

**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 4<sup>th</sup> Quarter and period ended 31 December 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 DECEMBER 2019**

RM'000	Note	Current quarter ended 31.12.2019	Comparative quarter ended 31.12.2018	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
Revenue		283,054	266,658	1,040,246	1,228,590
Operating expenses	1	(329,650)	(256,058)	(1,077,098)	(1,202,302)
Other operating income		4,637	391	5,700	1,818
<b>(Loss)/Profit from operating activities</b>		<b>(41,959)</b>	<b>10,991</b>	<b>(31,152)</b>	<b>28,106</b>
Finance income		14,245	15,448	58,169	62,761
Finance expenses		(12,007)	(20,165)	(55,142)	(66,050)
<b>(Loss)/Profit before tax</b>		<b>(39,721)</b>	<b>6,274</b>	<b>(28,125)</b>	<b>24,817</b>
Income tax expense		(271)	(9,324)	(5,144)	(16,229)
<b>(Loss)/Profit for the period</b>	2	<b>(39,992)</b>	<b>(3,050)</b>	<b>(33,269)</b>	<b>8,588</b>
<b>Other comprehensive (loss)/income, net of tax</b>					
Actuarial (loss)/gain from employee benefits		(21)	66	(132)	66
Foreign currency translation differences for foreign operations		(322)	(4,301)	(4,115)	5,622
<b>Total comprehensive (loss)/income for the period</b>		<b>(40,335)</b>	<b>(7,285)</b>	<b>(37,516)</b>	<b>14,276</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(42,112)	(3,351)	(30,667)	14,232
Non-controlling interests		2,120	301	(2,602)	(5,644)
<b>(Loss)/Profit for the period</b>		<b>(39,992)</b>	<b>(3,050)</b>	<b>(33,269)</b>	<b>8,588</b>

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

RM'000	Current quarter ended 31.12.2019	Comparative quarter ended 31.12.2018	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(42,517)	(7,314)	(35,121)	19,687
Non-controlling interests	2,182	29	(2,395)	(5,411)
<b>Total comprehensive (loss)/income for the period</b>	<b>(40,335)</b>	<b>(7,285)</b>	<b>(37,516)</b>	<b>14,276</b>
<b>(Loss)/Earnings per ordinary share (sen):</b>				
<b>Basic</b>	<b>(7.04)</b>	<b>(0.56)</b>	<b>(5.13)</b>	<b>2.39</b>
<b>Diluted</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>

\* 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	294,512	237,355	970,404	1,075,269
Other operating expenses	35,138	18,703	106,694	127,033
<b>Total</b>	<b>329,650</b>	<b>256,058</b>	<b>1,077,098</b>	<b>1,202,302</b>

**Note 2:**

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

Interest income	(258)	(517)	(1,782)	(2,869)
Accretion of fair value of non-current receivables	(13,987)	(14,931)	(56,387)	(59,892)
Interest expenses	8,093	14,540	51,228	60,425
Depreciation and amortisation of non-current assets	6,018	17,839	23,154	28,545
Employee retirement benefits provision	(530)	475	744	963
Employee share scheme expenses	152	653	610	1,331
(Gain)/Loss on foreign exchange - unrealised	(5,222)	(11,183)	(12,537)	18,700
Fair value loss arising from biological assets	-	125	-	125

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
 31 DECEMBER 2019**

RM'000	Unaudited as at 31.12.2019	Audited as at 31.12.2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	592,855	570,113
Prepaid lease payments	21,937	22,577
Land held for development	57,788	56,995
Intangible assets	19,425	20,955
Concession service assets	1,470,499	1,238,196
Goodwill	41,781	41,781
Investments in associates	2,805	2,805
Interests in joint ventures	-	34
Investments in financial assets	116	116
Deferred tax assets	33,605	35,474
Trade and other receivables	531,565	607,015
<b>Total non-current assets</b>	<b>2,772,376</b>	<b>2,596,061</b>
<b>Current assets</b>		
Biological assets	77	77
Inventories	22,699	19,393
Property development costs	16,591	17,480
Current tax assets	11,476	11,339
Construction contract assets	192,415	367,713
Accrued billings from property development	-	402
Trade and other receivables	973,274	640,992
Other investments	389,423	164,338
Cash and deposits	468,417	622,896
<b>Total current assets</b>	<b>2,074,372</b>	<b>1,844,630</b>
<b>Total assets</b>	<b>4,846,748</b>	<b>4,440,691</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
 31 DECEMBER 2019**

RM'000	Unaudited as at 31.12.2019	Audited as at 31.12.2018
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	197,536	197,536
Reserves	229,434	263,945
<b>Equity attributable to owners of the Company</b>	<b>426,970</b>	<b>461,481</b>
Non-controlling interests	15,874	11,521
<b>Total equity</b>	<b>442,844</b>	<b>473,002</b>
<b>Non-current and deferred liabilities</b>		
Loans and borrowings	2,706,337	2,308,904
Employee benefits	5,088	3,373
Deferred tax liabilities	81,888	82,488
Trade and other payables	264,184	138,339
<b>Total non-current and deferred liabilities</b>	<b>3,057,497</b>	<b>2,533,104</b>
<b>Current liabilities</b>		
Loans and borrowings	313,681	317,491
Trade and other payables	1,027,081	1,098,072
Current tax liabilities	5,645	19,022
<b>Total current liabilities</b>	<b>1,346,407</b>	<b>1,434,585</b>
<b>Total liabilities</b>	<b>4,403,904</b>	<b>3,967,689</b>
<b>Total equity and liabilities</b>	<b>4,846,748</b>	<b>4,440,691</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED 31 DECEMBER 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
<b>At 1 January 2019</b>	<b>197,536</b>	<b>872</b>	<b>27,889</b>	<b>16,123</b>	<b>2,331</b>	<b>(1,026)</b>	<b>217,756</b>	<b>461,481</b>	<b>11,521</b>	<b>473,002</b>
Loss for the period	-	-	-	-	-	-	(30,667)	(30,667)	(2,602)	(33,269)
Foreign currency translation differences for foreign operations	-	-	-	(4,312)	-	-	-	(4,312)	197	(4,115)
Actuarial (loss)/gain from employee benefits	-	(142)	-	-	-	-	-	(142)	10	(132)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(142)</b>	<b>-</b>	<b>(4,312)</b>	<b>-</b>	<b>-</b>	<b>(30,667)</b>	<b>(35,121)</b>	<b>(2,395)</b>	<b>(37,516)</b>
Employee share scheme expenses	-	-	-	-	610	-	-	610	-	610
Issuance of ordinary share	-	-	-	-	-	-	-	-	6,748	6,748
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>610</b>	<b>-</b>	<b>-</b>	<b>610</b>	<b>6,748</b>	<b>7,358</b>
<b>At 31 December 2019</b>	<b>197,536</b>	<b>730</b>	<b>27,889</b>	<b>11,811</b>	<b>2,941</b>	<b>(1,026)</b>	<b>187,089</b>	<b>426,970</b>	<b>15,874</b>	<b>442,844</b>

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

RM'000	← Attributable to the owners of the Company →									Total Equity
	Non-distributable			Distributable					Non-controlling interests	
	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employee share scheme reserve	Treasury shares	Retained profits	Subtotal		
<b>At 1 January 2018 (Restated)</b>	<b>197,478</b>	<b>-</b>	<b>27,889</b>	<b>11,531</b>	<b>1,000</b>	<b>(1,026)</b>	<b>208,826</b>	<b>445,698</b>	<b>16,941</b>	<b>462,639</b>
Profit/(Loss) for the period	-	-	-	-	-	-	14,232	14,232	(5,644)	8,588
Foreign currency translation differences for foreign operations	-	-	-	5,395	-	-	-	5,395	227	5,622
Reclassification	-	803	-	(803)	-	-	-	-	-	-
Actuarial gain/(loss) from employee benefits	-	69	-	-	-	-	-	69	(3)	66
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>872</b>	<b>-</b>	<b>4,592</b>	<b>-</b>	<b>-</b>	<b>14,232</b>	<b>19,696</b>	<b>(5,420)</b>	<b>14,276</b>
Dividends to owners of the Company	-	-	-	-	-	-	(5,302)	(5,302)	-	(5,302)
Employee share scheme expenses	-	-	-	-	1,331	-	-	1,331	-	1,331
Issuance of ordinary shares	58	-	-	-	-	-	-	58	-	58
<b>Total transactions with owners of the Company</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,331</b>	<b>-</b>	<b>(5,302)</b>	<b>(3,913)</b>	<b>-</b>	<b>(3,913)</b>
<b>At 31 December 2018</b>	<b>197,536</b>	<b>872</b>	<b>27,889</b>	<b>16,123</b>	<b>2,331</b>	<b>(1,026)</b>	<b>217,756</b>	<b>461,481</b>	<b>11,521</b>	<b>473,002</b>

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

RM '000	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(28,125)	24,817
Adjustments for:		
Amortisation of prepaid lease payments	1,068	1,024
Amortisation of transaction costs	1,028	1,495
Amortisation of intangible assets	1,690	1,690
Depreciation of property, plant and equipment	22,086	27,521
Property, plant and equipment written off	138	-
Accretion of fair value of non-current receivables	(56,387)	(59,892)
Interest expenses	51,228	60,425
Interest income	(1,782)	(2,869)
Gain on disposal of property, plant and equipment	(195)	(354)
Employee retirement benefits provision	744	963
Employees share scheme expenses	610	1,331
Fair value loss arising from biological assets	-	125
(Gain)/Loss on foreign exchange - unrealised	(12,537)	18,700
<b>Operating (loss)/profit before working capital changes</b>	<b>(20,434)</b>	<b>74,976</b>
Changes in working capital:		
(Increase)/Decrease in inventories	(3,306)	5,701
Decrease/(Increase) in property development costs	736	(4,338)
Increase in concession service assets	(232,303)	(408,323)
Increase in trade and other receivables	(172,952)	(31,026)
Increase in trade and other payables	28,101	289,007
Decrease/(Increase) in construction contract assets	175,298	(116,661)
Decrease in advance billings from property development	-	(1,668)
Decrease/(Increase) in accrued billings from property development	402	(402)
<b>Cash used in operations</b>	<b>(224,458)</b>	<b>(192,734)</b>
Income tax paid	(17,390)	(19,835)
Retirement benefits paid	-	(153)
Interest received	1,782	2,869
Interest paid	(51,228)	(60,425)
<b>Net cash used in operating activities</b>	<b>(291,294)</b>	<b>(270,278)</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Addition of land held for development	-	(8,719)
Purchase of leasehold land	-	(401)
Increase in investments in associates	-	(2,640)
(Placement)/Withdrawal of other investments	(225,085)	535,172
Purchase of property, plant and equipment	(46,321)	(90,201)
Proceeds from disposal of investment in joint ventures	34	-
Proceeds from disposal of property, plant and equipment	482	410
<b>Net cash (used in)/from investing activities</b>	<b>(270,890)</b>	<b>433,621</b>

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

RM '000	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Decrease/(Increase) in pledged cash and deposits	23,590	(11,641)
Dividend paid	-	(5,302)
Repayment of finance lease liabilities	(4,361)	(389)
Proceeds from Sukuk Murabahah	535,000	-
Proceeds from drawdown of loans and borrowing	415,639	531,555
Repayment of loans and borrowings	(560,835)	(351,230)
Increase in share capital, net of issuance cost	-	58
<b>Net cash from financing activities</b>	<b>409,033</b>	<b>163,051</b>
Net (decrease)/increase in cash and cash equivalents	(153,151)	326,394
Effects of exchange differences on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	497,838	171,444
<b>Cash and cash equivalents at end of the period</b>	<b>344,687</b>	<b>497,838</b>
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Cash and bank balances	392,386	559,105
Deposits placed with licensed banks	76,031	63,791
	<b>468,417</b>	<b>622,896</b>
Less:		
Bank overdrafts	(54,354)	(32,092)
Pledged deposits	(69,376)	(92,966)
	<b>344,687</b>	<b>497,838</b>



**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 Company and its subsidiary companies (“the Group”) since the financial year ended 31 December 2018.

**2. CHANGE OF FINANCIAL YEAR END**

The Company has changed its financial year end from 31 December to period ending 30 June as announced on 22 November 2019. All the subsidiary companies of AZRB will adopt the change accordingly. As a result, the next audited financial statements of the Company will be covering a period of 18 months ending 30 June 2020.

**3. 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**

**3. 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**

**4. 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.

**5. REVIEW OF SEASONALITY OR CYCLICALITY OF OPERATIONS**

The Group was not significantly affected by any seasonal or cyclical factors.

**6. 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 quarter ended 31 December 2019.

**7. CHANGES IN ESTIMATES REPORTED IN PRIOR FINANCIAL PERIODS**

There were no material changes in estimates of amounts reported in prior financial periods which have a material effect on the current quarter.

**8. CHANGES IN DEBT AND EQUITY SECURITIES**

On 26 December 2019, AZRB Capital Sdn Bhd, a wholly-owned subsidiary of the Company had issued RM535.0 million Sukuk Murabahah under the Sukuk Murabahah Programme in nominal value based on the Shariah principle of Murabahah. The Sukuk Murabahah has a tenure ranging from 3 to 12 years, at a profit rate of between 4.70% to 5.35% per annum, payable semi-annually and guaranteed by the Company. Proceeds raised from the issuance will be advanced to the Company for its Shariah-compliant general working capital requirements and corporate purposes.

Other than the above, there were no other 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.

**9. DIVIDEND PAID**

No dividend was paid for the period under review.

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

**10. 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
<b>31.12.2019</b>								
<b>Revenue</b>								
External revenue	891,843	50,891	59,972	19,153	18,387	-	-	1,040,246
Inter-segment revenue	4,195	-	3,938	-	-	17,578	(25,711)	-
<b>Total revenue</b>	<b>896,038</b>	<b>50,891</b>	<b>63,910</b>	<b>19,153</b>	<b>18,387</b>	<b>17,578</b>	<b>(25,711)</b>	<b>1,040,246</b>
<b>Results</b>								
Segment results	(6,254)	46,421	4,988	(22,036)	(697)	(50,547)	-	(28,125)
Interest income	1,090	107	7	-	43	535	-	1,782
Interest expenses	(12,739)	(20,534)	2,171	(6,836)	(1,506)	(11,784)	-	(51,228)
Non-cash income/ (expenses) (Note i)	195	56,387	-	12,311	-	(2,156)	(1,690)	65,047
Depreciation and amortisation of non-current assets	(3,469)	(3)	(5,461)	(13,166)	(506)	(549)	-	(23,154)
<b>31.12.2018</b>								
<b>Revenue</b>								
External revenue	1,029,599	36,003	46,561	106,507	9,920	-	-	1,228,590
Inter-segment revenue	1,104	-	3,140	-	-	55,992	(60,236)	-
<b>Total revenue</b>	<b>1,030,703</b>	<b>36,003</b>	<b>49,701</b>	<b>106,507</b>	<b>9,920</b>	<b>55,992</b>	<b>(60,236)</b>	<b>1,228,590</b>
<b>Results</b>								
Segment results	54,225	43,758	(5,839)	(29,553)	(1,782)	(35,992)	-	24,817
Interest income	2,219	197	23	22	35	373	-	2,869
Interest expenses	(13,131)	(22,880)	(2,265)	(8,399)	(991)	(12,759)	-	(60,425)
Non-cash income/ (expenses) (Note i)	257	57,171	5	(21,261)	-	1,460	(1,690)	35,942
Depreciation and amortisation of non-current assets	(12,710)	(4)	(3,909)	(10,821)	(545)	(556)	-	(28,545)

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

**10. SEGMENT REPORTING (continued)**

<u>Note i:</u>	Cumulative quarter ended	Cumulative quarter ended
RM '000	31.12.2019	31.12.2018
Amortisation of intangible assets	(1,690)	(1,690)
Employee share scheme expenses	(610)	(1,331)
Employee retirement benefits provision	(744)	(963)
Accretion of fair value of non-current receivables	56,387	59,892
Amortisation of transaction costs	(1,028)	(1,495)
Fair value loss arising from biological assets	-	(125)
Gain/(Loss) on foreign exchange - unrealised	12,537	(18,700)
Gain on disposal of property, plant and equipment	195	354
<b>Total</b>	<b>65,047</b>	<b>35,942</b>

**11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

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

**12. SUBSEQUENT EVENTS**

To-date, the enforcement of the Arbitration Award in respect of the Al-Faisal University ("AFU") project has been carried out. The financial impact after taking into account the proceeds as well as the costs of recovery of the enforcement, was accordingly recorded in the financial results of the Group for the period ended 31 December 2019.

Aside from the above, there was no other material event subsequent to the end of the current quarter up to 28 February 2020 (being the latest practicable date from the date of issuance of the 4<sup>th</sup> Quarter Report) that has not been reflected in the financial statements for the current quarter and financial period.

**13. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no material changes in the composition of the Group during the current quarter.

**14. 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**

**15. 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 31.12.2019	Cumulative quarter ended 31.12.2018
<b>Trade</b>		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	33,946	43,010
- Chuan Huat Hardware Sdn Bhd	872	1,255
Purchases from the following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	84	1,127
- 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)	(129)
- MIM Waste Services Sdn Bhd	(300)	(395)
<b>Non-trade</b>		
Administrative service paid or payable to ultimate holding company	127	127
Insurance premium paid or payable to ultimate holding company	687	503
Purchase of property, plant and equipment from ultimate holding company	-	1,750
Rental of land paid to a director of the Company	654	478
Rental payable to ultimate holding company	-	120
Transactions with MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors:		
- Security services payable	6,569	4,859
- Rental income receivable	(300)	-

**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 RM283.1 million of revenue for the quarter, a 6.1% increase from RM266.7 million recorded in the previous corresponding quarter. This was due to better revenue performance coming from nearly all divisions of the Group; particularly the Engineering & Construction, Concession and Oil & Gas Divisions.

The Group suffered a quarterly pre-tax loss of RM39.7 million for the quarter ended 31 December 2019 (4Q19), down from a RM6.3 million pre-tax profit recorded in the previous corresponding quarter of 2018.

The Group’s performance was mainly affected by the recognition of one-off additional costs on various completed projects in the Engineering & Construction Division and costs of recovery incurred in relation to the Arbitration Award of the Al-Faisal University (“AFU”) project, totalling RM50.7 million.

On a positive note, all other Divisions in the Group showed marked performance improvements over the previous corresponding quarter of last year.

Engineering & Construction

For the current quarter under review, the Division posted a revenue of RM243.4 million, a 5.9% increase from RM229.8 million which was posted for the same corresponding quarter of 2018. The revenue increase was due to a favourable average project churn rate for the quarter, as the Division continues to go through its order-book.

Despite higher revenues, there were additional costs as a result of one-off provisional charges and contract costs written off solely on the Division’s completed projects which are now in their account finalisation stages. The Division had decided to take the prudent approach to ascertain and account for these costs as and when they are determined, to ensure that the Division will be on a solid base in which to improve on results going forward.

Arising from the above, pre-tax loss recorded for the quarter was RM30.7 million, compared against a RM6.7 million pre-tax profit for the quarter of 4Q18.

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

**1. REVIEW OF PERFORMANCE (continued)**

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 RM12.5 million of revenue for the quarter, compared against RM9.8 million in 4Q18. As noted in the previous quarter, the revenue improvement in calendar year 2019 is a direct result of a new contract award to maintain equipment in the medical centre. As a result, pre-tax profit for the current quarter improved to RM14.7 million, a 57.4% increase from RM9.4 million for 4Q18.

Oil & Gas

The Division continues to improve on revenue, posting RM17.7 million of revenue in 4Q19, a significant improvement from RM10.2 million which was recorded for 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 year 2019.

The Division posted a pre-tax profit for the quarter under review, reversing the loss of RM1.3 million recorded previously. This comes as Tok Bali Supply Base (“TBSB”) continues to climb towards its optimal level of operation and assisted by higher revenue contribution by the Division as a whole.

Plantation

The results of the Division continue to be hampered by the low prices of palm products in the quarter under review.

Property

The Property Division recorded higher revenues for the year 2019, achieving RM18.4 million for the current year against RM9.9 million in 2018.

Due to the accounting standard MFRS 15 - Revenue from Contracts with Customers; which came into effect in financial year 2018 for the Group, recognition of revenues from the Division’s ‘Perumahan Penjawat Awam Malaysia’ (“PPAM”) development was deferred until the construction completion of property units which occurred in 2019.

As a result, the Division was able to improve on its performance by recording a smaller pre-tax loss of RM0.7 million for the year 2019 as compared to an adjusted pre-tax loss of RM1.8 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 31.12.2019	Preceding quarter ended 30.09.2019	Variance + / (-)
Revenue	283,054	260,610	22,444
(Loss)/Profit before tax	(39,721)	2,328	(42,049)

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 Plantation Division. Major contributing factors were consistent with the previous quarter, i.e. 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.

The Group posted a quarterly pre-tax loss of RM39.7 million against RM2.3 million of pre-tax profit in the previous quarter. As highlighted previously, the one-off project costs incurred in the Construction & Engineering Division adversely affected the Group's quarterly performance despite pre-tax profit growth experienced in most of the other Divisions. Additionally, the financial impact of the enforcement of the Arbitration Award in respect of the Al-Faisal University ("AFU") project was accounted for in 4Q19, whereby the costs and expenses of recovery was booked against proceeds.

The necessary losses booked in the current quarter will ensure that the Group is able to move forward based on a solid platform from year 2020 onwards with the anticipation of improved financial results as a whole.

**3. PROSPECTS**

Engineering & Construction

The job award in 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 RM1.9 billion of outstanding order-book as at 31 December 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 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. 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

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 going forward, as the uncertainty in the global economy remains. As a result, the Group is concentrating its efforts on implementing division-wide cost-cutting measures as well as continuously seeking avenues to operate more efficiently.

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.

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

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

Not applicable.

**5. TAXATION**

RM '000	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
Current tax expense	4,426	19,354
Deferred tax expense	718	(3,125)
<b>Income tax expense</b>	<b>5,144</b>	<b>16,229</b>

**6. CORPORATE PROPOSALS**

There are no corporate proposals which have been announced by the Company but not completed as at 28 February 2020 (being the latest practicable date from the date of issuance of the 4<sup>th</sup> Quarter Report).

**7. GROUP BORROWINGS AND DEBT SECURITIES**

The Group's borrowings (secured) as at 31 December 2019 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	54,354	-	54,354
Trust receipts	RM	11,719	-	11,719
Revolving credits	RM	154,268	-	154,268
Term loans	RM	45,149	733,469	778,618
Term loans	USD	-	386,363	386,363
Finance lease liabilities	RM	7,740	23,692	31,432
Sukuk	RM	-	1,562,813	1,562,813
Bankers acceptance	RM	39,340	-	39,340
Invoice financing	RM	1,111	-	1,111
<b>Total</b>		<b>313,681</b>	<b>2,706,337</b>	<b>3,020,018</b>

**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 22<sup>nd</sup> Circuit of the Riyadh Enforcement Court was in the midst of exercising its jurisdiction to enforce the said ICC Award and the Group is now awaiting for the outcome of the enforcement proceedings under the Kingdom of Saudi Arabia’s Enforcement Law.

The Company’s solicitors on 5 September 2018 further confirmed that the 21<sup>st</sup> Circuit of the Riyadh Enforcement Court already ordered the Saudi Arabian Monetary Agency (“SAMA”), which acts as the central bank for the Kingdom of Saudi Arabia to transfer the amount corresponding to the aforesaid final judgment and award from the account of the King Faisal Foundation to the account of the 21<sup>st</sup> 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 21<sup>st</sup> 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 (8<sup>th</sup> Appeal Circuit) has ordered for the case to be transferred from the 21<sup>st</sup> Circuit to the 11<sup>th</sup> Circuit of the Riyadh Enforcement Court. The 21<sup>st</sup> Circuit of the Riyadh Enforcement Court has then transferred the enforcement petition file to the President of the Riyadh Enforcement Court. The said President has assigned the enforcement petition to the Riyadh Enforcement Court.

To-date, the ICC Award has been fully enforced by the Riyadh Enforcement Court and therefore, there will be no further action to be taken by both parties. The financial impact of the ICC Award has been taken into account and reflected in the financial results of the Group for the period ended 31 December 2019.

(b) Notice of Arbitration by Cobrain Holdings Sdn Bhd (“Cobrain”)

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

Cobrain was appointed by AZRB to undertake the sub-contract work to “Supply, Install, Testing and Commissioning of Electrical High Tension, Low Voltage and Structure Cabling Services for the Construction of Phase 1 and Phase 2” for the project known as “Al-Faisal University Campus Development Project” in Riyadh, Kingdom of Saudi Arabia.

On 14 September 2015, the Kuala Lumpur Regional Centre for Arbitration sought clarification on numbers of arbitrators for the dispute but to date there 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. The 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 during the period under review.

**10. (LOSS)/EARNINGS PER SHARE**

The basic (loss)/earnings per share was calculated based on the consolidated results 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 31.12.2019	Comparative quarter ended 31.12.2018	Cumulative quarter ended 31.12.2019	Cumulative quarter ended 31.12.2018
<b>(Loss)/Profit attributable to owners of the Company</b>	<b>(42,112)</b>	<b>(3,351)</b>	<b>(30,667)</b>	<b>14,232</b>
<b>Basic</b>				
Weighted average number of ordinary shares in issue	598,098	596,414	598,098	596,414
<b>Diluted</b>				
Weighted average number of ordinary shares in issue	598,098	596,414	598,098	596,414
Effect of warrants issue	_*	_*	_*	_*
Adjusted weighted average number of ordinary shares in issue	598,098	596,414	598,098	596,414
<b>Basic (sen)</b>	<b>(7.04)</b>	<b>(0.56)</b>	<b>(5.13)</b>	<b>2.39</b>
<b>Diluted (sen)</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>

\* 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.