

ANNOUNCEMENT

The Board of Directors of Ahmad Zaki Resources Berhad (“AZRB” or “the Company”) would like to announce the following unaudited consolidated results for the 3rd Quarter and period ended 30 September 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 SEPTEMBER 2019**

RM'000	Note	Current quarter ended 30.09.2019	Comparative quarter ended 30.09.2018	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
Revenue		260,610	318,098	757,192	961,932
Operating expenses	1	(257,049)	(316,367)	(747,448)	(946,244)
Other operating income		559	725	1,063	1,427
Profit from operating activities		4,120	2,456	10,807	17,115
Finance income		14,298	16,663	43,924	47,313
Finance expenses		(16,090)	(16,826)	(43,135)	(45,885)
Profit before tax		2,328	2,293	11,596	18,543
Income tax expense		(1,045)	(1,218)	(4,873)	(6,905)
Profit for the period	2	1,283	1,075	6,723	11,638
Other comprehensive income/(loss), net of tax					
Actuarial gain/(loss) from employee benefits		10	-	(111)	-
Foreign currency translation differences for foreign operations		(1,093)	2,308	(3,793)	9,923
Total comprehensive income/(loss) for the period		200	3,383	2,819	21,561
Profit/(Loss) attributable to:					
Owners of the Company		3,060	3,145	11,445	17,583
Non-controlling interests		(1,777)	(2,070)	(4,722)	(5,945)
Profit for the period		1,283	1,075	6,723	11,638

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

RM'000	Current quarter ended 30.09.2019	Comparative quarter ended 30.09.2018	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
Total comprehensive income/(loss) attributable to:				
Owners of the Company	1,977	5,338	7,396	27,001
Non-controlling interests	(1,777)	(1,955)	(4,577)	(5,440)
Total comprehensive income for the period	200	3,383	2,819	21,561
Earnings per ordinary share (sen):				
Basic	0.51	0.59	1.91	3.31
Diluted	_*	_*	_*	_*

* The effect of potential ordinary shares on-going 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	231,567	276,717	675,892	837,914
Other operating expenses	25,482	39,650	71,556	108,330
Total	257,049	316,367	747,448	946,244

Note 2:

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

Interest income	(237)	(371)	(1,524)	(2,352)
Accretion of fair value of non-current receivables	(14,061)	(16,292)	(42,400)	(44,961)
Interest expenses	16,090	16,826	43,135	45,885
Depreciation and amortisation of non-current assets	5,455	4,515	17,136	10,706
Employee retirement benefits provision	314	146	1,274	488
Employee share scheme expenses	154	-	458	678
Loss/(Gain) on foreign exchange - unrealised	543	11,651	(7,315)	29,883

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 30 SEPTEMBER 2019**

RM'000	Unaudited as at 30.09.2019	Audited as at 31.12.2018
ASSETS		
Non-current assets		
Property, plant and equipment	588,131	570,113
Prepaid lease payments	22,224	22,577
Land held for development	57,625	56,995
Intangible assets	19,769	20,955
Concession service assets	1,397,284	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	34,747	35,474
Trade and other receivables	535,512	607,015
Total non-current assets	2,700,028	2,596,061
Current assets		
Biological assets	77	77
Inventories	22,281	19,393
Property development costs	15,558	17,480
Current tax assets	14,255	11,339
Construction contract assets	185,629	367,713
Accrued billings from property development	-	402
Trade and other receivables	852,991	640,992
Other investments	411,181	164,338
Cash and deposits	410,920	622,896
Total current assets	1,912,892	1,844,630
Total assets	4,612,920	4,440,691

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 30 SEPTEMBER 2019**

RM'000	Unaudited as at 30.09.2019	Audited as at 31.12.2018
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	271,799	263,945
Equity attributable to owners of the Company	469,335	461,481
Non-controlling interests	13,692	11,521
Total equity	483,027	473,002
Non-current and deferred liabilities		
Loans and borrowings	2,461,237	2,308,904
Employee benefits	4,843	3,373
Deferred tax liabilities	82,351	82,488
Trade and other payables	262,255	138,339
Total non-current and deferred liabilities	2,810,686	2,533,104
Current liabilities		
Loans and borrowings	347,759	317,491
Trade and other payables	958,708	1,098,072
Current tax liabilities	12,740	19,022
Total current liabilities	1,319,207	1,434,585
Total liabilities	4,129,893	3,967,689
Total equity and liabilities	4,612,920	4,440,691

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

RM'000	← Attributable to the owners of the Company →									
	← Non-distributable →					Distributable				
	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employee share 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	-	-	-	-	-	-	11,445	11,445	(4,722)	6,723
Foreign currency translation differences for foreign operations	-	-	-	(3,928)	-	-	-	(3,928)	135	(3,793)
Actuarial (loss)/gain from employee benefits	-	(121)	-	-	-	-	-	(121)	10	(111)
Total comprehensive loss for the period	-	(121)	-	(3,928)	-	-	11,445	7,396	(4,577)	2,819
Employee share scheme expenses	-	-	-	-	458	-	-	458	-	458
Issuance of ordinary share	-	-	-	-	-	-	-	-	6,748	6,748
Total transactions with owners of the Company	-	-	-	-	458	-	-	458	6,748	7,206
At 30 September 2019	197,536	751	27,889	12,195	2,789	(1,026)	229,201	469,335	13,692	483,027

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

RM'000	← Attributable to the owners of the Company →									
	← Non-distributable					→ Distributable				
	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	-	-	-	-	-	-	17,583	17,583	(5,945)	11,638
Foreign currency translation differences for foreign operations	-	-	-	9,418	-	-	-	9,418	505	9,923
Total comprehensive income/(loss) for the period	-	-	-	9,418	-	-	17,583	27,001	(5,440)	21,561
Employee share scheme expenses	-	-	-	-	678	-	-	678	-	678
Issuance of ordinary shares	58	-	-	-	-	-	-	58	-	58
Total transactions with owners of the Company	58	-	-	-	678	-	-	736	-	736
At 30 September 2018	197,536	-	27,889	20,949	1,678	(1,026)	226,207	473,233	11,501	484,734

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

RM '000	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	11,596	18,543
Adjustments for:		
Amortisation of prepaid lease payments	795	271
Amortisation of transaction costs	1,028	-
Amortisation of intangible assets	1,267	1,267
Depreciation of property, plant and equipment	16,341	15,236
Property, plant and equipment written off	130	242
Accretion of fair value of non-current receivables	(42,400)	(44,961)
Interest expenses	43,135	45,885
Interest income	(1,524)	(2,352)
Gain on disposal of property, plant and equipment	(220)	(337)
Employee retirement benefits provision	1,274	488
Employees share scheme expenses	458	678
(Gain)/Loss on foreign exchange - unrealised	(7,315)	29,883
Operating profit before working capital changes	24,565	64,843
Changes in working capital:		
(Increase)/Decrease in inventories	(2,889)	2,150
Decrease/(Increase) in property development costs	1,645	(19,827)
Increase in concession service assets	(159,088)	(301,519)
(Increase)/Decrease in trade and other receivables	(56,470)	21,097
(Decrease)/Increase in trade and other payables	(54,480)	241,758
Decrease in construction contract assets	182,084	-
Decrease in accrued billings from property development	402	-
Cash (used in)/from operations	(64,231)	8,502
Income tax paid	(13,481)	(15,329)
Interest received	1,524	2,352
Interest paid	(43,135)	(45,885)
Net cash used in operating activities	(119,323)	(50,360)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
New planting expenditure	-	(19,864)
Placement of other investments	(246,843)	-
Purchase of property, plant and equipment	(35,469)	(31,328)
Proceeds from disposal of property, plant and equipment	405	84
Net cash used in investing activities	(281,907)	(51,108)

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

RM '000	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Increase in pledged cash and deposits	(728)	(5,405)
Repayment of finance lease liabilities	(4,361)	(5,758)
Proceeds from drawdown of loans and borrowing	374,898	438,878
Repayment of loans and borrowings	(210,113)	(331,299)
Increase in share capital, net of issuance cost	-	58
Net cash from financing activities	159,696	96,474
Net decrease in cash and cash equivalents	(241,534)	(4,994)
Effects of exchange differences on cash and cash equivalents	-	(18)
Cash and cash equivalents at beginning of the period	497,838	202,706
Cash and cash equivalents at end of the period	256,304	197,694
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Cash and bank balances	348,092	217,216
Deposits placed with licensed banks	62,828	63,575
	410,920	280,791
Less:		
Bank overdrafts	(60,923)	(27,629)
Pledged deposits	(93,693)	(55,468)
	256,304	197,694

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 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, 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 September 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
30.09.2019								
Revenue								
External revenue	648,397	38,365	42,230	11,597	16,603	-	-	757,192
Inter-segment revenue	3,152	-	3,276	-	-	13,184	(19,612)	-
Total revenue	651,549	38,365	45,506	11,597	16,603	13,184	(19,612)	757,192
Results								
Segment results	24,405	31,692	(174)	(16,946)	(277)	(27,104)	-	11,596
Interest income	894	68	5	6	38	513	-	1,524
Interest expenses	(9,614)	(16,017)	(1,997)	(5,825)	(1,169)	(8,513)	-	(43,135)
Non-cash income/ (expenses)(Note i)	195	42,400	-	4,377	-	203	(1,267)	45,908
Depreciation and amortisation of non-current assets	(2,649)	(2)	(4,263)	(9,431)	(379)	(412)	-	(17,136)
30.09.2018								
Revenue								
External revenue	799,811	26,214	36,403	86,409	13,095	-	-	961,932
Inter-segment revenue	1,104	-	2,130	-	-	10,457	(13,691)	-
Total revenue	800,915	26,214	38,533	86,409	13,095	10,457	(13,691)	961,932
Results								
Segment results	47,512	34,398	(4,536)	(35,952)	1,081	(23,960)	-	18,543
Interest income	1,931	147	5	16	28	225	-	2,352
Interest expenses	(9,767)	(17,462)	(3,593)	(6,156)	(921)	(8,280)	294	(45,885)
Non-cash income/ (expenses) (Note i)	-	42,941	-	(35,172)	-	1,342	(1,267)	7,844
Depreciation and amortisation of non-current assets	(3,912)	(1)	(2,932)	(3,053)	(400)	(408)	-	(10,706)

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

9. SEGMENT REPORTING (continued)

<u>Note i:</u>	Cumulative quarter ended	Cumulative quarter ended
RM '000	30.09.2019	30.09.2018
Amortisation of intangible assets	(1,267)	(1,267)
Employee share scheme expenses	(458)	(678)
Employee retirement benefits provision	(1,274)	(488)
Accretion of fair value of non-current receivables	42,400	44,961
Amortisation of transaction costs	(1,028)	(4,801)
Gain/(Loss) on foreign exchange - unrealised	7,315	(29,883)
Gain on disposal of property, plant and equipment	220	-
Total	45,908	7,844

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 November 2019 (being the latest practicable date from the date of issuance of the 3rd Quarter Report) that has not been reflected in the financial statements for the current quarter and financial year.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no 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 interests are as follows:

RM'000	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	30,979	29,888
- Chuan Huat Hardware Sdn Bhd	872	586
Purchases from the following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	84	971
- Kemaman Quarry Sdn Bhd	-	1
- MIM Waste Services Sdn Bhd	-	94
Sales to the following companies which certain directors have substantial financial interests and are also directors:		
- Kemaman Quarry Sdn Bhd	(24)	(102)
- MIM Waste Services Sdn Bhd	(255)	(289)
Non-trade		
Administrative service paid or payable to ultimate holding company	95	96
Insurance premium paid or payable to ultimate holding company	610	509
Rental of land paid to a director of the Company	451	358
Rental payable to ultimate holding company	-	90
Transactions with MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors:		
- Security services payable	4,469	3,814
- Rental income receivable	(225)	-

**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 RM260.6 million of revenue for the quarter, an 18.1% decrease from RM318.1 million recorded in the previous corresponding quarter. The improved revenues from the Concession and Oil & Gas Divisions were outweighed by lower revenues from the other divisions in the Group.

Consequently, the Group achieved a pre-tax profit of RM2.3 million for the quarter ended 30 September 2019 (3Q19), approximately mirroring the pre-tax profit recorded in the previous corresponding quarter of 2018.

Against the same quarter of 2018, performance improvements in the Concession and Oil & Gas Divisions were tempered by the lower contributions from the Group’s other operating divisions.

Engineering & Construction

For the current quarter under review, the Division posted revenue of RM215.5 million, a decrease from RM264.8 million against the same corresponding quarter of 2018. The decrease in revenue was due to more projects nearing their respective completion stages as the Division churns through its order-book.

Arising from the above, pre-tax profit recorded for the quarter was RM11.7 million, down from RM17.6 million for the quarter of 3Q18.

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 RM20.5 million of revenue for the quarter, compared against RM8.6 million in 3Q18. The revenue improvement is a direct result of a new contract award to maintain equipment in the medical centre. Correspondingly, pre-tax profit improved from RM8.9 million for 3Q18 to RM12.5 million for the quarter in focus.

**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 RM17.6 million of revenue in 3Q19, a significant improvement of 62.7% from the corresponding quarter of last year. The Division welcomed new business from a major oil and gas operator which contributed positively, resulting in higher volume of bunkering activities and vessel calls in 3Q19.

As with the previous quarter, the Division continued to record a modest pre-tax profit for the quarter, overturning losses from the previous quarters of 2018 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 RM0.4 million of pre-tax profit in 3Q19, against loss of RM2.5 million in 3Q18.

Plantation

The results of the Division continue to be hampered by the low demand as well as stagnating selling prices of palm products in the quarter under review.

Property

Property Division which currently derives its income from the development in Paka, Terengganu, has recorded lower revenue for the quarter in focus. There was a revenue drop to RM2.7 million posted in 3Q19, from RM3.3 million (adjusted) in the previous corresponding quarter of 2018.

Revenue was not recognised on the Division’s ‘Perumahan Penjawat Awam Malaysia’ (“PPAM”) development for the quarter due to the timing of completion of the various parcels of the project. As a result, the Division posted a marginal pre-tax loss of RM0.3 million for the quarter as compared to an adjusted pre-tax profit of RM0.5 million previously.

**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 30.09.2019	Preceding quarter ended 30.06.2019	Variance + / (-)
Revenue	260,610	243,307	17,303
Profit before tax	2,328	5,808	(3,480)

The Group was able to improve in relation to quarterly revenue from the growth experienced in all of the Group's major Divisions with the exception of the Property Division. Major contributing factors were the improved quarter-on-quarter construction progress on projects in the Construction & Engineering Division, and new revenue streams coming from the Concession and Oil & Gas Divisions.

Conversely, the Group posted a quarterly pre-tax profit of RM2.3 million against RM5.8 million pre-tax profit in the previous quarter. Improved earnings from the Construction & Engineering and Concession Divisions were hampered by the revenue slow-down in the Plantation Division arising from the low demand and competitive pricing environment, which had an adverse effect on the Division and subsequently, Group earnings.

3. PROSPECTS

Engineering & Construction

The 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 RM2.2 billion of outstanding order-book as at 30 September 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.

TBSB welcomed a major oil and gas operator to the base, which has commenced operations in the current quarter in focus. 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

Despite the rising CPO prices in the past few weeks, the Group still 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 general outlook for property development remains bleak and uncertain. Nevertheless, 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 RM24.0 million.

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

Not applicable.

5. TAXATION

RM '000	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
Current tax expense	3,748	5,165
Deferred tax expense	1,125	1,740
Income tax expense	4,873	6,905

**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 November 2019 (being the latest practicable date from the date of issuance of the 3rd Quarter Report).

7. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings (secured) as at 30 September 2019 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	60,923	-	60,923
Trust receipts	RM	12,647	-	12,647
Revolving credits	RM	138,388	-	138,388
Term loans	RM	81,270	649,288	730,558
Term loans	USD	-	780,747	780,747
Finance lease liabilities	RM	3,354	31,202	34,556
Sukuk	RM	12,831	1,000,000	1,012,831
Bankers acceptance	RM	31,640	-	31,640
Invoice financing	RM	6,706	-	6,706
Total		347,759	2,461,237	2,808,996

**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.

Parties are in the midst of complying with Order 15 issued by the Arbitrator via its letter dated 15 October 2019. The Arbitrator has instructed the Parties to simultaneously exchange Witness Statements on 1 April 2020.

Hearing dates for this matter has been fixed on 20 to 24 of April 2020 at the Asian International Arbitration Centre in Kuala Lumpur.

**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 30.09.2019	Comparative quarter ended 30.09.2018	Cumulative quarter ended 30.09.2019	Cumulative quarter ended 30.09.2018
Profit attributable to owners of the Company	3,060	3,145	11,445	17,583
Basic				
Weighted average number of ordinary shares in issue	598,098	531,643	598,098	531,616
Diluted				
Weighted average number of ordinary shares in issue	598,098	531,643	598,098	531,616
Effect of warrants issue	_*	_*	_*	_*
Adjusted weighted average number of ordinary shares in issue	598,098	531,643	598,098	531,616
Basic (sen)	0.51	0.59	1.91	3.31
Diluted (sen)	_*	_*	_*	_*

* The effect of potential ordinary shares on-going 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 LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

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