation	(2,296)	-	(1,955)	(2,048)	(267)	(282)	-	(6,848)
30/06/2017								
REVENUE								
External revenue	424,901	15,970	22,080	21,437	3,277	-	-	487,665
Inter-segment revenue	-	-	-	-	-	3,408	(3,408)	-
Total revenue	**424,901**	**15,970**	**22,080**	**21,437**	**3,277**	**3,408**	**(3,408)**	**487,665**
RESULTS								
Segment results	27,289	26,211	1,462	(10,665)	(1,049)	(14,752)	-	28,496
Interest income	1,542	48	4	12	13	40	-	1,659
Interest expenses	(4,389)	(12,709)	(1,444)	(4,972)	(217)	(2,652)	-	(26,383)
Non cash expenses (note i)	-	28,984	-	(2,833)	-	-	-	26,151
Depreciation	(3,520)	(3)	(1,534)	(487)	(247)	(400)	-	(6,191)

Note (i): Non cash income/(expenses)

	30/06/2018 RM'000	30/06/2017 RM'000
Amortisation of planting expenditures	(3,036)	(3,429)
Amortisation of prepaid land lease payments	(181)	(1,712)
Amortisation of intangible assets	(845)	-
Employee benefit expenses	(342)	(131)
Accretion of non-current receivables	28,669	28,984
(Loss)/Gain on foreign exchange-unrealised	(18,232)	2,439
	6,033	26,151

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

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 29 August 2018 (being the latest practicable date from the date of issuance of the 2nd Quarter Report) that has not been reflected in the financial statements for the current quarter and financial year.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Ahmad Zaki Saudi Arabia ("AZSR") a subsidiary of Ahmad Zaki Resources Berhad ("AZRB"), is currently undergoing a tax review with the General Authority of Zakat & Tax of Saudi Arabia ("DZIT") for additional back taxes. Upon consulting its appointed solicitors, AZRB is of the view that there are strong grounds to disagree with the DZIT and has submitted the necessary supporting documents, and are confident of a favourable outcome.

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

14. SIGNIFICANT RELATED PARTY 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:

	2018 6 months cumulative to date RM'000	**2017 6 months cumulative to date RM'000**
Trade		
Purchases from following subsidiaries of Chuan Huat Resources Berhad, a company in which Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest:		
- Chuan Huat Industrial Marketing Sdn Bhd	18,694	8,814
- Chuan Huat Hardware Sdn Bhd	533	251
Purchases from following companies, in which Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:		
- QMC Sdn Bhd	812	5,856
- Kemaman Quarry Sdn Bhd	-	51
Sales to following company, in which Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda has substantial financial interest and is also a director:		
- Kemaman Quarry Sdn Bhd	(74)	-
Non-Trade		
Administrative service charged by Zaki Holdings (M) Sdn Bhd	53	63
Insurance premium paid and payable to Zaki Holdings (M) Sdn Bhd	358	658
Rental paid/payable to Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	239	874
Rental paid/payable to Zaki Holdings (M) Sdn Bhd	50	50
Security services charges paid to MIM Protection Sdn Bhd	1,932	1,451

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

1. REVIEW OF PERFORMANCE

The Group posted RM339.7 million of revenue for the quarter ended 30 June 2018 (2Q18), an increase of 43.0% from RM237.5 million recorded in the previous corresponding quarter. Similarly, the Group's recorded revenue of RM643.8 million for the six-month period ended 30 June 2018 (6M18), increasing by 32.0% from RM487.7 million recorded in the corresponding period of last year. Higher revenue was attributed to improved operations across all divisions, mainly the Engineering & Construction, Plantation, and Property Divisions.

However, the Group's pre-tax profit decreased to RM3.6 million against RM21.7 million recorded in 2Q17. Pre-tax profit was largely impacted by unrealised foreign exchange ("forex") losses in the Plantation Division, which negated higher income contribution from the Engineering & Construction Division. Consequently, the Group's cumulative pre-tax profit dropped by 43.0% to RM16.3 million compared against RM28.5 million from last year.

Adjusting for the impact of unrealised forex results, the Group's pre-tax profit can be analysed as follows:

	2018 6 months cumulative to date RM'000	**2017 6 months cumulative to date RM'000**	**Diff +/(-) RM'000**
OPERATING EXPENSES	(611,645)	(464,773)	(146,872)
PROFIT BEFORE TAX	34,482	26,057	8,425

After negating the impact of unrealized forex adjustments on the Group's operating expenses, cumulative pre-tax profit improved markedly by 32.3% from last year, signifying an improvement primarily within the Engineering & Construction and Plantation Divisions. In-line with revenue, the Engineering & Construction, Plantation, and Property Divisions were the main contributors to the Group's healthier operational results.

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

1. REVIEW OF PERFORMANCE (continued)

Engineering & Construction

For the quarter under review, the Division recorded RM287.6 million of revenue, an increase of 46.4% compared against RM196.5 million in the previous corresponding quarter. For 6M18, the Division achieved RM535.0 million of revenue, an increase of 25.9% compared against the corresponding period last year of RM424.9 million. The increase was mainly due to higher progress billings from the Division's on-going construction projects.

In-line with the increase in revenue, the Division recorded a pre-tax profit of RM17.1 million, an increase of 1.8% compared against the previous corresponding quarter of RM16.8 million. The Division's cumulative pre-tax profit was RM29.9 million, against RM27.3 million recorded during the same period of last year.

Concession

The Concession Division currently derives its income from the facilities management of International Islamic University Malaysia ("IIUM") Medical Centre in Kuantan, Pahang. The Division recorded RM8.7 million of revenue in 2Q18, an increase of 10.1% compared against RM7.9 million registered in 2Q17. This brought cumulative revenue for the Division to RM17.6 million against RM16.0 million last year. For 6M18, the Division's pre-tax profit was slightly lower at RM25.5 million against RM26.2 million in 6M17, due to higher operational costs.

Oil and Gas

The Division recorded RM14.1 million of revenue in 2Q18, rising by 8.5% from RM13.0 million in the same quarter of last year. Higher revenue was mainly due to higher bunkering activities at both the Division's Kemaman Supply Base and Tok Bali Supply Base ("TBSB"). Similarly, revenue for 6M18 jumped 15.8% to RM25.6 million from RM22.1 million during the same period last year.

Despite the higher revenue, the Division recorded a pre-tax loss due to the continued losses at TBSB as the supply base has yet to reach its optimal level of operation. The Division recorded RM1.5 million of pre-tax loss in 2Q18, compared against a pre-tax profit of RM2.1 million in 2Q17. For 6M18, the Division cumulatively recorded a pre-tax loss of RM2.0 million compared against a pre-tax profit in 6M17 of RM1.5 million.

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

1. REVIEW OF PERFORMANCE (continued)

Plantation

For the current quarter, the Plantation Division's revenue increased by 39.4% to RM25.1 million from RM18.0 million in the previous corresponding quarter. As a result, the Division recorded a cumulative revenue of RM57.3 million, versus RM21.4 million for the same period last year. Higher sales of palm products accounted for the significant jump in revenue. This comes despite the lower traded prices of palm products in 2018. The Division sold approximately 22,488MT of crude palm oil ("CPO") and 5,001MT of palm kernel in 6M18. As a comparison, CPO and palm kernel sold in 6M17 were 6,013MT and 1,705MT, respectively.

Results of the Division were severely affected by the significant weakening of the Indonesian Rupiah against the US Dollar. This resulted in the Division recognising a significant forex loss of RM18.2 million in 6M18, versus a forex gain of RM2.4 million in the previous corresponding period.

After removing the effects of unrealised forex adjustments, the Divisions' results can be further analysed as follows:

	Q2 2018 Current Quarter RM'000	Q2 2017 Comparative Quarter RM'000	2018 6 months cumulative to date RM'000	2017 6 months cumulative to date RM'000
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION ("EBITDA")	1,342	(2,825)	3,865	(4,228)
LOSS BEFORE INTEREST & TAX	(1,192)	(4,802)	(1,219)	(8,144)

Excluding forex and interest adjustments, the Division has significantly narrowed operational losses by 75.3% against the same quarter last year, and by 85.0% cumulatively. Despite lower global palm product prices, the Division has shown marked improvement in all operational aspects, mainly better oil palm yields which had a positive impact on the production of palm products.

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

1. REVIEW OF PERFORMANCE (continued)

Property

Property Division which currently derives its income from the development in Paka, Terengganu, recorded significantly higher revenue growth for the quarter under review. In 2Q18, the Division registered RM4.3 million of revenue compared against RM2.1 million in 2Q17. For 6M18, the Division's revenue growth more than doubled to RM8.4 million from RM3.3 million for the same period last year.

In tandem with higher revenue growth, the Division recorded RM0.3 million of pre-tax profit in 2Q18 against pre-tax loss of RM0.6 million recorded in the previous corresponding quarter. Cumulatively, the Division recorded RM0.7 million pre-tax profit against previous pre-tax loss of RM1.0 million.

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

	Current Quarter (Q2 2018) RM'000	Previous Quarter (Q1 2018) RM'000	Diff +/(-) RM'000
REVENUE	339,698	304,136	35,562
PROFIT BEFORE TAX ("PBT")	3,638	12,612	(8,974)
PBT EXCLUDING UNREALISED FOREX ADJUSTMENT	17,437	17,045	392

The Group recorded RM339.7 million of revenue in 2Q18, an increase of 11.7% from RM304.1 million recognised for the quarter ended 31 March 2018 (1Q18), mainly due to improved revenue from the Engineering & Construction as well as Oil & Gas Divisions.

Despite this, pre-tax profit for the quarter under review fell by 71.2% to RM3.6 million, versus RM12.6 million in 1Q18. Lower profit was mainly attributable to unrealised forex exchange loss at the Plantation Division. Factoring out the impact of unrealised forex losses in 2018, the Group had been consistently growing its profits in tandem with the results of the preceeding quarter.

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

3. PROSPECTS

Engineering and Construction

For the year-to-date, the Engineering & Construction Division has secured a contract from PNB Merdeka Ventures for infrastructure works amounting to RM197.9 million for a period of two and a half years. Currently, the Group is sitting on RM3.5 billion of outstanding order book as at 30 June 2018. These on-going projects are expected to be completed within the next three to four years.

The Government is currently reviewing all major projects within the country. Nevertheless, the Group believes that the industry will re-gain its momentum as the Government is currently prioritizing on small-scale and value-for-money projects. In addition, the exemption of Sales and Service Tax ("SST") for construction services and building materials are expected to provide some cushion on depressing profit margins.

Moving forward, the Group will continue to participate in any potential profitable projects for job replenishment and believes that the on-going projects within the Group will be able to sustain operations in the near future.

Concession

This Division currently consists of a concession for the maintenance and facilities management of IIUM Medical Centre in Pahang, which is expected to provide the Group a stable recurring income over the years ahead. With the concession lasting until 2038, the Division is expected to continue its positive contribution to the Group for the foreseeable future, coupled with improving ancillary revenue from a growth in the hospital's utilisation.

Oil & Gas

The Oil & Gas sector while still challenging, has shown signs of improvement as the price of crude oil has seen a steady increase during the recent months, currently maintaining above USD60 per barrel. From a pure bunkering operator out of Kemaman Supply Base, the Division's prospects are positive with the inclusion of TBSB as a full-fledged supply base in East Coast of Peninsular Malaysia. Going forward, the Group intends to continue to invest and install more facilities to better accommodate current customers as well as to attract more customers to set up their base of operations at TBSB.

3. PROSPECTS (continued)

Plantation

With the palm oil mill being commissioned in February 2017, the Division is able to process its own fresh fruit bunches ("FFB"), as well as third-party FFB from neighbouring plantations. The 60 metric tonne ("MT") per hour mill is capable of producing 79,200 MT of CPO per year when operating at its maximum capacity. The Division is comitted to plant an additional 421 hectares of palms in 2018, bringing the total planted area to 10,000 hectares.

From the planted palms of 9,593 hectares currently, about 56% of them will be matured palms, thus increasing the acreage yield and generating higher revenue for the Group going forward. Additionally, the Group is excited to see its new planting from 2014 come into maturity in the coming months.

We also look forward to recovering yields from our existing plantation and the surrounding areas, which have historically performed significantly better in the second half of the year to boost operational results. This bodes well for our mill production in the coming months.

In tandem with the all the factors stated, the Group is looking forward for the Plantation Division to achieve operational break-even in 2018.

Property

The Property Division will continue to focus on its on-going developments, namely Puncak Temala in Marang as well as industrial park and residential development in Paka. The Division is expected to contribute positively to the Group in the future, mainly deriving from its hotel services in Cherating, as well as unbilled sales from on-going development amounting to RM15.6 million currently.

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

Not applicable.

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

5. TAXATION

	Current Quarter ended 30/06/2018 RM'000	Cumulative Current YTD 30/06/2018 RM'000
Current tax expense	3,144	4,144
Deferred tax expenses:		
- Origination of temporary differences	(1,839)	1,543
Total	**1,305**	**5,687**

6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 29 August 2018 (being the latest practicable date from the date of issuance of the 2nd Quarter Report).

7. GROUP BORROWINGS AND DEBTS SECURITIES

The Group borrowings as at 30 June 2018 are as follows:

Secured	**Denominated in currency**	**Current RM'000**	**Non Current RM'000**	**Total RM'000**
Bank Overdrafts	RM	34,506	-	34,506
Trust Receipts	RM	2,692	-	2,692
Revolving Credits	RM	123,353	-	123,353
Term Loans	RM	72,322	900,333	972,655
Term Loans	USD	-	304,396	304,396
Term Loans	IDR	7	20,227	20,234
Finance Lease Liabilities	RM	5,683	31,691	37,374
Sukuk	RM	-	1,000,000	1,000,000
Total		238,563	2,256,647	2,495,210

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) Arbitration on Al Faisal 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 ("AFU") 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") had 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 SAR92,570,300 in respect of claims made by the Company in the Arbitration.

After protracted attempts by the Solicitors for the Company in Riyadh, the ICC Final Award was eventually registered by the 21st Enforcement Circuit of the Riyadh Enforcement Court on 8 April 2018, and the Enforcement Order Notice was published in Saudi Arabia's local newspaper on 30 April 2018.

Solicitors for the Company in Riyadh are currently in the midst of liaising with the relevant authorities to carry out the Enforcement Order against AFU and KFF.

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

8. MATERIAL LITIGATION (continued)

a) Claim or litigation brought against the Company: (continued)

(ii) Notice of Arbitration by Cobrain Holdings Sdn Bhd

On 20 October 2014, AZRB had received a Notice of Arbitration from Cobrain Holdings Sdn Bhd ("CHSB") to commence arbitration proceedings against AZRB.

CHSB is a sub-contractor appointed by AZRB to undertake the sub-contract work to "Supply, Install, Testing and Commissioning of Electrical High Tension, Low Voltage and Structure Cabling Services for the Construction of Phase 1 and Phase 2" for the project known as "Al-Faisal University Campus Development Project" in Riyadh, Saudi Arabia.

The arbitration proceeding against AZRB is to seek relief in respect of its alleged payment of the final claim totalling SAR14,370,941. AZRB had consulted its solicitors who will defend the case on AZRB's behalf.

Both CHSB and AZRB have recently engaged into negotiation which currently is still on-going in an attempt to resolve the matter amicably.

9. DIVIDEND

No dividend was declared or paid for the period under review.

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

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 calculated as follows:

	Current Quarter ended 30/06/2018	Current Quarter ended 30/06/2017	Cumulative Quarter ended 30/06/2018	Cumulative Quarter ended 30/06/2017
	RM'000	RM'000	RM'000	RM'000
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**6,118**	**15,839**	**15,250**	**21,954**
Basic				
Weighted average number of ordinary shares in issue	531,643	520,991	531,602	502,369
Diluted				
Weighted average number of ordinary shares in issue	531,643	520,991	531,602	502,369
Effect of warrants issue	8,717	28,675	8,717	28,675
Adjusted weighted average number of ordinary shares in issue	540,360	549,666	540,319	531,044
Basic (sen)	1.00	3.04	2.72	4.37
Diluted (sen)	0.98	2.88	2.67	4.13

11. FINANCIAL INSTRUMENTS - DERIVATIVES

Not applicable.

12. GAINS AND LOSSESS ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Not applicable. All financial liabilities are measured using the amortised cost method.