

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 quarter and 15-month period ended 31 March 2020 (“the Quarter Report”). 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 15-MONTH PERIOD ENDED 31 MARCH 2020**

RM'000	Note	Current quarter ended <u>3-month</u> 31.03.2020	Comparative quarter ended <u>3-month</u> 31.03.2019	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Revenue		259,226	253,275	1,299,472	1,228,590
Operating expenses	1	(356,296)	(250,446)	(1,433,394)	(1,202,302)
Other operating income		310	187	6,010	1,818
(Loss)/Profit from operating activities		(96,760)	3,016	(127,912)	28,106
Finance income		14,081	14,923	72,250	62,761
Finance expenses		(13,755)	(14,479)	(68,897)	(66,050)
(Loss)/Profit before tax		(96,434)	3,460	(124,559)	24,817
Income tax expense		(5,976)	(1,400)	(11,120)	(16,229)
(Loss)/Profit for the period/year	2	(102,410)	2,060	(135,679)	8,588
Other comprehensive (loss)/income, net of tax					
Actuarial gain/(loss) from employee benefits		60	(133)	(72)	66
Foreign currency translation differences for foreign operations		60,360	(83)	56,245	5,622
Total comprehensive (loss)/income for the period/year		(41,990)	1,844	(79,506)	14,276
(Loss)/Profit attributable to:					
Owners of the Company		(98,201)	3,733	(128,868)	14,232
Non-controlling interests		(4,209)	(1,673)	(6,811)	(5,644)
(Loss)/Profit for the period/year		(102,410)	2,060	(135,679)	8,588

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2020**

RM'000	Current quarter ended <u>3-month</u> 31.03.2020	Comparative quarter ended <u>3-month</u> 31.03.2019	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(36,569)	3,524	(71,690)	19,687
Non-controlling interests	(5,421)	(1,680)	(7,816)	(5,411)
Total comprehensive (loss)/income for the period/year	(41,990)	1,844	(79,506)	14,276
(Loss)/Earnings per ordinary share (sen):				
Basic	(16.42)	0.62	(21.55)	2.39
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	236,330	228,116	1,206,734	1,075,269
Other operating expenses	119,966	22,330	226,660	127,033
Total	356,296	250,446	1,433,394	1,202,302

Note 2:

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

Interest income	(172)	(737)	(1,954)	(2,869)
Accretion of fair value of non-current receivables	(13,909)	(14,186)	(70,296)	(59,892)
Interest expenses	13,582	14,227	64,810	60,425
Depreciation and amortisation of non-current assets	6,241	6,375	29,395	28,545
Employee retirement benefits provision	6	675	750	963
Employee share scheme expenses	-	-	609	1,331
Loss/(Gain) on foreign exchange - unrealised	96,648	(4,694)	84,111	18,700
Fair value loss arising from biological assets	-	-	-	125

Note:

The Company has changed its financial year end from 31 December to 30 June. The next audited financial statements of the Company will be covering a period of 18-months ending 30 June 2020.

Consequently, the comparative figures stated in the Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the year ended 31 December 2018, and are not comparable.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 31 MARCH 2020**

RM'000	Unaudited as at 31.03.2020	Audited as at 31.12.2018
ASSETS		
Non-current assets		
Property, plant and equipment	557,290	570,113
Prepaid lease payments	20,003	22,577
Land held for development	57,853	56,995
Intangible assets	18,997	20,955
Concession service assets	1,584,145	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	31,890	35,474
Trade and other receivables	526,161	607,015
Total non-current assets	2,841,041	2,596,061
Current assets		
Biological assets	77	77
Inventories	19,202	19,393
Property development costs	17,897	17,480
Current tax assets	9,389	11,339
Construction contract assets	219,987	367,713
Accrued billings from property development	-	402
Trade and other receivables	877,558	640,992
Other investments	322,407	164,338
Cash and deposits	434,969	622,896
Total current assets	1,901,486	1,844,630
Total assets	4,742,527	4,440,691

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 31 MARCH 2020**

RM'000	Unaudited as at 31.03.2020	Audited as at 31.12.2018
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	192,864	263,945
Equity attributable to owners of the Company	390,400	461,481
Non-controlling interests	10,453	11,521
Total equity	400,853	473,002
Non-current and deferred liabilities		
Loans and borrowings	2,578,229	2,308,904
Employee benefits	4,807	3,373
Deferred tax liabilities	81,888	82,488
Trade and other payables	264,184	138,339
Total non-current and deferred liabilities	2,929,108	2,533,104
Current liabilities		
Loans and borrowings	361,305	317,491
Trade and other payables	1,042,737	1,098,072
Current tax liabilities	8,524	19,022
Total current liabilities	1,412,566	1,434,585
Total liabilities	4,341,674	3,967,689
Total equity and liabilities	4,742,527	4,440,691

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2020**

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 2019	197,536	872	27,889	16,123	2,331	(1,026)	217,756	461,481	11,521	473,002
Loss for the period	-	-	-	-	-	-	(128,868)	(128,868)	(6,811)	(135,679)
Foreign currency translation differences for foreign operations	-	-	-	57,259	-	-	-	57,259	(1,014)	56,245
Actuarial (loss)/gain from employee benefits	-	(81)	-	-	-	-	-	(81)	9	(72)
Total comprehensive loss for the period	-	(81)	-	57,259	-	-	(128,868)	(71,690)	(7,816)	(79,506)
Employee share scheme expenses	-	-	-	-	609	-	-	609	-	609
Issuance of ordinary share	-	-	-	-	-	-	-	-	6,748	6,748
Total transactions with owners of the Company	-	-	-	-	609	-	-	609	6,748	7,357
At 31 March 2020	197,536	791	27,889	73,832	2,940	(1,026)	88,888	390,400	10,453	400,853

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2020**

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 (Restated)	197,478	-	27,889	11,531	1,000	(1,026)	208,826	445,698	16,941	462,639
Profit/(Loss) for the year	-	-	-	-	-	-	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
Total comprehensive income/(loss) for the year	-	872	-	4,592	-	-	14,232	19,696	(5,420)	14,276
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
Total transactions with owners of the Company	58	-	-	-	1,331	-	(5,302)	(3,913)	-	(3,913)
At 31 December 2018	197,536	872	27,889	16,123	2,331	(1,026)	217,756	461,481	11,521	473,002

Note:

The Company has changed its financial year end from 31 December to 30 June. The next audited financial statements of the Company will be covering a period of 18-months ending 30 June 2020.

Consequently, the comparative figures stated in the Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the year ended 31 December 2018, and are not comparable.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2020**

RM '000	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit before tax	(124,559)	24,817
Adjustments for:		
Amortisation of prepaid lease payments	1,335	1,024
Amortisation of transaction costs	1,028	1,495
Amortisation of intangible assets	2,112	1,690
Depreciation of property, plant and equipment	28,060	27,521
Property, plant and equipment written off	-	-
Accretion of fair value of non-current receivables	(70,298)	(59,892)
Interest expenses	64,810	60,425
Interest income	(1,954)	(2,869)
Gain on disposal of property, plant and equipment	(278)	(354)
Employee retirement benefits provision	750	963
Employees share scheme expenses	609	1,331
Fair value loss arising from biological assets	-	125
Loss on foreign exchange - unrealised	84,111	18,700
Operating (loss)/profit before working capital changes	(14,274)	74,976
Changes in working capital:		
Decrease in inventories	191	5,701
Decrease/(Increase) in property development costs	822	(4,338)
Increase in concession service assets	(345,949)	(408,323)
Increase in trade and other receivables	(86,596)	(31,026)
Increase in trade and other payables	143,057	289,007
Decrease/(Increase) in construction contract assets	147,726	(116,661)
Decrease in advance billings from property development	-	(1,668)
Decrease/(Increase) in accrued billings from property development	402	(402)
Cash used in operations	(154,621)	(192,734)
Income tax paid	(25,626)	(19,835)
Retirement benefits paid	-	(153)
Interest received	1,954	2,869
Interest paid	(64,810)	(60,425)
Net cash used in operating activities	(243,103)	(270,278)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Addition of land held for development	(858)	(8,719)
Purchase of leasehold land	-	(401)
Increase in investments in associates	-	(2,640)
(Placement)/Withdrawal of other investments	(158,069)	535,172
Purchase of property, plant and equipment	(15,524)	(90,201)
Proceeds from disposal of investment in joint ventures	34	-
Proceeds from disposal of property, plant and equipment	565	410
Net cash (used in)/from investing activities	(173,852)	433,621

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2020**

RM '000	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Decrease/(Increase) in pledged cash and deposits	5,717	(11,641)
Dividend paid	-	(5,302)
Repayment of finance lease liabilities	(9,578)	(389)
Proceeds from Sukuk Murabahah	535,000	-
Proceeds from drawdown of loans and borrowing	146,207	531,555
Repayment of loans and borrowings	(442,601)	(351,230)
Increase in share capital, net of issuance cost	-	58
Net cash from financing activities	234,745	163,051
Net (decrease)/increase in cash and cash equivalents	(182,210)	326,394
Cash and cash equivalents at beginning of the period	497,838	171,444
Cash and cash equivalents at end of the period/year	315,628	497,838
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Cash and bank balances	287,623	559,105
Deposits placed with licensed banks	147,346	63,791
	434,969	622,896
Less:		
Bank overdrafts	(44,812)	(32,092)
Pledged deposits	(74,529)	(92,966)
	315,628	497,838

Included in the cash and bank balances of the Group are restricted balances that have been earmarked for the periodic repayment of Sukuk Murabahah profit and principal servicing, as well as for the purpose of concession asset construction.

Note:

The Company has changed its financial year end from 31 December to 30 June. The next audited financial statements of the Company will be covering a period of 18-months ending 30 June 2020.

Consequently, the comparative figures stated in the Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the year ended 31 December 2018, and are not comparable.

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 March 2020.

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

There were no issuances and repayments 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
15-month								
31.03.2020								
Revenue								
External revenue	1,105,496	63,192	76,091	34,997	19,696	-	-	1,299,472
Inter-segment revenue	5,151	-	5,383	-	-	21,973	(32,507)	-
Total revenue	1,110,647	63,192	81,474	34,997	19,696	21,973	(32,506)	1,299,472
Results								
Segment results	(991)	64,085	3,500	(124,532)	(882)	(65,739)	-	(124,559)
Interest income	1,308	117	9	-	51	469	-	1,954
Interest expenses	(15,601)	(18,728)	-	(8,890)	(1,872)	(19,719)	-	(64,810)
Non-cash income/ (expenses) (Note i)	279	70,298	-	(85,889)	-	(610)	(2,112)	(18,034)
Depreciation and amortisation of non-current assets	(4,243)	(4)	(7,134)	(16,770)	(558)	(686)	-	(29,395)
12-month								
31.12.2018								
Revenue								
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)	-
Total revenue	1,030,703	36,003	49,701	106,507	9,920	55,992	(60,236)	1,228,590
Results								
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)

Note i:

RM '000	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Amortisation of intangible assets	(2,112)	(1,690)
Employee share scheme expenses	(610)	(1,331)
Employee retirement benefits provision	(750)	(963)
Accretion of fair value of non-current receivables	70,298	59,892
Amortisation of transaction costs	(1,028)	(1,495)
Fair value loss arising from biological assets	-	(125)
Loss on foreign exchange - unrealised	(84,111)	(18,700)
Gain on disposal of property, plant and equipment	279	354
Total	(18,034)	35,942

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

There was no material event subsequent to the end of the current quarter up to 29 June 2020 (being the latest practicable date from the date of issuance of the 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 <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn Bhd	38,759	43,010
- Chuan Huat Hardware Sdn Bhd	886	1,255
Purchases from the following companies which certain directors have substantial financial interests and are also directors:		
- QMC Sdn Bhd	89	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	(418)	(395)
Non-trade		
Administrative services paid or payable to ultimate holding company	158	127
Insurance premium paid or payable to ultimate holding company	802	503
Purchase of property, plant and equipment from ultimate holding company	-	1,750
Rental of land paid to a director of the Company	579	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	8,601	4,859
- Rental income receivable	(375)	-

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

1. REVIEW OF PERFORMANCE

For the quarter under review, AZRB and its subsidiaries (“the Group”) posted RM259.2 million of revenue, a 2.4% increase from RM253.3 million recorded in the previous corresponding quarter of 2019. This was achieved on the back of improved revenues coming from the Concession, Oil & Gas and Plantation Divisions.

The Group’s quarterly loss before tax (“LBT”) of 96.4 million for 31 March 2020 was down from a profit before tax (“PBT”) of RM3.5 million for the same corresponding quarter in 2019.

The Group’s quarterly result was greatly affected by unrealised foreign exchange losses in the Plantation Division, which negated the improved before tax performances of the Concession, Oil & Gas and Property Divisions. Excluding unrealised foreign exchange losses, the Group posted a PBT of RM0.2 million, an improvement over the LBT of RM1.2 million recorded in the corresponding quarter of last year.

Engineering & Construction

The Division posted a quarterly revenue of RM213.7 million, a slight decrease from RM224.4 million recorded in the previous corresponding period of 2019. It was estimated that there was a decrease of construction revenue by approximately 17.4% arising from the implementation of the movement control order (“MCO”) in Malaysia effective 18 March 2020 onwards in response to the COVID-19 pandemic. As a result, there was virtually no significant work performed in the Division’s construction sites for approximately 11 working days during the period under review.

Due to the above, PBT recorded for the quarter was RM5.3 million, a decrease compared against a PBT of RM7.2 million for the previous corresponding quarter.

**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 Medical Centre (“IIUM Medical Centre”) in Kuantan, Pahang.

Revenue posted for the quarter was RM12.3 million, a 30.3% increase over 2019’s equivalent quarter of RM9.4 million. The improvement in revenue is a direct result of a new contract award to maintain equipment in IIUM Medical Centre. Correspondingly, PBT for the quarter under review improved to RM17.7 million, a marked increase from RM9.4 million posted in the same quarter of 2019.

Oil & Gas

The Division recorded RM16.1 million of revenue for the quarter, a 59.8% increase from RM10.1 million in the same quarter of last year. Higher revenue was mainly due to higher throughput and bunkering activities as well as higher utilisation of facilities at both the Division’s Kemaman Supply Base and Tok Bali Supply Base (“TBSB”).

The higher revenues assisted the Division to narrow the losses to an LBT of RM1.5 million, from a higher loss of RM2.6 million previously.

Plantation

For the current quarter, the Division’s revenue increased to RM15.8 million from RM7.2 million in the previous corresponding quarter. This was achieved on the back of both higher sales volume and palm product prices against the same quarter of 2019.

The financial results of the Division were severely affected by the significant weakening of the Indonesian Rupiah against other major currencies; especially the United States Dollar, during the period under review, affecting translation losses on foreign currency denominated borrowings. This resulted in the Division recognising a significant foreign exchange loss of RM98.2 million during the quarter. As a result, the LBT recorded for the quarter in focus was RM102.5 million.

Excluding the unrealised foreign exchange losses, the revenue improvement for the quarter contributed in reducing the operational losses of the Division to an LBT of RM4.3 million, from a loss of RM7.4 million in the same quarter of 2019.

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

1. REVIEW OF PERFORMANCE (continued)

Property

The Division posted a revenue of RM1.3 million for the quarter, a 39.5% decrease from RM2.2 million for the same quarter of 2019. The decline in revenue were mainly due to the impact of the COVID-19 pandemic, which affected the Division's hospitality business and resulted in lower sales of property units. The Division's revenue was assisted by a new lease revenue stream which came into effect towards the later part of calendar year 2019.

The above factors resulted in an LBT for the Division of RM0.2 million, an improvement from a previous loss of RM0.5 million.

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

RM'000	Current quarter ended 31.03.2020	Preceding quarter ended 31.12.2019	Variance + / (-)
Revenue	259,226	283,054	(23,828)
Loss before tax	(96,434)	(39,721)	(56,713)

The Group recorded RM259.2 million of revenue in the current quarter, a decrease from RM283.1 million recognised for the quarter ended 31 December 2019. The impact of the MCO observed during the quarter was the primary reason for the revenue performance, profoundly affecting the revenues of the Construction & Engineering and Property Divisions.

The LBT for the quarter under review fell to RM96.4 million, versus a loss of RM39.7 million in the previous quarter. The larger loss was mainly attributable to the unrealised foreign exchange loss incurred in the Plantation Division. Excluding the impact of unrealised foreign exchange losses, the Group's operational results managed to achieve financial break-even position, despite the onset of the MCO brought about by the COVID-19 pandemic.

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

3. PROSPECTS

Engineering & Construction

The outbreak of the COVID-19 pandemic and implementation of the MCO had a profound impact on the Division, with the suspension of work at all of its construction sites. The outlook for the remainder of the on-going quarter is expected to be challenging as the MCO continues to hamper construction progress.

Nevertheless, the Division had been pro-active in ensuring that on-site operations recommenced at the earliest possible opportunity from 29 April 2020 onwards, though still under strict guidelines imposed by the authorities. In tandem with the Division's efforts, the Group as a whole are undergoing a rigorous review of its resources and undertaking prudent financial management to ensure that all Divisions are able to ride out this challenging period.

Currently, the Group has RM1.7 billion of outstanding order-book as at 31 March 2020. 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 continues to tender 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.

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.

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

3. PROSPECTS (continued)

Oil & Gas

The Oil & Gas sector while still challenging in the short-term, has shown signs of improvement as the price of crude oil has seen a steady increase during the recent months. From a pure bunkering operator out of Kemaman Supply Base, the Division's prospects are further boosted with the inclusion of TBSB as a full-fledged supply base in East Coast of Peninsular Malaysia.

TBSB welcomed a major oil and gas operator to the base in 2019, which will contribute positively to the Group going forward. The Division intends to continue to invest and install more facilities to better accommodate current customers as well as to attract more customers to set up their base of operations at TBSB.

Plantation

Despite the rising CPO prices in the past months, the Group still expects CPO prices to remain volatile going forward, as the uncertainty in the global economy remains, exacerbated by the COVID-19 pandemic. 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 hugely challenging, especially due to the MCO and COVID-19 pandemic, which has further curtailed customer interest. Nevertheless, the 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.

The profile of the Division's developments are expected to appeal to the general public, and thus should see a gradual pick-up in relation to interest and eventually property sales.

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

Not applicable.

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

5. TAXATION

RM '000	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Current tax expense	17,656	19,354
Deferred tax expense	(6,536)	(3,125)
Income tax expense	11,120	16,229

6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 29 June 2020 (being the latest practicable date from the date of issuance of the Quarter Report).

7. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings (secured) as at 31 March 2020 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	44,812	-	44,812
Trust receipts	RM	5,337	-	5,337
Revolving credits	RM	124,591	-	124,591
Revolving credits	USD	95,175	-	95,175
Term loans	RM	40,518	736,722	777,240
Term loans	USD	-	272,865	272,865
Finance lease liabilities	RM	7,256	20,528	27,784
Sukuk	RM	6,694	1,548,114	1,554,808
Bankers acceptance	RM	33,662	-	33,662
Invoice financing	RM	3,260	-	3,260
Total		361,305	2,578,229	2,939,534

**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:

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 19 October 2020. Hearing dates for this matter has been fixed on 9 to 12 of November 2020 at the Asian International Arbitration Centre in Kuala Lumpur.

9. DIVIDEND

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

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

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 <u>3-month</u> 31.03.2020	Comparative quarter ended <u>3-month</u> 31.03.2019	Cumulative quarter ended <u>15-month</u> 31.03.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
(Loss)/Profit attributable to owners of the Company	(98,201)	3,733	(128,868)	14,232
Basic				
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	596,414
Diluted				
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	596,414
Effect of warrants issue	_*	_*	_*	_*
Adjusted weighted average number of ordinary shares in issue	598,098	598,098	598,098	596,414
Basic (sen)	(16.42)	0.62	(21.55)	2.39
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.