AHMAD ZAKI RESOURCES BERHAD (432768-X)
INCORPORATED IN MALAYSIA
QUARTERLY REPORT ON THE THIRD QUARTER AND PERIOD ENDED
30 SEPTEMBER 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 3rd Quarter and period ended 30 September 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 SEPTEMBER 2018

RM'000	Note	2018 Current quarter ended 30 September	2017 Comparative quarter ended 30 September	2018 9 months cumulative to date	2017 9 months cumulative to date
REVENUE		318,098	294,753	961,932	782,418
OPERATING EXPENSES	**1**	(316,367)	(277,692)	(946,244)	(740,026)
OTHER OPERATING INCOME		17,388	14,456	48,740	46,792
PROFIT FROM OPERATIONS		19,119	31,517	64,428	89,184
FINANCE COSTS		(16,826)	(12,766)	(45,885)	(41,937)
PROFIT BEFORE TAXATION		2,293	18,751	18,543	47,247
TAX EXPENSE		(1,218)	(9,728)	(6,905)	(17,674)
PROFIT FOR THE PERIOD	**2**	1,075	9,023	11,638	29,573
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Foreign currency translation differences for foreign operations		2,308	4,587	9,923	10,768
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,383	13,610	21,561	40,341
PROFIT ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		3,145	10,031	17,583	31,985
NON-CONTROLLING INTEREST		(2,070)	(1,008)	(5,945)	(2,412)
PROFIT FOR THE PERIOD		1,075	9,023	11,638	29,573

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

RM'000	2018 Current quarter ended 30 September	2017 Comparative quarter ended 30 September	2018 9 months cumulative to date	2017 9 months cumulative to date
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	5,338	13,900	27,001	41,726
NON-CONTROLLING INTERESTS	(1,955)	(290)	(5,440)	(1,385)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,383	13,610	21,561	40,341
EARNINGS PER SHARE (SEN) ATTRIBUTABLE TO OWNERS OF THE COMPANY:				
Basic (sen)	0.59	1.89	3.31	6.24
Diluted (sen)	0.60	1.79	3.35	5.92

Note 1 - Operating Expenses

Operating expenses represents the following:				
Cost of sales	276,717	242,409	837,914	657,214
Other operating expenses	39,650	35,283	108,330	82,812
TOTAL	**316,367**	**277,692**	**946,244**	**740,026**

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

a) Interest income	(371)	(960)	(2,352)	(2,619)
b) Accretion of fair value of non-current receivables	(16,292)	(14,435)	(44,961)	(43,418)
c) Interest expense	16,826	12,776	45,885	41,937
d) Depreciation and amortisation	5,864	7,187	16,774	18,519
e) Employee share scheme expenses	-	100	678	1,800
f) Loss on foreign exchange - unrealised	11,651	3,947	29,883	1,508

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

RM '000	(Unaudited) As at 30/09/2018	(Restated) As at 31/12/2017	(Restated) As at 1/1/2017
Non-current assets			
Property, plant and equipment	326,957	306,324	284,258
Prepaid lease payment	23,757	23,869	20,860
Land held for development	28,630	36,130	38,630
Biological assets	213,999	198,665	173,055
Intangible assets	21,374	22,620	41,060
Concession service assets	1,131,392	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	25,833	27,294	22,712
Trade and other receivables	632,861	625,536	704,236
Total non-current assets	**2,446,899**	**2,112,407**	**1,719,687**
Current assets			
Inventories	17,090	19,240	12,222
Property development cost	43,170	15,843	19,366
Trade and other receivables	12,863	798,537	786,517
Current tax assets	954,507	10,898	11,782
Other investment	559,899	699,510	823,856
Cash and deposits	280,791	281,338	190,052
Total current assets	**1,868,320**	**1,825,366**	**1,843,795**
TOTAL ASSETS	**4,315,219**	**3,937,773**	**3,563,482**
Equity			
Share capital	197,536	197,478	120,885
Reserves	275,697	248,018	243,537
Equity attributable to owners of the Company	**473,233**	**445,496**	**364,422**
Minority interest	11,501	16,941	23,431
TOTAL EQUITY	**484,734**	**462,437**	**387,853**
Non-current liabilities			
Loans and borrowings	2,347,918	2,171,467	2,000,353
Employee benefits	3,332	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	**2,544,312**	**2,367,827**	**2,135,774**
Current liabilities			
Loans and borrowings	212,513	257,260	187,424
Trade and other payables	1,062,249	831,187	852,127
Current tax liabilities	11,411	19,062	304
Total current liabilities	**1,286,173**	**1,107,509**	**1,039,855**
TOTAL LIABILITIES	**3,830,485**	**3,475,336**	**3,175,629**
TOTAL EQUITY AND LIABILITIES	**4,315,219**	**3,937,773**	**3,563,482**

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QUARTERLY REPORT ON THE THIRD QUARTER AND PERIOD ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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	-	-	-	-	-	-	17,583	-	17,583	(5,945)	11,638
Foreign currency translation differences for foreign operations	-	-	9,418	-	-	-	-	-	9,418	505	9,923
Total comprehensive income/(loss) for the period	**-**	**-**	**9,418**	**-**	**-**	**-**	**17,583**	**-**	**27,001**	**(5,440)**	**21,561**
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**	**-**	**20,949**	**1,678**	**27,889**	**-**	**226,207**	**(1,026)**	**473,233**	**11,501**	**484,734**
Period ended 30 September 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	-	-	-	-	-	-	31,985	-	31,985	(2,412)	29,573
Foreign currency translation differences for foreign operations	-	-	9,741	-	-	-	-	-	9,741	1,027	10,768
Total comprehensive income/(loss) for the period	**-**	**-**	**9,741**	**-**	**-**	**-**	**31,985**	**-**	**41,726**	**(1,385)**	**40,341**
Employee share scheme expenses	-	-	-	1,800	-	-	-	-	1,800	-	1,800
Issuance of ordinary shares	47,037	-	-	-	(2)	-	-	-	47,035	-	47,035
Total transactions with owners of the Company	**47,037**	**-**	**-**	**1,800**	**(2)**	**-**	**-**	**-**	**48,835**	**-**	**48,835**
Balance at the end of the period	**167,922**	**21,889**	**18,494**	**1,800**	**27,889**	**7,667**	**210,842**	**(1,026)**	**455,477**	**22,046**	**477,523**

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

RM '000	**9 months ended 30 September 2018**	**9 months ended 30 September 2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,543	47,247
Adjustments for:		
Amortisation of prepaid land lease payments	271	2,568
Amortisation of planting expenditures	4,530	5,042
Amortisation of intangible assets	1,267	-
Depreciation of property, plant and equipment	10,706	10,909
Property, plant and equipment written off	242	-
Accretion of non-current receivables	(44,961)	(43,418)
Interest expenses	45,885	41,937
Interest income	(2,352)	(2,619)
Gain on disposal of property, plant and equipment	(337)	(39)
Employee share scheme expenses	678	1,800
Employee benefits	488	199
Loss on foreign exchange - unrealised	29,883	1,508
Operating profit before working capital changes	**64,843**	**65,134**
Decrease/(Increase) in inventories	2,150	(7,119)
(Increase)/Decrease in property development expenditure	(19,827)	7,971
Increase in concession service assets	(301,519)	(355,693)
Decrease in trade and other receivables	21,097	184,077
Increase/(Decrease) in trade and other payables	241,758	(44,740)
Cash generated from/(used in) operations	**8,502**	**(150,370)**
Tax paid	(15,329)	(11,528)
Interest received	2,352	2,619
Interest paid	(45,885)	(41,937)
Net cash used in operating activities	**(50,360)**	**(201,216)**
CASH FLOWS FROM INVESTING ACTIVITIES		
New planting expenditures incurred	(19,864)	(23,943)
Purchase of leasehold land	-	(8,659)
Withdrawal of other investment	-	5,406
Purchase of property, plant and equipment	(31,328)	(38,246)
Proceeds from disposal of property,plant and equipment	84	-
Net cash used in from investing activities	**(51,108)**	**(65,442)**

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

RM '000	9 months ended 30 September 2018	9 months ended 30 September 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in pledged fixed deposits	(5,405)	(6,297)
Proceeds of trust receipts/revolving credits	78,323	41,798
Repayment of trust receipts/revolving credits	(60,482)	(33,129)
Payment for finance lease liabilities	(5,758)	(3,512)
Term loan drawdown	360,555	349,017
Term loan repayment	(270,817)	(143,288)
Issuance of new share capital	58	47,035
Net cash generated from financing activities	**96,474**	**251,624**
Net increase/(decrease) in cash and cash equivalents	(4,994)	(15,034)
Effects of exchange difference on cash and cash equivalents	(18)	10,768
Cash and cash equivalents at beginning of the period	202,706	115,289
Cash and cash equivalents at end of the period	**197,694**	**111,023**
Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts:		
Cash and bank balances	217,216	140,150
Cash deposits with licensed banks	63,575	56,233
Bank overdrafts	(27,629)	(29,127)
Less: Pledged fixed deposits	(55,468)	(56,233)
	197,694	**111,023**

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)

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 Company was 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 September 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 September 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
30/09/2018								
REVENUE								
External revenue	799,811	26,214	36,403	86,409	13,095	-	-	961,932
Inter-segment revenue	1,104	-	2,130	-	-	10,457	(13,691)	-
Total revenue	**800,915**	**26,214**	**38,533**	**86,409**	**13,095**	**10,457**	**(13,691)**	**961,932**
RESULTS								
Segment results	47,512	34,398	(4,536)	(35,952)	1,081	(23,960)	-	18,543
Interest income	1,931	147	5	16	28	225	-	2,352
Interest expenses	(9,767)	(17,462)	(3,593)	(6,156)	(921)	(8,280)	294	(45,885)
Non cash expenses (note i)	-	42,941	(1,267)	(34,684)	-	1,342	-	8,332
Depreciation	(3,912)	(1)	(2,932)	(3,053)	(400)	(408)	-	(10,706)
30/09/2017								
REVENUE								
External revenue	655,114	24,293	40,658	57,538	4,815	-	-	782,418
Inter-segment revenue	-	-	-	-	-	5,111	(5,111)	-
Total revenue	**655,114**	**24,293**	**40,658**	**57,538**	**4,815**	**5,111**	**(5,111)**	**782,418**
RESULTS								
Segment results	47,110	39,579	2,385	(15,228)	(494)	(26,105)	-	47,247
Interest income	2,429	60	9	28	33	60	-	2,619
Interest expenses	(8,069)	(18,610)	(2,375)	(6,848)	(330)	(5,705)	-	(41,937)
Non cash expenses (note i)	-	43,418	-	(9,118)	-	(1,800)	-	32,500
Depreciation	(6,832)	(4)	(2,392)	(714)	(391)	(576)	-	(10,909)

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

	30/09/2018 RM'000	30/09/2017 RM'000
Amortisation of planting expenditures	(4,530)	(5,042)
Amortisation of prepaid land lease payments	(271)	(2,568)
Amortisation of intangible assets	(1,267)	-
Accreation income of non-receivables	44,961	43,418
Employee share scheme	(678)	(1,800)
Loss on foreign exchange-unrealised	(29,883)	(1,508)
	8,332	32,500

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 30 November 2018 (being the latest practicable date from the date of issuance of the 3rd 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.

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 9 months cumulative to date RM'000	**2017 9 months cumulative to date RM'000**
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	29,888	9,694
- Chuan Huat Hardware Sdn Bhd	586	685
Purchases from following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	971	158
- Kemaman Quarry Sdn Bhd	1	2
- MIM Waste Services Sdn Bhd	94	-
Sales to following companies which certain directors have substantial financial interests and are also directors:		
- Kemaman Quarry Sdn Bhd	(102)	(105)
- MIM Waste Services Sdn Bhd	(289)	-
Non-Trade		
Administrative service paid or payable to ultimate holding company	96	96
Insurance premium paid or payable to ultimate holding company	509	834
Rental of land paid to a director of the Company	358	1,173
Rental payable to ultimate holding company	90	100
Security services charges paid to MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors	3,814	2,305

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

1. REVIEW OF PERFORMANCE

For the third quarter running, the financial results of AZRB and its subsidiaries ("the Group") were severely impacted by unrealised foreign exchange ("forex") losses suffered in the Plantation Division. For the quarter under review, the Group posted unrealised forex losses of RM11.7 million, cumulatively bringing unrealised forex losses for the year-to-date to RM29.9 million.

Consequently, the Group recorded lower pre-tax profit of RM2.3 million for the quarter ended 30 September 2018 (3Q18), a decrease from RM18.8 million recorded in 3Q17. As a result, the Group's cumulative pre-tax profit for the financial period ended 30 September 2018 (9M18) dropped to RM18.5 million compared against RM47.2 million from the same period last year.

The Group posted RM318.1 million of revenue for the quarter, an increase of 7.9% from RM294.8 million recorded in the previous corresponding quarter. For the-year-to-date, Group revenue for 9M18 increased by 22.9% to RM961.9 million compared against RM782.4 million in 9M17. The increase was mainly attributable to higher revenue from Engineering & Construction, Property, and Plantation Divisions.

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

	2018 9 months cumulative to date RM'000	**2017 9 months cumulative to date RM'000**	**Diff +/(-) RM'000**
OPERATING EXPENSES	(916,361)	(738,518)	(177,843)
PROFIT BEFORE TAX	48,426	48,755	(329)

After negating the impact of unrealised forex adjustments on the Group's operating expenses, cumulative pre-tax profit approximated that of the previous financial period. In-line with revenue, there were improvements in the pre-tax profits of the Engineering & Construction, Plantation, and Property Divisions which were offset by the Oil & Gas and Concession Divisions which were not able to improve upon previous financial periods' results.

1. REVIEW OF PERFORMANCE (continued)

Engineering & Construction

For the quarter under review, the Division recorded RM264.8 million of revenue, an improvement of 15.0% compared againts the same quarter of last year. For 9M18, the Division achieved RM799.8 million of revenue, an increase of 22.1% against the corresponding period last year of RM655.1 million. The increase was mainly due to higher construction progress from the Division's on-going projects in 2018.

For the quarter under review, the Division recorded lower pre-tax profit of RM17.6 million in 3Q18, decreasing by 11.1% from RM19.8 million. The decrease was mainly due to differing project mixes which were at their different stages of completion. Nevertheless, for 9M18, the Division was still able to improve pre-tax profit to RM47.5 million, against RM47.1 million in 9M17.

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 RM8.6 million of revenue in 3Q18 compared against RM8.3 million registered in 3Q17. This brought cumulative revenue for the Division to RM26.2 million against RM24.3 million last year. For 9M18, the Division's pre-tax profit was slightly lower at RM34.4 million against RM39.6 million in 9M17, attributable mainly to recognition of full maintenance cost following the expiry of the defect liability period.

Oil & Gas

The Division recorded RM10.8 million of revenue in 3Q18, a drop of 41.9% from RM18.6 million in the same quarter of last year. This was mainly due to higher proportion of throughput bunkering activities in the revenue mix. Correspondingly, revenue for 9M18 fell by 10.6% to RM36.4 million from RM40.7 million during the same period last year.

The Division recorded a pre-tax loss due to the continued losses at Tok Bali Supply Base ("TBSB"), as the supply base has yet to reach its optimal level of operation. The Division recorded RM2.5 million of pre-tax loss in 3Q18, compared against a pre-tax profit of RM0.9 million in 3Q17. For 9M18, the Division cumulatively recorded a pre-tax loss of RM4.5 million compared against a pre-tax profit in 9M17 of RM2.4 million.

1. REVIEW OF PERFORMANCE (continued)

Plantation

For the current quarter, the Plantation Division recorded RM29.1 million of revenue compared against RM36.1 million recorded in the previous corresponding quarter. The Division's cumulative revenue of RM86.4 million increased 50.2% from RM57.5 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 35,314MT of crude palm oil ("CPO") and 7,799MT of palm kernel in 9M18. Comparatively, CPO and palm kernel sold in 9M17 were 20,229MT and 3,554MT, 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 RM29.9 million in 9M18 against RM1.5 million in the previous corresponding period.

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

	Q3 2018 Current Quarter RM'000	Q3 2017 Comparative Quarter RM'000	2018 9 months cumulative to date RM'000	2017 9 months cumulative to date RM'000
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION ("EBITDA")	3,879	3,940	7,925	1,424
EARNINGS BEFORE INTEREST & TAX ("EBIT")	1,290	1,244	71	(6,900)

Excluding forex and interest adjustments, the Division has significantly improved operational profitability for the year-to-date. 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. Consequently, EBITDA and EBIT were both positive in 2018.

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. This was due to higher unit sales of properties across the Division in 2018. In 3Q18, the Division registered RM4.7 million of revenue compared against RM1.5 million in 3Q17. For 9M18, the Division's revenue growth more than doubled to RM13.1 million from RM4.8 million for the same period last year.

In tandem with higher revenue growth, the Division recorded RM0.4 million of pre-tax profit in 3Q18 against pre-tax loss of RM0.8 million recorded in the previous corresponding quarter. Cumulatively, the Division recorded RM0.7 million pre-tax profit against previous pre-tax loss of RM1.1 million.

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

	Current Quarter (Q3 2018) RM'000	Previous Quarter (Q2 2018) RM'000	Diff +/(-) RM'000
REVENUE	318,098	339,698	(21,600)
PROFIT BEFORE TAX ("PBT")	2,293	3,638	(1,345)
PBT EXCLUDING UNREALISED FOREX ADJUSTMENT	13,944	17,437	(3,493)

The Group recorded lower revenue growth during the quarter under review mainly attributable to lower revenue from the Engineering & Construction, Concession, and Oil & Gas Divisions.

The Group recorded pre-tax profit of RM2.3 million against RM3.6 million mainly due to the continued losses in the Oil & Gas Division and the lower contribution from the Concession Division.

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 has RM3.2 billion of outstanding order book as at 30 September 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 prioritising 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 intends to leverage on its position as a reputable builder of distinction to tap into any suitable opportunities on offer in the sector.

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 improvement as the price of crude oil has seen a steady increase during the recent months, currently maintaining around 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.

3. PROSPECTS (continued)

Oil & Gas (continued)

Currently, TBSB is gearing itself to welcome the next major oil & gas operator to the base. 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.

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 optimum capacity. The Division is also committed to plant an additional 386 hectares of palms, bringing the total planted area to 10,000 hectares.

From the planted palms of 9,614 hectares, of which 56% are matured while the balance will be maturing in full over the next 3 years.

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 developments in Paka. The Division is expected to contribute positively to the Group in the future, mainly deriving from its unbilled sales from on-going developments amounting to RM15.7 million currently.

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

Not applicable.

5. TAXATION

	Current Quarter ended 30/09/2018 RM'000	**Cumulative Current YTD 30/09/2018 RM'000**
Current tax expense	1,451	5,595
Deferred tax expenses:		
- Origination of temporary differences	(233)	1,310
Total	**1,218**	**6,905**

6. CORPORATE PROPOSALS

On 30 August 2018, UOB Kay Hian Securities (M) Sdn Bhd had, on behalf of the Board of Directors, announced that the Company proposed to undertake a bonus issue of up to 79,840,322 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every eight (8) existing shares of the Company held on an entitlement date to be determined later ("the Proposed Bonus Issue").

The listing of and quotation for the Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to the Proposed Bonus Issue was approved by Bursa Securities via its letter dated 17 October 2018. The Company had on 7 November 2018 issued a Circular to Shareholders on the Proposed Bonus Issue and the Notice of Extraordinary General Meeting ("EGM") where the Company has obtained shareholders' approval for the Proposed Bonus Issue at the EGM held on 30 November 2018.

7. GROUP BORROWINGS AND DEBT SECURITIES

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

Secured	Denominated in currency	Current RM'000	Non-current RM'000	Total RM'000
Bank Overdrafts	RM	27,629	-	27,629
Trust Receipts	RM	11,690	-	11,690
Revolving Credits	RM	127,667	-	127,667
Term Loans	RM	41,074	981,934	1,023,008
Term Loans	USD	-	316,356	316,356
Term Loans	IDR	7	19,210	19,217
Finance Lease Liabilities	RM	4,446	30,418	34,864
Sukuk	RM	-	1,000,000	1,000,000
Total		**212,513**	**2,347,918**	**2,560,431**

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) Arbitration in respect of Al-Faisal University ("AFU") 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 ("KFF") in respect of the contract entered into by AFU and the Company pertaining to Al-Faisal University Campus Development Project Phase 1 and 2 in Riyadh, Kingdom of Saudi Arabia ("the Contract"). AZRB filed its statement of claim in respect of the final relief on 18 January 2012.

8. MATERIAL LITIGATION (continued)

(a) Arbitration in respect of Al-Faisal University ("AFU") project (continued)

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 KFF pertaining to the Contract 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 SAR92,570,300 in respect of claims made by the Company in the Arbitration ("ICC Award").

In April 2018, the Company's solicitors confirmed that the 22nd Circuit of the Riyadh Enforcement Court was in the midst of exercising its jurisdiction to enforce the said ICC Award and the Group is now awaiting for the outcome of the enforcement proceedings under the Kingdom of Saudi Arabia's Enforcement Law.

The Company's solicitors on 5 September 2018 further confirmed that the 21st Circuit of the Riyadh Enforcement Court already ordered the Saudi Arabian Monetary Agency ("SAMA"), which acts as the central bank for the Kingdom of Saudi Arabia to transfer the amount corresponding to the aforesaid final judgment and award from the account of the King Faisal Foundation to the account of the 21st Circuit of the Riyadh Enforcement Court.

The King Faisal Foundation is objecting the order by the 21st Circuit of the Riyadh Enforcement Court and the matter is now pending the decision of the said Court on the said objection.

8. MATERIAL LITIGATION (continued)

(b) Notice of Arbitration by Cobrain Holdings Sdn Bhd ("Cobrain")

On 20 October 2014, AZRB received a Notice of Arbitration from its subcontractor, Cobrain, seeking the full payment of the final claim totalling SAR14,370,941.28.

Cobrain was 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, Kingdom of Saudi Arabia.

On 14 September 2015, the Kuala Lumpur Regional Centre for Arbitration sought clarification on numbers of arbitrators for the dispute but to date there is no response from Cobrain's solicitors, making the case now in abeyance pending further direction from Cobrain.

Cobrain had subsequently appointed a new solicitors, who had recently served AZSB with a notice dated 16 August 2018 for nomination of an Arbitrator.

As at 12 September 2018, AZRB and Cobrain are in the midst of negotiation with the intention to explore for an amicable settlement outside of Arbritration, failing which the parties will then proceed with the nomination of an Arbitrator.

9. DIVIDEND

On 30 August 2018, the Board of Directors declared a single tier interim dividend of 1.0 sen per ordinary share amounting to RM5,301,647 which was paid on 26 October 2018.

The Board did not recommend any final dividend for the year 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 30/09/2018	Comparative Quarter ended 30/09/2017	Cumulative Quarter ended 30/09/2018	Cumulative Quarter ended 30/09/2017
	RM'000	RM'000	RM'000	RM'000
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**3,145**	**10,031**	**17,583**	**31,985**
Basic				
Weighted average number of ordinary shares in issue	531,643	531,541	531,616	512,482
Diluted				
Weighted average number of ordinary shares in issue	531,643	531,541	531,616	512,482
Effect of warrants issue	(6,166)	27,997	(6,116)	27,997
Adjusted weighted average number of ordinary shares in issue	525,477	559,538	525,450	540,479
Basic (sen)	0.59	1.89	3.31	6.24
Diluted (sen)	0.60	1.79	3.35	5.92

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.