AHMAD ZAKI RESOURCES BERHAD (432768-X)
INCORPORATED IN MALAYSIA
QUARTERLY REPORT ON THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 4th Quarter and year ended 31 December 2018. This announcement should be read in conjunction with the audited 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 YEAR ENDED 31 DECEMBER 2018

| RM'000 | Note | 2018 Current quarter ended 31 December | 2017 Comparative quarter ended 31 December | 2018 12 months cumulative to date | 2017 12 months cumulative to date |
|---|---|---|---|---|---|
| **REVENUE** | | 266,658 | 178,202 | 1,228,590 | 960,620 |
| **OPERATING EXPENSES** | **1** | (255,770) | (171,865) | (1,202,014) | (911,891) |
| **OTHER OPERATING INCOME** | | 15,715 | 21,452 | 64,455 | 68,244 |
| **PROFIT FROM OPERATIONS** | | 26,603 | 27,789 | 91,031 | 116,973 |
| **FINANCE COSTS** | | (20,162) | (13,344) | (66,047) | (55,281) |
| **PROFIT BEFORE TAXATION** | | 6,441 | 14,445 | 24,984 | 61,692 |
| **TAX EXPENSE** | | (9,061) | (17,256) | (15,966) | (34,930) |
| **(LOSS)/PROFIT FOR THE PERIOD** | **2** | (2,620) | (2,811) | 9,018 | 26,762 |
| **OTHER COMPREHENSIVE (LOSS)/ INCOME, NET OF TAX** | | | | | |
| **Actuarial loss from employee benefit** | | (121) | - | (121) | - |
| **Foreign currency translation differences for foreign operations** | | (4,114) | (3,290) | 5,809 | 7,478 |
| **TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD** | | (6,855) | (6,101) | 14,706 | 34,240 |
| **(LOSS)/PROFIT ATTRIBUTABLE TO:** | | | | | |
| **OWNERS OF THE COMPANY** | | (2,918) | (2,786) | 14,665 | 29,199 |
| **NON-CONTROLLING INTEREST** | | 298 | (25) | (5,647) | (2,437) |
| **(LOSS)/PROFIT FOR THE PERIOD** | | (2,620) | (2,811) | 9,018 | 26,762 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| **RM'000** | **2018 Current quarter ended 31 December** | **2017 Comparative quarter ended 31 December** | **2018 12 months cumulative to date** | **2017 12 months cumulative to date** |
|---|---|---|---|---|
| **COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:** | | | | |
| **OWNERS OF THE COMPANY** | (6,881) | (996) | 20,120 | 40,730 |
| **NON-CONTROLLING INTERESTS** | 26 | (5,105) | (5,414) | (6,490) |
| **TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD** | (6,855) | (6,101) | 14,706 | 34,240 |
| **EARNINGS PER SHARE (SEN) ATTRIBUTABLE TO OWNERS OF THE COMPANY:** | | | | |
| **Basic (sen)** | (0.49) | (0.52) | 2.74 | 5.64 |
| **Diluted (sen)** | (0.51) | (0.49) | 2.88 | 5.27 |

**Note 1 - Operating Expenses**

| | | | | |
|---|---|---|---|---|
| Operating expenses represents the following: | | | | |
| Cost of sales | 237,355 | 128,778 | 1,075,269 | 785,992 |
| Other operating expenses | 18,415 | 43,087 | 126,745 | 125,899 |
| **TOTAL** | 255,770 | 171,865 | 1,202,014 | 911,891 |

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

| | | | | | |
|---|---|---|---|---|---|
| a) | Interest income | (383) | (1,070) | (2,735) | (3,689) |
| b) | Accretion of fair value of non-current receivables | (14,931) | (16,973) | (59,892) | (60,391) |
| c) | Interest expense | 15,911 | 10,162 | 61,796 | 52,099 |
| d) | Depreciation and amortisation | 4,400 | 9,718 | 21,174 | 28,237 |
| e) | Employee share scheme adjustments | 653 | (800) | 1,331 | 1,000 |
| f) | (Gain)/Loss on foreign exchange - unrealised | (11,183) | 5,891 | 18,700 | 7,399 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| RM '000 | (Unaudited) As at 31/12/2018 | (Restated) As at 31/12/2017 | (Restated ) As at 01/01/2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 338,808 | 306,324 | 284,258 |
| Prepaid lease payment | 22,577 | 23,869 | 20,860 |
| Land held for development | 28,630 | 36,130 | 38,630 |
| Biological assets | 231,209 | 198,665 | 173,055 |
| Intangible assets | 20,955 | 22,620 | 41,060 |
| Concession service assets | 1,219,697 | 829,873 | 398,071 |
| Goodwill | 41,781 | 41,781 | 36,490 |
| Investments in associates | 2,805 | 165 | 165 |
| Interest in joint ventures | 34 | 34 | 34 |
| Available-for-sale investments | 116 | 116 | 116 |
| Deferred tax assets | 35,474 | 27,294 | 22,712 |
| Trade and other receivables | 610,348 | 625,536 | 704,236 |
| **Total non-current assets** | **2,552,434** | **2,112,407** | **1,719,687** |
| **Current assets** | | | |
| Inventories | 19,722 | 19,240 | 12,222 |
| Property development cost | 38,558 | 15,843 | 19,366 |
| Trade and other receivables | 1,010,587 | 798,537 | 786,517 |
| Current tax assets | 11,317 | 10,898 | 11,782 |
| Other investment | 164,338 | 699,510 | 823,856 |
| Cash and deposits | 619,416 | 281,338 | 190,052 |
| **Total current assets** | **1,863,938** | **1,825,366** | **1,843,795** |
| **TOTAL ASSETS** | **4,416,372** | **3,937,773** | **3,563,482** |
| **Equity** | | | |
| Share capital | 197,536 | 197,478 | 120,885 |
| Reserves | 264,167 | 248,018 | 243,537 |
| **Equity attributable to owners of the Company** | **461,703** | **445,496** | **364,422** |
| Minority interest | 11,527 | 16,941 | 23,431 |
| **TOTAL EQUITY** | **473,230** | **462,437** | **387,853** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 2,335,280 | 2,171,467 | 2,000,353 |
| Employee benefits | 3,373 | 3,029 | 2,836 |
| Deferred tax liabilities | 82,982 | 77,114 | 74,785 |
| Trade and other payables | 119,772 | 116,217 | 57,800 |
| **Total non-current liabilities** | **2,541,407** | **2,367,827** | **2,135,774** |
| **Current liabilities** | | | |
| Loans and borrowings | 261,261 | 257,260 | 187,424 |
| Trade and other payables | 1,121,913 | 831,187 | 852,127 |
| Current tax liabilities | 18,561 | 19,062 | 304 |
| **Total current liabilities** | **1,401,735** | **1,107,509** | **1,039,855** |
| **TOTAL LIABILITIES** | **3,943,142** | **3,475,336** | **3,175,629** |
| **TOTAL EQUITY AND LIABILITIES** | **4,416,372** | **3,937,773** | **3,563,482** |

AHMAD ZAKI RESOURCES BERHAD (432768-X)
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QUARTERLY REPORT ON THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Attributable to the owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **RM'000** | **Share Capital** | **Share Premium** | **Foreign Exchange Translation Reserve** | **Employee Share Scheme Reserve** | **Warrant Reserve** | **Other Reserve** | **Retained Profits** | **Treasury Shares** | **Subtotal** | **Non Controlling Interests** | **Total Equity** |
| **Year ended 31 December 2018** | | | | | | | | | | | |
| **Balance at the beginning of the year** | **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 year: | | | | | | | | | | | |
| Profit/(Loss) for the year | - | - | - | - | - | - | 14,665 | - | 14,665 | (5,647) | 9,018 |
| Foreign currency translation differences for foreign operations | - | - | 5,582 | - | - | - | - | - | 5,582 | 227 | 5,809 |
| Reclassification | - | - | (803) | - | - | 803 | - | - | - | - | - |
| Actuarial loss from employee benefits | - | - | - | - | - | (127) | - | - | (127) | 6 | (121) |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **4,779** | **-** | **-** | **676** | **14,665** | **-** | **20,120** | **(5,414)** | **14,706** |
| Employee share scheme expenses | - | - | - | 1,331 | - | - | - | - | 1,331 | - | 1,331 |
| Issuance of ordinary shares net of expenses | 58 | - | - | - | - | - | - | - | 58 | - | 58 |
| Dividend to owners of the Company | - | - | - | - | - | - | (5,302) | - | (5,302) | - | (5,302) |
| **Total transactions with owners of the Company** | **58** | **-** | **-** | **1,331** | **-** | **-** | **(5,302)** | **-** | **(3,913)** | **-** | **(3,913)** |
| **Balance at the end of the year** | **197,536** | **-** | **16,310** | **2,331** | **27,889** | **676** | **217,987** | **(1,026)** | **461,703** | **11,527** | **473,230** |
| **Year ended 31 December 2017** | | | | | | | | | | | |
| **Balance at the beginning of the year** | **120,885** | **21,889** | **8,753** | **-** | **27,891** | **7,667** | **178,857** | **(1,026)** | **364,916** | **23,431** | **388,347** |
| Transfer arising from no-par value regime | 29,556 | (21,889) | - | - | - | (7,667) | - | - | - | - | - |
| | **150,441** | **-** | **8,753** | **-** | **27,891** | **-** | **178,857** | **(1,026)** | **364,916** | **23,431** | **388,347** |
| Movement during the year: | | | | | | | | | | | |
| Profit/(Loss) for the year | - | - | - | - | - | - | 29,199 | - | 29,199 | (2,437) | 26,762 |
| Foreign currency translation differences for foreign operations | - | - | 11,531 | - | - | - | - | - | 11,531 | (4,053) | 7,478 |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **11,531** | **-** | **-** | **-** | **29,199** | **-** | **40,730** | **(6,490)** | **34,240** |
| Employee share scheme expenses | - | - | - | 1,000 | - | - | - | - | 1,000 | - | 1,000 |
| Issuance of ordinary shares | 47,037 | - | - | - | (2) | - | - | - | 47,035 | - | 47,035 |
| Dividend to owners of the Company | - | - | - | - | - | - | (7,951) | - | (7,951) | - | (7,951) |
| **Total transactions with owners of the Company** | **47,037** | **-** | **-** | **1,000** | **(2)** | **-** | **(7,951)** | **-** | **40,084** | **-** | **40,084** |
| **Balance at the end of the year** | **197,478** | **-** | **20,284** | **1,000** | **27,889** | **-** | **200,105** | **(1,026)** | **445,730** | **16,941** | **462,671** |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| **RM '000** | **12 months ended 31 December 2018** | **12 months ended 31 December 2017** |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 24,984 | 61,692 |
| Adjustments for: | | |
| Amortisation of prepaid land lease payments | 362 | 987 |
| Amortisation of transaction costs | - | 1,495 |
| Amortisation of planting expenditures | 6,574 | 5,671 |
| Amortisation of intangible assets | 1,690 | 1,690 |
| Bad debts written off | - | 25 |
| Depreciation of property, plant and equipment | 12,548 | 18,394 |
| Property, plant and equipment written off | 196 | - |
| Accretion of non-current receivables | (59,892) | (60,391) |
| Interest expenses | 61,796 | 52,099 |
| Interest income | (2,735) | (3,689) |
| Gain on disposal of property, plant and equipment | (354) | (3,950) |
| Employee share scheme expenses | 1,331 | 1,000 |
| Employee retirement benefits provision | 533 | 716 |
| Loss on foreign exchange - unrealised | 18,700 | 7,399 |
| **Operating profit before working capital changes** | **65,733** | **83,138** |
| Increase in inventories | (482) | (7,018) |
| (Increase)/Decrease in property development expenditure | (15,215) | 3,523 |
| Increase in concession service assets | (389,824) | (431,802) |
| (Increase)/Decrease in trade and other receivables | (135,921) | 156,291 |
| Increase in trade and other payables | 296,008 | 45,842 |
| **Cash generated used in operations** | **(179,701)** | **(150,026)** |
| Tax paid | (19,511) | (17,541) |
| Interest received | 2,735 | 3,689 |
| Interest paid | (61,796) | (52,099) |
| **Net cash used in operating activities** | **(258,273)** | **(215,977)** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| New planting expenditures incurred | (38,188) | (53,545) |
| Increase in investment in associates | (2,640) | - |
| Purchase of leasehold land | - | (5,912) |
| Withdrawal of other investment | 535,172 | 124,346 |
| Purchase of property, plant and equipment | (44,383) | (42,456) |
| Proceeds from disposal of property, plant and equipment | 55 | 6,206 |
| **Net cash generated from investing activities** | **450,016** | **28,639** |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| **RM '000** | **12 months ended 31 December 2018** | **12 months ended 31 December 2017** |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in pledged fixed deposits | (5,405) | (127) |
| Repayment of finance lease liabilities | 4,903 | 8,499 |
| Term loan drawdown | 531,555 | 464,930 |
| Term loan repayment | (388,393) | (241,363) |
| Dividend paid | (5,302) | (7,951) |
| Issuance of new share capital | 58 | 47,031 |
| **Net cash generated from financing activities** | **137,416** | **271,019** |
| | | |
| Net increase in cash and cash equivalents | 329,159 | 83,681 |
| Effects of exchange difference on cash and cash equivalents | (9) | 3,736 |
| Cash and cash equivalents at beginning of the year | 202,706 | 115,289 |
| **Cash and cash equivalents at end of the year** | **531,856** | **202,706** |
| | | |
| Cash and cash equivalents included in the condensed cash flows statements comprise the following amounts: | | |
| Cash and bank balances | 555,625 | 224,656 |
| Cash deposits with licensed banks | 63,791 | 56,682 |
| | 619,416 | 281,338 |
| Less: | | |
| Bank overdrafts | (32,092) | (28,569) |
| Pledged fixed deposits | (55,468) | (50,063) |
| | **531,856** | **202,706** |

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 effect on annual financial periods 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 new/revised standards or interpretations is not expected to have any significant impact on the results and financial position of the Group, except as mentioned below:

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

The impact of transition from FRS 116 to MFRS 116 are 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 Group was 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 31 December 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 DEBT AND EQUITY SECURITIES**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the cumulative quarter ended 31 December other than:

a) Bonus Issue

On 30 August 2018, 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 ("Bonus Issue").

The Bonus Issue has been completed following the listing of and quotation for:

i. 66,454,852 new Bonus Shares (including 184,762 treasury shares) pursuant to the Bonus Issue; and
ii. 12,910,919 additional Warrants arising from the adjustment as a result of the Bonus Issue,

on the Main Market of Bursa Malaysia Securities Berhad on 17 December 2018.

**8. DIVIDENDS PAID**

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.

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 |
|---|---|---|---|---|---|---|---|---|
| **31/12/2018** | | | | | | | | |
| REVENUE | | | | | | | | |
| External revenue | 1,029,602 | 36,002 | 46,561 | 106,507 | 9,918 | - | - | 1,228,590 |
| Inter-segment revenue | 1,104 | - | 3,140 | - | - | 55,992 | (60,236) | - |
| **Total revenue** | **1,030,706** | **36,002** | **49,701** | **106,507** | **9,918** | **55,992** | **(60,236)** | **1,228,590** |
| RESULTS | | | | | | | | |
| Segment results | 54,398 | 43,758 | (5,839) | (29,427) | (1,774) | (36,132) | - | 24,984 |
| Interest income | 2,219 | 197 | 14 | 22 | 35 | 248 | - | 2,735 |
| Interest expenses | (13,339) | (22,880) | (2,265) | (8,398) | (1,000) | (13,914) | - | (61,796) |
| Non cash (expenses)/ income (note i) | - | 57,170 | (1,690) | (26,684) | - | 2,439 | - | 31,235 |
| Depreciation | (3,434) | (4) | (3,908) | (4,102) | (545) | (555) | - | (12,548) |
| **31/12/2017** | | | | | | | | |
| REVENUE | | | | | | | | |
| External revenue | 765,460 | 36,692 | 54,277 | 93,974 | 10,217 | - | - | 960,620 |
| Inter-segment revenue | - | - | - | - | - | 60,490 | (60,490) | - |
| **Total revenue** | **765,460** | **36,692** | **54,277** | **93,974** | **10,217** | **60,490** | **(60,490)** | **960,620** |
| RESULTS | | | | | | | | |
| Segment results | 65,664 | 53,387 | (136) | (18,089) | (137) | (38,997) | - | 61,692 |
| Interest income | 3,415 | 69 | 11 | 71 | 40 | 83 | - | 3,689 |
| Interest expenses | (10,496) | (24,483) | (4,439) | (6,464) | (433) | (7,388) | 1,604 | (52,099) |
| Non cash (expenses)/ income (note i) | (1,690) | 57,814 | - | (10,909) | - | (3,066) | - | 42,149 |
| Depreciation | (10,583) | (6) | (3,313) | (3,242) | (497) | (753) | - | (18,394) |

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

| | 31/12/2018 RM'000 | 31/12/2017 RM'000 |
|---|---|---|
| Amortisation of planting expenditures | (6,574) | (7,166) |
| Amortisation of prepaid land lease payments | (362) | (987) |
| Amortisation of intangible assets | (1,690) | (1,690) |
| Accretion income of non-receivables | 59,892 | 60,391 |
| Employee share scheme | (1,331) | (1,000) |
| Loss on foreign exchange - unrealised | (18,700) | (7,399) |
| | 31,235 | 42,149 |

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 28 February 2019 (being the latest practicable date from the date of issuance of the 4th 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 material 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 the Company, 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 12 months cumulative to date RM'000** | **2017 12 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 | 43,010 | 14,068 |
| - Chuan Huat Hardware Sdn Bhd | 1,255 | 873 |
| Purchases from following companies which certain directors have substantial financial interests and are also directors: | | |
| - QMC Sdn Bhd | 1,127 | 451 |
| - 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 | (129) | (128) |
| - MIM Waste Services Sdn Bhd | (395) | - |
| **Non-trade** | | |
| Administrative service paid or payable to ultimate holding company | 127 | 129 |
| Insurance premium paid or payable to ultimate holding company | 503 | 1,029 |
| Rental of land paid to a director of the Company | 478 | 1,402 |
| Rental payable to ultimate holding company | 120 | 120 |
| Security services charges paid to MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors | 4,859 | 3,516 |

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

### 1. REVIEW OF PERFORMANCE

AZRB and its subsidiaries ("the Group") posted RM266.7 million of revenue for the quarter, an increase of 49.7% from RM178.2 million recorded in the previous corresponding quarter. For the year, the Group posted revenue of RM1,228.6 million, an increase of 27.9% from RM960.6 million recorded in the previous year. The increase was mainly due to higher revenue from the Engineering & Construction and Plantation Divisions.

The Group recorded lower pre-tax profit of RM6.4 million for the quarter ended 31 December 2018 (4Q18), a decrease from RM14.4 million recorded in 4Q17. As a result, the Group's cumulative pre-tax profit for the financial year ended 31 December 2018 decreased to RM25.0 million, against RM61.7 million last year.

For the second consecutive year, the financial results of the Group were severely impacted by unrealised foreign exchange ("forex") losses suffered in the Plantation Division. For the financial year 2018, the Group posted cumulative unrealised forex losses of RM18.7 million, an increase from RM7.4 million the year before.

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

| | **2018<br>12 months<br>cumulative to date<br>RM'000** | **2017<br>12 months<br>cumulative to date<br>RM'000** | **Diff<br>+/(-)<br>RM'000** |
|---|---|---|---|
| **OPERATING EXPENSES** | (1,183,314) | (904,492) | (278,822) |
| **PROFIT BEFORE TAX** | 43,684 | 69,091 | (25,407) |

In addition to the forex losses, the decrease in pre-tax profit is attributed to the narrowing of margins in the Engineering & Construction and Concession Divisions, and higher financing costs.

For 4Q18, post-tax loss was at RM2.6 million, a marginal narrowing of loss from RM2.8 million for the same quarter of the preceding year. The high effective tax rate for the quarter of 140.7% was mainly due to finalisation of the full year tax computation which included deferred tax adjustments which were booked-in prior to the financial year-end. Cumulatively, net profit for the financial year was recorded at RM9.0 million.

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 RM229.8 million of revenue, an improvement of 200.9% compared against the same quarter of last year. For the year, the Division achieved RM1,029.6 million of revenue, an increase of 34.5% against the previous year of RM765.5 million. The increase was mainly due to higher construction progress from the Division's on-going projects in FY2018.

The Division recorded lower pre-tax profit of RM6.9 million in 4Q18, decreasing by 62.9% from RM18.6 million previously. The decrease was mainly due to fair value adjustment on net receivable retention sums, and the narrowing of margins; as projects in the Division's portfolio were at their different stages of progress and completion.

Concession

The Concession Division currently derives its income from the facilities management of the International Islamic University Malaysia ("IIUM") Medical Centre in Kuantan, Pahang. The Division recorded RM9.8 million of revenue in 4Q18, compared against RM8.3 million registered in 4Q17. This brought cumulative revenue for the Division to RM36.0 million against RM36.7 million last year. For FY2018, the Division's pre-tax profit was lower at RM43.8 million against RM53.4 million in FY2017, attributable mainly to the recognition of full maintenance cost following the expiry of the defect liability period.

Oil & Gas

The Division recorded RM10.2 million of revenue in 4Q18, a drop of 25.0% from RM13.6 million in the same quarter of last year. This was mainly due to lower bunkering activities and vessel calls. Correspondingly, revenue for the year fell by 14.2% to RM46.6 million from RM54.3 million previously.

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 RM1.3 million of pre-tax loss in 4Q18, compared against loss of RM2.5 million in 4Q17. For the year, the Division cumulatively recorded a pre-tax loss of RM5.8 million, against a loss of RM0.1 million in the previous year.

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 recorded RM20.1 million of revenue compared against RM36.4 million in the previous corresponding quarter. The Division's cumulative revenue of RM106.5 million increased by 13.3% from RM94.0 million in the last financial year. Higher sales of palm products accounted for the jump in revenue. This comes despite the lower traded prices of palm products in 2018. The Division sold 42.4% more of crude palm oil ("CPO") and 32.7% more of palm kernel, totaling to 45,085 metric tonnes ("MT") and 9,558 MT, respectively.

Despite the strengthening of the Indonesian Rupiah against the US Dollar in the fourth quarter of 2018, the financial results of the Division were still severely impacted by forex losses in the financial year. Cumulatively, the Division recognised a significant forex loss of RM19.7 million in FY2018 against a smaller forex loss of RM2.8 million in the previous financial year.

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

| | **Q4 2018 Current Quarter RM'000** | **Q4 2017 Comparative Quarter RM'000** | **2018 12 months cumulative to date RM'000** | **2017 12 months cumulative to date RM'000** |
|---|---|---|---|---|
| **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION ("EBITDA")** | 2,297 | 1,031 | 9,736 | 2,455 |
| **EARNINGS BEFORE INTEREST & TAX ("EBIT")** | (887) | (2,040) | (1,302) | (8,940) |

Excluding forex and interest adjustments, the Division has 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.

## 1. REVIEW OF PERFORMANCE (continued)

Property

Property Division which currently derives its income from the development in Paka, Terengganu, recorded slightly lower revenue for the financial year. There was a revenue drop of 2.9% from RM10.2 million posted in 2017, bringing current year revenue to RM9.9 million.

Despite the lower revenue, total property units sold increased markedly. The lower revenue was due to the implementation of the accounting standard MFRS 15 - Revenue from Contracts with Customers, which came into effect in financial year 2018 for the Group. As a result, revenues from the Division’s ‘Perumahan Penjawat Awam Malaysia’ (“PPAM”) development were deferred until the construction completion of property units.

In tandem with the lower revenue, the Division recorded a pre-tax loss of RM1.8 million in FY2018 against pre-tax loss of RM0.1 million previously.

Despite the above, the revenue which will be eventually recognised upon the completion of the Division’s PPAM development is expected to significantly improve the performance of the Division in the years to come.

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

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

| | Current Quarter (Q4 2018) RM'000 | Previous Quarter (Q3 2018) RM'000 | Diff +/(-) RM'000 |
|---|---|---|---|
| **REVENUE** | 266,658 | 318,098 | (51,440) |
| **PROFIT BEFORE TAX ("PBT")** | 6,441 | 2,293 | 4,148 |

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

The Group posted a quarterly pre-tax profit of RM6.4 million against pre-tax profit of RM2.3 million previously mainly due to the Plantation Division's unrealised forex exchange gain in the 4th quarter, and improved operational performance from the Oil & Gas and Concession Divisions.

## 3. PROSPECTS

Engineering and Construction

The recent job award from Petronas to build and refurbish its office complex in Kerteh, Terengganu, amounting to RM150.5 million is a signal that whilst the industry environment is challenging, AZRB is able to remain competitive. Excluding this new contract, the Group has RM2.9 billion of outstanding order-book as at 31 December 2018. The Group hopes to continue replenishing the order-book whilst the current outstanding balance will be able to sustain AZRB for the three to four years.

In addition to projects for the Government, the Group also tenders for projects in the private sector which in turn, keeps its clientele base sufficiently diversified. Additionally, 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.

## 3. PROSPECTS (continued)

Concession

This Division currently consists of a concession for the maintenance and facilities management of the IIUM Medical Centre in Kuantan, 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

While the Oil & Gas sector remains challenging, the price of Brent crude has demonstrated the ability to remain resilient at USD60 per barrel. From a pure bunkering operator out of Kemaman Supply Base, the Division's prospects are positive with the inclusion of Tok Bali Supply Base ("TBSB") as a full-fledged supply base in the East Coast of Peninsular Malaysia.

Currently, TBSB is gearing itself to welcome the next major oil and 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 new ones 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 per hour mill is capable of producing 79,200 MT of CPO per year when operating at its optimum capacity.

From the planted palms of 9,614 hectares currently, approximately 44% are matured palms, thus increasing the acreage yield and generating higher revenue for the Group going forward.

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

**3. PROSPECTS (continued)**

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, with new launches expected in 2019. The Division is expected to contribute positively to the Group in the future, mainly deriving from its unbilled sales from its current launches amounting to RM23.2 million.

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

Not applicable.

**5. TAXATION**

| | **Current Quarter ended 31/12/2018 RM'000** | **Cumulative Current YTD 31/12/2018 RM'000** |
|---|---|---|
| Current tax expense | 14,364 | 19,959 |
| Deferred tax expenses: | | |
| - Origination of temporary differences | (5,303) | (3,993) |
| **Total** | **9,061** | **15,966** |

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

## 6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 28 February 2019 (being the latest practicable date from the date of issuance of the 4th Quarter Report).

## 7. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2018 are as follows:

| **Secured** | **Denominated in currency** | **Current RM'000** | **Non-current RM'000** | **Total RM'000** |
|---|---|---|---|---|
| Bank overdrafts | RM | 32,092 | - | 32,092 |
| Trust receipts | RM | 7,050 | - | 7,050 |
| Revolving credits | RM | 133,078 | - | 133,078 |
| Term loans | RM | 44,373 | 966,871 | 1,011,244 |
| Term loans | USD | - | 322,147 | 322,147 |
| Term loans | IDR | 7 | 19,167 | 19,174 |
| Finance lease liabilities | RM | 7,885 | 27,095 | 34,980 |
| Sukuk | RM | - | 1,000,000 | 1,000,000 |
| Bankers acceptance | RM | 36,776 | - | 36,776 |
| **Total** | | **261,261** | **2,335,280** | **2,596,541** |

## 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.

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 22$^{nd}$ 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 21$^{st}$ 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 21$^{st}$ Circuit of the Riyadh Enforcement Court.

**8. MATERIAL LITIGATION (continued)**

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

AFU and KFF filed an application for a stay of the enforcement proceedings but it was dismissed by the 21st Circuit of the Riyadh Enforcement Court. On 21 November 2018, AFU and KFF filed an appeal against the order for the enforcement of the Award and the matter is now pending the decision of the Appeal Judge.

(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 totaling 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 was no response from Cobrain's solicitors, making the case now in abeyance pending further direction from Cobrain.

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

Sole Arbitrator was appointed by the Asian International Arbitration Centre ("AIAC") (which was formerly known as the Kuala Lumpur Regional Centre for Arbitration) on 19 October 2018, and the Preliminary Meeting with the said appointed Arbitrator was held on 7 December 2018.

As at December 2018, both parties are awaiting for further orders by the AIAC and/or the Arbitrator for further conduct on the matter.

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

## 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.

## 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 31/12/2018 | Comparative Quarter ended 31/12/2017 | Cumulative Quarter ended 31/12/2018 | Cumulative Quarter ended 31/12/2017 |
|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY** | **(2,918)** | **(2,786)** | **14,665** | **29,199** |
| **Basic** | | | | |
| Weighted average number of ordinary shares in issue | 598,098 | 531,548 | 534,900 | 517,340 |
| **Diluted** | | | | |
| Weighted average number of ordinary shares in issue | 598,098 | 531,548 | 534,900 | 517,340 |
| Effect of warrants issue | 4,166 | 6,347 | 4,166 | 6,347 |
| Effect of Employee Share Scheme issue | (29,050) | 30,121 | (29,050) | 30,121 |
| Adjusted weighted average number of ordinary shares in issue | 573,214 | 568,016 | 510,016 | 553,808 |

| | | | | |
|---|---|---|---|---|
| Basic (sen) | (0.49) | (0.52) | 2.74 | 5.64 |
| Diluted (sen) | (0.51) | (0.49) | 2.88 | 5.27 |

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

## 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.