ANNOUNCEMENT

The Board of Directors of Ahmad Zaki Resources Berhad ("AZRB" or "the Company") would like to announce the following unaudited consolidated results for the 1st Quarter and period ended 31 March 2019. This announcement should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 31 MARCH 2019

RM'000	**Note**	**Current quarter ended 31.03.2019**	**Comparative quarter ended 31.03.2018**	**Cumulative quarter ended 31.03.2019**	**Cumulative quarter ended 31.03.2018**
Revenue		253,275	304,136	253,275	304,136
Operating expenses	1	(250,446)	(294,337)	(250,446)	(294,337)
Other operating income		187	384	187	384
Profit from operating activities		**3,016**	**10,183**	**3,016**	**10,183**
Finance income		14,923	15,424	14,923	15,424
Finance costs		(14,479)	(12,995)	(14,479)	(12,995)
Profit before tax		**3,460**	**12,612**	**3,460**	**12,612**
Income tax expense		(1,400)	(4,382)	(1,400)	(4,382)
Profit for the period	2	**2,060**	**8,230**	**2,060**	**8,230**
Other comprehensive income, net of tax					
Actuarial loss from employee benefit		(133)	-	(133)	-
Foreign currency translation differences for foreign operations		(83)	3,378	(83)	3,378
Total comprehensive income for the period		**1,844**	**11,608**	**1,844**	**11,608**
Profit/(loss) attributable to:					
Owners of the Company		3,733	9,132	3,733	9,132
Non-controlling interests		(1,673)	(902)	(1,673)	(902)
Profit for the period		**2,060**	**8,230**	**2,060**	**8,230**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

RM'000	Note	Current quarter ended 31.03.2019	Comparative quarter ended 31.03.2018	Cumulative quarter ended 31.03.2019	Cumulative quarter ended 31.03.2018
Total comprehensive income/(loss) attributable to:					
Owners of the Company		3,524	12,510	3,524	12,510
Non-controlling interests		(1,680)	(902)	(1,680)	(902)
Total comprehensive income for the period		**1,844**	**11,608**	**1,844**	**11,608**
Earnings per ordinary share (sen):					
Basic		**0.62**	**1.72**	**0.62**	**1.72**
Diluted		**-**	**1.63**	**-**	**1.63**
Note 1:					
Operating expenses represents the following:					
Cost of sales		228,116	262,015	228,116	262,015
Other operating expenses		22,330	32,322	22,330	32,322
Total		**250,446**	**294,337**	**250,446**	**294,337**
Note 2:					
Profit is arrived at after (crediting)/charging the following items:					
Interest income		(737)	(1,069)	(737)	(1,069)
Accretion of fair value of non-current receivables		(14,186)	(14,355)	(14,186)	(14,355)
Interest expense		14,227	12,995	14,227	12,995
Depreciation and amortisation of non-current assets		6,375	5,455	6,375	5,455
Employee retirement benefits provision		675	678	675	678
(Gain)/Loss on foreign exchange - unrealised		(4,694)	4,433	(4,694)	4,433

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

RM'000	Unaudited as at 31.03.2019	Audited as at 31.12.2018
ASSETS		
Non-current assets		
Property, plant and equipment	578,411	570,113
Prepaid lease payments	22,273	22,577
Land held for development	41,776	56,995
Intangible assets	20,534	20,955
Concession service assets	1,311,356	1,238,196
Goodwill	41,781	41,781
Investments in associates	2,805	2,805
Interests in joint ventures	34	34
Investments in financial assets	116	116
Deferred tax assets	34,752	35,474
Trade and other receivables	612,132	607,015
Total non-current assets	**2,665,970**	**2,596,061**
Current assets		
Biological assets	77	77
Inventories	18,745	19,393
Property development cost	27,097	17,480
Current tax assets	9,668	11,339
Construction contract assets	356,736	367,713
Accrued billings from property development	-	402
Trade and other receivables	609,247	640,992
Other investments	426,973	164,338
Cash and deposits	263,214	622,896
Total current assets	**1,711,757**	**1,844,630**
Total assets	**4,377,727**	**4,440,691**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

RM'000	Unaudited as at 31.03.2019	Audited as at 31.12.2018
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	267,469	263,945
Equity attributable to owners of the Company	**465,005**	**461,481**
Non-controlling interests	9,841	11,521
Total equity	**474,846**	**473,002**
Non-current and deferred liabilities		
Loans and borrowings	2,341,315	2,308,904
Employee benefits	4,224	3,373
Deferred tax liabilities	81,927	82,488
Trade and other payables	140,314	138,339
Total non-current and deferred liabilities	**2,567,780**	**2,533,104**
Current liabilities		
Loans and borrowings	255,500	317,491
Trade and other payables	1,065,663	1,098,072
Current tax liabilities	13,938	19,022
Total current liabilities	**1,335,101**	**1,434,585**
Total liabilities	**3,902,881**	**3,967,689**
Total equity and liabilities	**4,377,727**	**4,440,691**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Attributable to the owners of the Company									
	Non-distributable						Distributable			
RM'000	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employee share scheme reserve	Treasury shares	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2019	**197,536**	**872**	**27,889**	**16,123**	**2,331**	**(1,026)**	**217,756**	**461,481**	**11,521**	**473,002**
Profit/(Loss) for the period	-	-	-	-	-	-	3,733	3,733	(1,673)	2,060
Foreign currency translation differences for foreign operations	-	-	-	(67)	-	-	-	(67)	(16)	(83)
Actuarial loss from employee benefits	-	(142)	-	-	-	-	-	(142)	9	(133)
Total comprehensive income/(loss) for the period	**-**	**(142)**	**-**	**(67)**	**-**	**-**	**3,733**	**3,524**	**(1,680)**	**1,844**
Employee share scheme expenses	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares net of expenses	-	-	-	-	-	-	-	-	-	-
Dividend to owners of the Company	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2019	**197,536**	**730**	**27,889**	**16,056**	**2,331**	**(1,026)**	**221,489**	**465,005**	**9,841**	**474,846**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Attributable to the owners of the Company									
	Non-distributable						Distributable			
RM'000	**Share capital**	**Other reserve**	**Warrant reserve**	**Foreign exchange translation reserve**	**Employee share scheme reserve**	**Treasury shares**	**Retained profits**	**Subtotal**	**Non-controlling interests**	**Total equity**
At 1 January 2018	**197,478**	**-**	**27,889**	**20,284**	**1,000**	**(1,026)**	**200,105**	**445,730**	**16,941**	**462,671**
MFRS adoption	-	-	-	(8,753)	-	-	8,519	(234)	-	(234)
Restated	**197,478**	**-**	**27,889**	**11,531**	**1,000**	**(1,026)**	**208,624**	**445,496**	**16,941**	**462,437**
Profit/(Loss) for the period	-	-	-	-	-	-	9,132	9,132	(902)	8,230
Foreign currency translation differences for foreign operations	-	-	-	3,154	-	-	-	3,154	224	3,378
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**3,154**	**-**	**-**	**9,132**	**12,286**	**(678)**	**11,608**
Employee share scheme expenses	-	-	-	-	678	-	-	678	-	678
Issuance of ordinary shares	58	-	-	-	-	-	-	58	-	58
Dividend to owners of the Company	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	**58**	**-**	**-**	**-**	**678**	**-**	**-**	**736**	**-**	**736**
At 31 March 2018	**197,536**	**-**	**27,889**	**14,685**	**1,678**	**(1,026)**	**217,756**	**458,518**	**16,263**	**474,781**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

RM '000	Cumulative quarter ended 31.03.2019	Cumulative quarter ended 31.03.2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	3,460	12,612
Adjustments for:		
Amortisation of prepaid lease payments	260	90
Amortisation of transaction costs	339	1,509
Amortisation of intangible assets	421	422
Depreciation of property, plant and equipment	5,694	4,943
Property, plant and equipment written off	28	-
Accretion of fair value of non-current receivables	(14,186)	(14,355)
Interest expenses	14,227	12,995
Interest income	(737)	(1,069)
Loss on disposal of property, plant and equipment	15	-
Employee retirement benefits provision	675	678
(Gain)/Loss on foreign exchange - unrealised	(4,694)	4,433
Operating profit before working capital changes	**5,502**	**22,258**
Changes in working capital:		
Decrease in inventories	648	3,330
Decrease in property development costs	5,906	377
Increase in concession service assets	(73,160)	(96,487)
Decrease/(Increase) in trade and other receivables	64,732	(68,684)
(Decrease)/Increase in trade and other payables	(54,851)	93,410
Decrease in construction contract assets	10,977	-
Cash used in operations	**(40,246)**	**(47,352)**
Income tax paid	(4,726)	(4,760)
Interest received	737	1,069
Interest paid	(14,227)	(12,995)
Net cash used in operating activities	**(58,462)**	**(64,038)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Placement of other investments	(262,635)	-
Purchase of property, plant and equipment	(14,499)	(17,503)
Proceeds from disposal of property, plant and equipment	204	84
Net cash used in investing activities	**(276,930)**	**(17,419)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

RM '000	Cumulative quarter ended 31.03.2019	Cumulative quarter ended 31.03.2018
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Increase in pledged cash and deposits	(180)	(267)
Addition/(Repayment) of finance lease liabilities	13,043	(4,888)
Proceeds from drawdown of loans and borrowing	101,544	15,278
Repayment of loans and borrowings	(123,932)	(27,357)
Increase in share capital, net of issuance cost	-	58
Net cash used in financing activities	**(9,525)**	**(17,176)**
Net decrease in cash and cash equivalents	(344,917)	(98,633)
Effects of exchange difference on cash and cash equivalents	-	(247)
Cash and cash equivalents at beginning of the period	497,838	202,706
Cash and cash equivalents at end of the period	**152,921**	**103,826**
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Cash and bank balances	204,851	120,643
Deposits placed with licensed banks	58,363	61,737
	263,214	182,380
Less:		
Bank overdrafts	(17,147)	(28,225)
Pledged deposits	(93,146)	(50,329)
	152,921	**103,826**

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

1. ACCOUNTING POLICIES

The interim financial statements has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting, and Paragraph 9.22 of the Main Market 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 2018 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 2018.

2. CHANGES IN ACCOUNTING POLICIES

The significant 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 audited financial statements for the year ended 31 December 2018, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations:

MFRS 16	Leases
Amendments to:	
MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation
MFRS 119	Employee Benefits - Plan Amendment, Curtailment or Settlement
MFRS 128	Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRSs 2015 - 2017 Cycle

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

The adoption of these MFRSs, Amendments to MFRSs and IC Interpretations did not have a material impact on the financial statements of the Group in the period of initial application, except as disclosed below:

MFRS 16: Leases

MFRS 16 Leases supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying assets and lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases, and account for them differently.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted, but not before an entity applies MFRS 15.

The application of MFRS 16 is not expected to have a material impact on the amounts reported and disclosures made in the financial statements of the Group upon initial adoption.

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

3. STATUS OF FINANCIAL STATEMENTS QUALIFICATION

The auditors' report of the preceding audited financial statements for the year ended 31 December 2018 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.

5. ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS THAT ARE UNUSUAL DUE TO THE NATURE, SIZE OR INCIDENCE

There were no unusual items due to the nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows for the financial quarter ended 31 March 2019.

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 current quarter.

8. DIVIDEND 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 segments. Inter-segment pricing is determined based on cost plus method.

RM'000	Engineering & Construction	Concession	Oil & Gas	Plantation	Property	Other operations	Eliminations	Consolidated
31.03.2019								
Revenue								
External revenue	224,398	9,442	10,089	7,180	2,166	-	-	253,275
Inter-segment revenue	1,104	-	3,140	-	-	3,660	(7,904)	-
Total revenue	**225,502**	**9,442**	**13,229**	**7,180**	**2,166**	**3,660**	**(7,904)**	**253,275**
Results								
Segment results	7,182	9,383	(2,551)	(2,153)	(548)	(7,853)	-	3,460
Interest income	465	21	2	2	23	224	-	737
Interest expenses	(3,020)	(5,455)	(1,601)	(2,210)	(289)	(1,652)	-	(14,227)
Non-cash income/ (expenses) (Note i)	(43)	14,186	-	4,276	-	(596)	-	17,823
Depreciation and amortisation of non-current assets	(865)	(1)	(1,680)	(3,142)	(128)	(137)	(422)	(6,375)
31.03.2018								
Revenue								
External revenue	247,388	8,858	11,518	32,188	4,184	-	-	304,136
Inter-segment revenue	-	-	-	-	-	3,675	(3,675)	-
Total revenue	**247,388**	**8,858**	**11,518**	**32,188**	**4,184**	**3,675**	**(3,675)**	**304,136**
Results								
Segment results	12,832	13,583	(506)	(6,345)	341	(7,293)	-	12,612
Interest income	862	12	2	6	8	179	-	1,069
Interest expenses	(3,256)	(5,763)	(681)	(1,891)	(179)	(1,225)	-	(12,995)
Non-cash income/ (expenses) (Note i)	-	14,355	-	(5,942)	-	(678)	-	7,735
Depreciation and amortisation of non-current assets	(1,142)	-	(973)	(2,640)	(134)	(144)	(422)	(5,455)

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

9. SEGMENT REPORTING (continued)

<u>**Note i:**</u>

RM '000	**Cumulative quarter ended 31.03.2019**	**Cumulative quarter ended 31.03.2018**
Employee retirement benefits provision	(675)	(678)
Accretion of fair value of non-current receivables	14,186	14,355
Amortisation of transaction costs	(339)	(1,509)
Gain/(Loss) on foreign exchange - unrealised	4,694	(4,433)
Loss on disposal of property, plant and equipment	(15)	-
Property, plant and equipment written off	(28)	-
Total	**17,823**	**7,735**

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 31 May 2019 (being the latest practicable date from the date of issuance of the 1st 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:

RM'000	Cumulative quarter ended 31.03.2019	Cumulative quarter ended 31.03.2018
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	17,734	14,921
- Chuan Huat Hardware Sdn Bhd	460	357
Purchases from following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	84	10
- Kemaman Quarry Sdn Bhd	-	594
- MIM Waste Services Sdn Bhd	-	-
Sales to following companies which certain directors have substantial financial interests and are also directors:		
- Kemaman Quarry Sdn Bhd	(24)	(24)
- MIM Waste Services Sdn Bhd	(71)	-
Non-trade		
Administrative service paid or payable to ultimate holding company	31	34
Insurance premium paid or payable to ultimate holding company	217	227
Rental of land paid to a director of the Company	-	11
Rental payable to ultimate holding company	-	30
Security services charges paid to MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors	1,420	221

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 RM253.3 million of revenue for the quarter, a 16.7% decrease from RM304.1 million recorded in the previous corresponding quarter. With the exception of the Concession Division, all other operating divisions of the Group saw a reduction in revenues recorded for the period under review.

Subsequently, the Group recorded lower pre-tax profit of RM3.5 million for the quarter ended 31 March 2019 (1Q19), a decrease from RM12.6 million recorded in the previous corresponding quarter for 2018.

A general slow-down in nearly all of the divisions that the Group operates in contributed to the lower performance in the current quarter compared against the same period in 2018.

Engineering & Construction

For the quarter under review, the Division recorded RM224.4 million of revenue, a slight drop of 9.3% compared against the same quarter of last year. The slower construction progress from the Division's on-going projects in 2019 was the main catalyst for the lower revenues recognised.

Correspondingly, pre-tax profit recorded was RM7.2 million in 1Q19, decreasing by 44.0% from RM12.8 million previously. The decrease was mainly due to the narrowing of the average margin of projects in the Division; as these 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 RM9.4 million of revenue in 1Q19, compared against RM8.9 million in 1Q18. Despite the improvement in quarterly revenue against 2018, the Division's pre-tax profit was lower at RM9.4 million against RM13.6 million, attributable mainly to the recognition of full maintenance cost following the expiry of the defect liability period in May 2018.

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

1. REVIEW OF PERFORMANCE (continued)

Oil & Gas

The Division recorded RM10.1 million of revenue in 1Q19, a marginal drop of 12.4% from RM11.5 million in the corresponding quarter of last year. The slightly lower volume of bunkering activities and vessel calls contributed to the revenue performance of 2019.

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 RM2.6 million of pre-tax loss in 1Q19, compared against loss of RM0.5 million in 1Q18.

Plantation

For the current quarter, the Plantation Division recorded RM7.2 million of revenue compared against RM32.2 million in the previous corresponding quarter. In addition to lower palm product sales, the decrease in revenue was mainly due to decreases in selling prices of crude palm oil (“CPO”) and Palm Kernel (“PK”) by 20% and 40%, respectively.

Pre-tax losses narrowed to RM2.2 million for the quarter under review from RM6.3 million previously, mainly due to the strengthening of the Indonesian Rupiah against the US Dollar in the first quarter of 2019.

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 lower revenue for the financial year. There was a revenue drop to RM2.2 million posted in 1Q19, from RM3.6 million (after adjusting the effects of MFRS 15, Revenue from Contracts with Customers) in the previous corresponding quarter.

Despite the lower revenue, total property units sold increased. The lower revenue was due to the implementation of the aforementioned accounting standard MFRS 15, which came into effect in financial year 2018 for the Group. As a result, revenues from the Division's 'Perumahan Penjawat Awam Malaysia' ("PPAM") developments were deferred until the construction completion of property units.

In tandem with the lower revenue, the Division recorded a pre-tax loss of RM0.5 million in 1Q19 against adjusted pre-tax profit of RM0.2 million previously.

Despite the above, the revenue which will be recognised upon the completion of the Division's PPAM developments are expected to significantly improve the performance of the Division in the periods 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

RM'000	Current quarter ended 31.03.2019	Preceding quarter ended 31.12.2018	Variance +/(-)
Revenue	253,275	266,658	(13,383)
Profit before tax	3,460	6,441	(2,981)

The Group recorded lower revenue growth during the quarter under review due to a general revenue slow-down in all its' operating divisions with the exception of the Concession Division.

The Group posted a quarterly pre-tax profit of RM3.5 million against RM6.4 million previously. The narrowing of margins in the Engineering & Construction Division was the primary reason for the lower performance for the quarter ended 31 March 2019, against the preceding quarter.

3. PROSPECTS

Engineering & Construction

The recent job award in February 2019 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. Currently, the Group has RM2.94 billion of outstanding order-book as at 31 March 2019. The Group intends to continue replenishing its order-book whilst the current outstanding balance will be able to sustain AZRB for the next two to three 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.

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

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, maintaining above USD60 per barrel in the year 2019. 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

The Group expects CPO prices to remain volatile in 2019, as the uncertainty in the global economy remains. As a result, the Group is now concentrating efforts on implementing division-wide cost-cutting measures as well as continuously seeking avenues to operate more efficiently.

Despite the challenging current environment, the Group still believes that the Plantation Division will have a role in contributing positively in the long-run.

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 RM19.6 million.

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

Not applicable.

5. TAXATION

RM '000	**Cumulative quarter ended 31.03.2019**	**Cumulative quarter ended 31.03.2018**
Current tax expense	830	1,000
Deferred tax expense:		
- Origination of temporary differences	570	3,382
Tax expense	**1,400**	**4,382**

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 31 May 2019 (being the latest practicable date from the date of issuance of the 1st Quarter Report).

7. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings (secured) as at 31 March 2019 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	17,147	-	17,147
Trust receipts	RM	769	-	769
Revolving credits	RM	159,059	-	159,059
Term loans	RM	34,354	960,464	994,818
Term loans	USD	-	317,487	317,487
Term loans	IDR	7	18,131	18,138
Finance lease liabilities	RM	6,137	33,143	39,280
Sukuk	RM	-	1,012,090	1,012,090
Bankers acceptance	RM	30,031	-	30,031
Invoice financing	RM	7,996	-	7,996
Total		**255,500**	**2,341,315**	**2,596,815**

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

8. MATERIAL LITIGATION

At the date of this announcement, the Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group and the Company except as disclosed as follows:

(a) 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 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.

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

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.

On March 2019, the Arbitrator issued an order for Cobrain to proceed with the filing of their application claim by 30 September 2019, before the hearing date can be fixed.

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

9. DIVIDEND

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

10. EARNINGS PER SHARE

The basic earnings per share was calculated based on the consolidated profit after taxation and minority interests over the weighted average number of ordinary shares in issue during the period calculated as follows:

RM'000	Current quarter ended 31.03.2019	Comparative quarter ended 31.03.2018	Cumulative quarter ended 31.03.2019	Cumulative quarter ended 31.03.2018
Profit attributable to owners of the Company	**3,733**	**9,132**	**3,733**	**9,132**
Basic				
Weighted average number of ordinary shares in issue	598,098	531,561	598,098	531,561
Diluted				
Weighted average number of ordinary shares in issue	598,098	531,561	598,098	531,561
Effect of warrants issue	-*	27,969	-*	27,969
Adjusted weighted average number of ordinary shares in issue	598,098	559,530	598,098	559,530
Basic (sen)	**0.62**	**1.72**	**0.62**	**1.72**
Diluted (sen)	**-***	**1.63**	**-***	**1.63**

* The effect of potential ordinary shares ongoing from the exercise of warrants was anti-dilutive and accordingly was excluded from the diluted earnings per share computation above.

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.