ANNOUNCEMENT

The Board of Directors of Ahmad Zaki Resources Berhad ("AZRB" or "the Company") would like to announce the following unaudited consolidated results for the 2nd Quarter and period ended 30 June 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 30 JUNE 2019

RM'000	Note	Current quarter ended 30.06.2019	Comparative quarter ended 30.06.2018	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
Revenue		243,307	339,698	496,582	643,834
Operating expenses	1	(239,057)	(335,540)	(489,503)	(629,877)
Other operating income		406	317	593	701
Profit from operating activities		**4,656**	**4,475**	**7,672**	**14,658**
Finance income		14,703	15,227	29,626	30,651
Finance costs		(13,551)	(16,064)	(28,030)	(29,059)
Profit before tax		**5,808**	**3,638**	**9,268**	**16,250**
Income tax expense		(2,428)	(1,305)	(3,828)	(5,687)
Profit for the period	**2**	**3,380**	**2,333**	**5,440**	**10,563**
Other comprehensive income, net of tax					
Actuarial gain/(loss) from employee benefit		12	-	(121)	-
Foreign currency translation differences for foreign operations		(2,617)	4,237	(2,700)	7,615
Total comprehensive income for the period		**775**	**6,570**	**2,619**	**18,178**
Profit/(Loss) attributable to:					
Owners of the Company		4,652	5,306	8,385	14,438
Non-controlling interests		(1,272)	(2,973)	(2,945)	(3,875)
Profit for the period		**3,380**	**2,333**	**5,440**	**10,563**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

RM'000	Current quarter ended 30.06.2019	Comparative quarter ended 30.06.2018	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
Total comprehensive income/(loss) attributable to:				
Owners of the Company	1,895	9,377	5,419	21,663
Non-controlling interests	(1,120)	(2,807)	(2,800)	(3,485)
Total comprehensive income for the period	**775**	**6,570**	**2,619**	**18,178**
Earnings per ordinary share (sen):				
Basic	**0.78**	**1.00**	**1.40**	**2.72**
Diluted	**-***	**-***	**-***	**-***

* 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.

Note 1:

Operating expenses represents the following:

Cost of sales	216,209	299,182	444,325	561,197
Other operating expenses	22,848	36,358	45,178	68,680
Total	**239,057**	**335,540**	**489,503**	**629,877**

Note 2:

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

Interest income	(550)	(912)	(1,287)	(1,981)
Accretion of fair value of non-current receivables	(14,153)	(14,314)	(28,339)	(28,669)
Interest expense	12,818	16,064	27,045	29,059
Depreciation and amortisation of non-current assets	6,150	5,455	11,681	10,065
Employee retirement benefits provision	285	342	960	342
Employee share scheme expenses	304	678	304	678
(Gain)/Loss on foreign exchange - unrealised	(3,164)	13,799	(7,858)	18,232

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

RM'000	Unaudited as at 30.06.2019	Audited as at 31.12.2018
ASSETS		
Non-current assets		
Property, plant and equipment	590,836	570,113
Prepaid lease payments	22,342	22,577
Land held for development	57,563	56,995
Intangible assets	20,190	20,955
Concession service assets	1,340,945	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	33,918	35,474
Trade and other receivables	539,162	607,015
Total non-current assets	**2,649,692**	**2,596,061**
Current assets		
Biological assets	77	77
Inventories	24,804	19,393
Property development cost	13,749	17,480
Current tax assets	12,039	11,339
Construction contract assets	284,115	367,713
Accrued billings from property development	-	402
Trade and other receivables	753,276	640,992
Other investments	441,717	164,338
Cash and deposits	421,057	622,896
Total current assets	**1,950,834**	**1,844,630**
Total assets	**4,600,526**	**4,440,691**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

RM'000	Unaudited as at 30.06.2019	Audited as at 31.12.2018
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	269,668	263,945
Equity attributable to owners of the Company	**467,204**	**461,481**
Non-controlling interests	8,721	11,521
Total equity	**475,925**	**473,002**
Non-current and deferred liabilities		
Loans and borrowings	2,446,428	2,308,904
Employee benefits	4,553	3,373
Deferred tax liabilities	81,885	82,488
Trade and other payables	227,972	138,339
Total non-current and deferred liabilities	**2,760,838**	**2,533,104**
Current liabilities		
Loans and borrowings	307,816	317,491
Trade and other payables	1,043,461	1,098,072
Current tax liabilities	12,486	19,022
Total current liabilities	**1,363,763**	**1,434,585**
Total liabilities	**4,124,601**	**3,967,689**
Total equity and liabilities	**4,600,526**	**4,440,691**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	8,385	8,385	(2,945)	5,440
Foreign currency translation differences for foreign operations	-	-	-	(2,835)	-	-	-	(2,835)	135	(2,700)
Actuarial (loss)/gain from employee benefits	-	(131)	-	-	-	-	-	(131)	10	(121)
Total comprehensive income/(loss) for the period	**-**	**(131)**	**-**	**(2,835)**	**-**	**-**	**8,385**	**5,419**	**(2,800)**	**2,619**
Employee share scheme expenses	-	-	-	-	304	-	-	304	-	304
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**304**	**-**	**-**	**304**	**-**	**304**
At 30 June 2019	**197,536**	**741**	**27,889**	**13,288**	**2,635**	**(1,026)**	**226,141**	**467,204**	**8,721**	**475,925**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	14,438	14,438	(3,875)	10,563
Foreign currency translation differences for foreign operations	-	-	-	7,225	-	-	-	7,225	390	7,615
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**7,225**	**-**	**-**	**14,438**	**21,663**	**(3,485)**	**18,178**
Employee share scheme expenses	-	-	-	-	678	-	-	678	-	678
Issuance of ordinary shares	58	-	-	-	-	-	-	58	-	58
Total transactions with owners of the Company	**58**	**-**	**-**	**-**	**678**	**-**	**-**	**736**	**-**	**736**
At 30 June 2018	**197,536**	**-**	**27,889**	**18,756**	**1,678**	**(1,026)**	**223,062**	**467,895**	**13,456**	**481,351**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

RM '000	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	9,268	16,250
Adjustments for:		
Amortisation of prepaid lease payments	235	181
Amortisation of transaction costs	681	-
Amortisation of intangible assets	845	845
Depreciation of property, plant and equipment	11,446	9,884
Property, plant and equipment written off	165	129
Accretion of fair value of non-current receivables	(28,339)	(28,669)
Interest expenses	27,045	29,059
Interest income	(1,287)	(1,981)
Gain on disposal of property, plant and equipment	(130)	(103)
Employee retirement benefits provision	960	342
Employees share scheme expenses	304	678
(Gain)/Loss on foreign exchange - unrealised	(7,858)	18,232
Operating profit before working capital changes	**13,335**	**44,847**
Changes in working capital:		
(Increase)/Decrease in inventories	(5,411)	310
Decrease/(Increase) in property development costs	3,163	(11,301)
Increase in concession service assets	(102,749)	(210,594)
Decrease/(Increase) in trade and other receivables	10,260	(49,905)
Increase in trade and other payables	8,350	212,281
Decrease in construction contract assets	83,598	-
Decrease in accrued billings from property development	402	-
Cash from/(used in) operations	**10,948**	**(14,362)**
Income tax paid	(12,932)	(6,510)
Interest received	1,287	1,981
Interest paid	(27,045)	(29,059)
Net cash used in operating activities	**(27,742)**	**(47,950)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
New planting expenditure	-	(12,686)
Placement of other investments	(277,379)	-
Purchase of property, plant and equipment	(32,793)	(20,063)
Proceeds from disposal of property, plant and equipment	352	84
Net cash used in investing activities	**(309,820)**	**(32,665)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

RM '000	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Increase in pledged cash and deposits	(728)	(266)
Repayment of finance lease liabilities	(2,422)	(5,758)
Proceeds from drawdown of loans and borrowing	244,064	322,481
Repayment of loans and borrowings	(110,475)	(268,472)
Increase in share capital, net of issuance cost	-	58
Net cash used in financing activities	**130,439**	**48,043**
Net decrease in cash and cash equivalents	(207,123)	(32,572)
Effects of exchange difference on cash and cash equivalents	-	(271)
Cash and cash equivalents at beginning of the period	497,838	202,706
Cash and cash equivalents at end of the period	**290,715**	**169,863**
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Cash and bank balances	362,305	190,384
Deposits placed with licensed banks	58,752	64,314
	421,057	254,698
Less:		
Bank overdrafts	(36,648)	(34,506)
Pledged deposits	(93,694)	(50,329)
	290,715	**169,863**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 6

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, PARAGRAPH 6

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 oftime 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 leasesas 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, PARAGRAPH 6

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 30 June 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, PARAGRAPH 6

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
30.06.2019								
Revenue								
External revenue	432,900	17,869	24,618	7,221	13,974	-	-	496,582
Inter-segment revenue	2,097	-	2,249	-	-	8,789	(13,135)	-
Total revenue	**434,997**	**17,869**	**26,867**	**7,221**	**13,974**	**8,789**	**(13,135)**	**496,582**
Results								
Segment results	12,678	19,155	(567)	(4,480)	61	(17,579)	-	9,268
Interest income	699	53	4	4	35	492	-	1,287
Interest expenses	(6,443)	(10,781)	(113)	(3,852)	(815)	(5,041)	-	(27,045)
Non-cash income/ (expenses)(Note i)	105	28,339	(845)	6,258	-	(320)	-	33,537
Depreciation and amortisation of non-current assets	(1,807)	(1)	(3,057)	(6,291)	(250)	(275)	-	(11,681)
30.06.2018								
Revenue								
External revenue	534,967	17,581	25,581	57,268	8,437	-	-	643,834
Inter-segment revenue	552	-	1,312	-	-	7,316	(9,180)	-
Total revenue	**535,519**	**17,581**	**26,893**	**57,268**	**8,437**	**7,316**	**(9,180)**	**643,834**
Results								
Segment results	29,906	25,506	(2,007)	(23,388)	689	(15,055)	599	16,250
Interest income	1,648	119	3	11	20	180	-	1,981
Interest expenses	(6,566)	(11,582)	(2,206)	(3,948)	(626)	(4,730)	599	(29,059)
Non-cash income/ (expenses) (Note i)	80	28,669	(845)	(18,551)	-	(678)	-	8,675
Depreciation and amortisation of non-current assets	(2,296)	-	(1,955)	(5,265)	(267)	(282)	-	(10,065)

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 6

9. SEGMENT REPORTING (continued)

Note i: **RM '000**	**Cumulative quarter ended 30.06.2019**	**Cumulative quarter ended 30.06.2018**
Amortisation of intangible assets	(845)	(845)
Employee share scheme expenses	(304)	(678)
Employee retirement benefits provision	(960)	(342)
Accretion of fair value of non-current receivables	28,339	28,669
Amortisation of transaction costs	(681)	-
Gain/(Loss) on foreign exchange - unrealised	7,858	(18,232)
Gain on disposal of property, plant and equipment	130	103
Total	**33,537**	**8,675**

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plant and equipment has been brought forward without amendment from the latest audited annual financial statements.

11. SUBSEQUENT EVENTS

There was no material event subsequent to the end of the current quarter up to 29 August 2019 (being the latest practicable date from the date of issuance of the 2nd Quarter Report) that has not been reflected in the financial statements for the current quarter and financial year.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no 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.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 6

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 30.06.2019	Cumulative quarter ended 30.06.2018
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	24,225	18,694
- Chuan Huat Hardware Sdn Bhd	701	533
Purchases from following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	84	812
Sales to following companies which certain directors have substantial financial interests and are also directors:		
- Kemaman Quarry Sdn Bhd	(24)	(74)
- MIM Waste Services Sdn Bhd	(125)	-
Non-trade		
Administrative service paid or payable to ultimate holding company	64	53
Insurance premium paid or payable to ultimate holding company	419	358
Rental of land paid to a director of the Company	240	239
Rental payable to ultimate holding company	-	50
Security services charges paid to MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors	3,049	1,932

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 RM243.3 million of revenue for the quarter, a 28.4% decrease from RM339.7 million recorded in the previous corresponding quarter. Higher revenue performance from the Property and Oil & Gas Divisions were outweighed by lower revenues from the other divisions in the Group.

Despite this, the Group recorded a better pre-tax profit of RM5.8 million for the quarter ended 30 June 2019 (2Q19), an increase from RM3.6 million recorded in the previous corresponding quarter for 2018.

Prudent financial management in tandem with a general tightening of operational costs across the Group assisted AZRB to perform better in the current quarter, compared against the same period in 2018.

Engineering & Construction

For the quarter under review, the Division recorded RM208.5 million of revenue, a 27.5% drop compared against the same quarter of last year. As with the previous quarter, slower construction progress from the Division’s on-going projects was the main catalyst for the lower revenues recognised.

Correspondingly, pre-tax profit recorded was RM5.5 million in 2Q19, decreasing from RM17.1 million in 2Q18. The decrease was 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 RM8.4 million of revenue in 2Q19, compared against RM8.7 million in 2Q18. Correspondingly, the Division’s pre-tax profit was lower at RM9.8 million against RM11.9 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 RM14.5 million of revenue in 2Q19, an improvement of 2.8% from the corresponding quarter of last year. The higher volume of bunkering activities and vessel calls contributed to the healthier revenue performance of 2019.

The Division recorded a pre-tax profit for the quarter, overturning losses from the previous quarters as Tok Bali Supply Base ("TBSB") continues to climb towards its optimal level of operation and assisted by higher revenue enjoyed by the Division as a whole. As a result, the Division recorded RM2.0 million of pre-tax profit in 2Q19, against loss of RM1.5 million in 2Q18.

Plantation

The results of the Division continue to be hampered by the low demand as well as stagnating selling prices of palm products, specifically crude palm oil ("CPO") and Palm Kernel ("PK") which worsened by 15% and 34%, respectively.

Property

Property Division which currently derives its income from the development in Paka, Terengganu, recorded higher revenue for the financial year. There was a revenue climb to RM11.8 million posted in 2Q19, from RM4.3 million in the previous corresponding quarter.

The healthier revenue performance was mainly due to the higher number of total property units sold. Revenue contribution from the Division's 'Perumahan Penjawat Awam Malaysia' ("PPAM") developments were the main catalyst for the improved revenue performance for the quarter.

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 30.06.2019	Preceding quarter ended 31.03.2019	Variance +/(-)
Revenue	243,307	253,275	(9,968)
Profit before tax	5,808	3,460	2,348

The Group recorded lower revenue growth during the quarter under review due to lower recorded revenue in its' Construction & Engineering, Concession and Plantation Divisions. Revenue improvements in the Oil & Gas and Property Divisions helped to ensure better balance of contribution to the Group.

The Group posted a quarterly pre-tax profit of RM5.8 million against RM3.5 million previously. Healthier operational performance especially in the Oil & Gas, Concession and Property Divisions was the primary reason for the better results for the quarter ended 30 June 2019.

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 RM2.4 billion of outstanding order-book as at 30 June 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, which has commenced in the third quarter of 2019. 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.

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 2020. 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 RM15.7 million.

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

Not applicable.

5. TAXATION

RM '000	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
Current tax expense	2,224	4,144
Deferred tax expense:		
- Origination of temporary differences	1,604	1,543
Tax expense	**3,828**	**5,687**

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 29 August 2019 (being the latest practicable date from the date of issuance of the 2nd Quarter Report).

7. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings (secured) as at 30 June 2019 are as follows:

RM'000	**Denominated in currency**	**Current**	**Non-current**	**Total**
Bank overdrafts	RM	36,648	-	36,648
Trust receipts	RM	9,534	-	9,534
Revolving credits	RM	136,252	-	136,252
Term loans	RM	64,823	643,316	708,139
Term loans	USD	-	770,321	770,321
Finance lease liabilities	RM	4,902	32,791	37,693
Sukuk	RM	26,898	1,000,000	1,026,898
Bankers acceptance	RM	26,210	-	26,210
Invoice financing	RM	2,549	-	2,549
Total		**307,816**	**2,446,428**	**2,754,244**

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.

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.

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)

On 10 June 2019, AZRB was informed that the Appeal Judge (8th Appeal Circuit) has ordered for the case to be transferred from the 21st Circuit to the 11th Circuit of the Riyadh Enforcement Court. The 21st Circuit of the Riyadh Enforcement Court has then transferred the enforcement petition file to the President of the Riyadh Enforcement Court. The said President would then assign the enforcement petition file to the 11th Circuit of the Riyadh Enforcement Court or any other Court as ordered by the Appeal Judge. AZRB's solicitor will continue to follow up with the assigned Enforcement Court until payment of the award.

(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.

Case Management has since been fixed on 8 August 2019, whereby both parties updated the Court on the status of complying with Court Order No. 9. At present, no hearing date has been 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 30.06.2019	Comparative quarter ended 30.06.2018	Cumulative quarter ended 30.06.2019	Cumulative quarter ended 30.06.2018
Profit attributable to owners of the Company	**4,652**	**5,306**	**8,385**	**14,438**
Basic				
Weighted average number of ordinary shares in issue	598,098	531,643	598,098	531,602
Diluted				
Weighted average number of ordinary shares in issue	598,098	531,643	598,098	531,602
Effect of warrants issue	-*	-*	-*	-*
Adjusted weighted average number of ordinary shares in issue	598,098	540,360	598,098	540,319
Basic (sen)	**0.78**	**1.00**	**1.40**	**2.72**
Diluted (sen)	**-***	**-***	**-***	**-***

* 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.

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.