

**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 18 month period ended 30 June 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 18-MONTH PERIOD ENDED 30 JUNE 2020**

RM'000	Note	Current quarter ended <u>3-month</u> 30.06.2020	Comparative quarter ended <u>3-month</u> 30.06.2019	Cumulative quarter ended <u>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Revenue		166,815	243,307	1,466,287	1,228,590
Operating expenses	1	(113,882)	(239,057)	(1,547,276)	(1,202,302)
Other operating income		(759)	406	5,251	1,818
<b>Profit/(Loss) from operating activities</b>		<b>52,174</b>	<b>4,656</b>	<b>(75,738)</b>	<b>28,106</b>
Finance income		14,377	14,703	86,627	62,761
Finance expenses		(16,086)	(13,551)	(84,983)	(66,050)
Share of loss of associates		(14)	-	(14)	-
<b>Profit/(Loss) before tax</b>		<b>50,451</b>	<b>5,808</b>	<b>(74,108)</b>	<b>24,817</b>
Income tax expense		(22,979)	(2,428)	(34,099)	(16,229)
<b>Profit/(Loss) for the period/year</b>	<b>2</b>	<b>27,472</b>	<b>3,380</b>	<b>(108,207)</b>	<b>8,588</b>
<b>Other comprehensive income/(loss), net of tax</b>					
Actuarial gain from employee benefits		396	12	324	66
Foreign currency translation differences for foreign operations		(63,324)	(2,617)	(7,079)	5,622
<b>Total comprehensive (loss)/income for the period/year</b>		<b>(35,456)</b>	<b>775</b>	<b>(114,962)</b>	<b>14,276</b>
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		33,568	4,652	(95,300)	14,232
Non-controlling interests		(6,096)	(1,272)	(12,907)	(5,644)
<b>Profit/(Loss) for the period/year</b>		<b>27,472</b>	<b>3,380</b>	<b>(108,207)</b>	<b>8,588</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE 18-MONTH PERIOD ENDED 30 JUNE 2020**

RM'000	Current quarter ended <u>3-month</u> 30.06.2020	Comparative quarter ended <u>3-month</u> 30.06.2019	Cumulative quarter ended <u>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(30,801)	1,895	(102,491)	19,687
Non-controlling interests	(4,655)	(1,120)	(12,471)	(5,411)
<b>Total comprehensive (loss)/income for the period/year</b>	<b>(35,456)</b>	<b>775</b>	<b>(114,962)</b>	<b>14,276</b>
<b>Earnings/(Loss) per ordinary share (sen):</b>				
<b>Basic</b>	<b>5.61</b>	<b>0.78</b>	<b>(15.93)</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	147,588	216,209	1,354,322	1,075,269
(Gain)/Loss on foreign exchange - unrealised	(75,452)	(3,164)	8,659	18,700
Other operating expenses	41,746	26,012	184,295	108,333
<b>Total</b>	<b>113,882</b>	<b>239,057</b>	<b>1,547,276</b>	<b>1,202,302</b>

**Note 2:**

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

Interest income	(542)	(550)	(2,496)	(2,869)
Accretion of fair value of non-current receivables	(13,835)	(14,153)	(84,131)	(59,892)
Interest expenses	17,283	12,818	82,093	60,425
Depreciation and amortisation of non-current assets	11,722	6,150	41,117	28,545
Employee retirement benefits provision	763	285	1,513	963
Employee share scheme (income)/expenses	(1,434)	304	(825)	1,331
Fair value loss arising from biological assets	46	-	46	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 ended 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 therefore not comparable.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
 30 JUNE 2020**

RM'000	Unaudited as at 30.06.2020	Audited as at 31.12.2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	591,506	570,113
Prepaid lease payments	21,704	22,577
Land held for development	57,970	56,995
Right-of-use assets	8,057	-
Intangible assets	18,609	20,955
Concession service assets	1,629,630	1,238,196
Goodwill	38,887	41,781
Investments in associates	2,791	2,805
Interests in joint ventures	-	34
Investments in financial assets	116	116
Deferred tax assets	29,515	35,474
Trade and other receivables	593,836	607,015
<b>Total non-current assets</b>	<b>2,992,621</b>	<b>2,596,061</b>
<b>Current assets</b>		
Biological assets	31	77
Inventories	17,567	19,393
Property development costs	20,621	17,480
Current tax assets	5,554	11,339
Construction contract assets	189,134	367,713
Accrued billings from property development	-	402
Trade and other receivables	738,299	640,992
Other investments	323,821	164,338
Cash and deposits	425,463	622,896
<b>Total current assets</b>	<b>1,720,490</b>	<b>1,844,630</b>
<b>Total assets</b>	<b>4,713,111</b>	<b>4,440,691</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
 30 JUNE 2020**

RM'000	Unaudited as at 30.06.2020	Audited as at 31.12.2018
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	197,536	197,536
Reserves	160,629	263,945
<b>Equity attributable to owners of the Company</b>	<b>358,165</b>	<b>461,481</b>
Non-controlling interests	5,416	11,521
<b>Total equity</b>	<b>363,581</b>	<b>473,002</b>
<b>Non-current and deferred liabilities</b>		
Loans and borrowings	2,623,862	2,308,904
Employee benefits	4,935	3,373
Deferred tax liabilities	96,264	82,488
Trade and other payables	262,017	138,339
<b>Total non-current and deferred liabilities</b>	<b>2,987,078</b>	<b>2,533,104</b>
<b>Current liabilities</b>		
Loans and borrowings	354,410	317,491
Trade and other payables	996,978	1,098,072
Current tax liabilities	11,064	19,022
<b>Total current liabilities</b>	<b>1,362,452</b>	<b>1,434,585</b>
<b>Total liabilities</b>	<b>4,349,530</b>	<b>3,967,689</b>
<b>Total equity and liabilities</b>	<b>4,713,111</b>	<b>4,440,691</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 18-MONTH PERIOD ENDED 30 JUNE 2020**

RM'000	← Attributable to the owners of the Company →								Non-controlling interests	Total equity
	← Non-distributable →				→ Distributable →					
	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employee share scheme reserve	Treasury shares	Retained profits	Subtotal		
<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	-	-	-	-	-	-	(95,300)	(95,300)	(12,907)	(108,207)
Foreign currency translation differences for foreign operations	-	-	-	(7,506)	-	-	-	(7,506)	427	(7,079)
Actuarial gain from employee benefits	-	315	-	-	-	-	-	315	9	324
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>315</b>	<b>-</b>	<b>(7,506)</b>	<b>-</b>	<b>-</b>	<b>(95,300)</b>	<b>(102,491)</b>	<b>(12,471)</b>	<b>(114,962)</b>
Employee share scheme expenses	-	-	-	-	(825)	-	-	(825)	-	(825)
Issuance of ordinary share	-	-	-	-	-	-	-	-	6,749	6,749
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(383)	(383)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(825)</b>	<b>-</b>	<b>-</b>	<b>(825)</b>	<b>6,366</b>	<b>5,541</b>
<b>At 30 June 2020</b>	<b>197,536</b>	<b>1,187</b>	<b>27,889</b>	<b>8,617</b>	<b>1,506</b>	<b>(1,026)</b>	<b>122,456</b>	<b>358,165</b>	<b>5,416</b>	<b>363,581</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 18-MONTH PERIOD ENDED 30 JUNE 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
<b>At 1 January 2018</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 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
<b>Total comprehensive income/(loss) for the year</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>

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 ended 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 therefore not comparable.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 18-MONTH PERIOD ENDED 30 JUNE 2020**

RM'000	Cumulative quarter ended <u>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(74,108)	24,817
Adjustments for:		
Amortisation of prepaid lease payments	873	1,024
Amortisation of transaction costs	1,712	1,495
Amortisation of intangible assets	2,534	1,690
Depreciation of property, plant and equipment	41,117	27,521
Accretion of fair value of non-current receivables	(84,131)	(59,892)
Interest expenses	82,093	60,425
Interest income	(2,496)	(2,869)
Gain on disposal of property, plant and equipment	(360)	(354)
Employee retirement benefits provision	1,513	963
Employees share scheme (income)/expenses	(825)	1,331
Fair value loss arising from biological assets	46	125
Loss on foreign exchange - unrealised	8,659	18,700
<b>Operating (loss)/profit before working capital changes</b>	<b>(23,373)</b>	<b>74,976</b>
Changes in working capital:		
Decrease in inventories	1,826	5,701
Increase in property development costs	(3,141)	(4,338)
Increase in concession service assets	(391,434)	(408,323)
Increase in trade and other receivables	(54,346)	(31,026)
Increase in trade and other payables	39,329	289,007
Decrease/(Increase) in construction contract assets	178,579	(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>(252,158)</b>	<b>(192,734)</b>
Income tax paid	(19,381)	(19,835)
Retirement benefits paid	(150)	(153)
Interest received	2,496	2,869
Interest paid	(82,093)	(60,425)
<b>Net cash used in operating activities</b>	<b>(351,286)</b>	<b>(270,278)</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Addition of land held for development	(975)	(8,719)
Addition of leasehold land	-	(401)
Increase in investments in associates	-	(2,640)
(Placement)/Withdrawal of other investments	(159,483)	535,172
Addition of property, plant and equipment	(70,772)	(90,201)
Proceeds from disposal of investment in joint ventures	34	-
Proceeds from disposal of property, plant and equipment	565	410
<b>Net cash (used in)/from investing activities</b>	<b>(230,631)</b>	<b>433,621</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 18-MONTH PERIOD ENDED 30 JUNE 2020**

RM'000	Cumulative quarter ended <u>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Decrease/(Increase) in pledged cash and deposits	17,973	(11,641)
Dividend paid	-	(5,302)
Repayment of finance lease liabilities	(11,494)	(389)
Proceeds from Sukuk Murabahah	535,000	-
Proceeds from drawdown of loans and borrowing	346,631	531,555
Repayment of loans and borrowings	(498,983)	(351,230)
Increase in share capital, net of issuance cost	6,749	58
<b>Net cash from financing activities</b>	<b>395,876</b>	<b>163,051</b>
Net (decrease)/increase in cash and cash equivalents	(186,041)	326,394
Cash and cash equivalents at beginning of the period/year	497,838	171,444
<b>Cash and cash equivalents at end of the period/year</b>	<b>311,797</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	296,740	559,105
Deposits placed with licensed banks	128,723	63,791
	<b>425,463</b>	<b>622,896</b>
Less:		
Bank overdrafts	(38,673)	(32,092)
Pledged deposits	(74,993)	(92,966)
	<b>311,797</b>	<b>497,838</b>

**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 ended 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 therefore not comparable.



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

### 1. ACCOUNTING POLICIES

The interim financial statements have 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 ended 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 ended 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 accounts for them differently.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected not to recognise a lease liability and right-of-use asset for leases with a lease term of 12 months or less and containing no purchase options; and where the underlying asset has a low value when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The net impact of the application of MFRS 16 did not 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 30 June 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
<b>18-month</b>								
<b>30.06.2020</b>								
<b>Revenue</b>								
External revenue	1,236,668	76,045	86,244	46,827	20,503	-	-	1,466,287
Inter-segment revenue	515	-	6,637	-	-	30,843	(37,995)	-
<b>Total revenue</b>	<b>1,237,183</b>	<b>76,045</b>	<b>92,881</b>	<b>46,827</b>	<b>20,503</b>	<b>30,843</b>	<b>(37,995)</b>	<b>1,466,287</b>
<b>Results</b>								
Segment results	(18,798)	55,183	(4,091)	(54,721)	(3,937)	(15,269)	(32,475)	(74,108)
Interest income	1,578	123	11	-	56	728	-	2,496
Interest expenses	(18,071)	(18,728)	(1,345)	(10,764)	(2,048)	(31,137)	-	(82,093)
Non-cash income/ (expenses) (Note i)	360	84,131	-	(11,885)	-	826	(2,580)	70,852
Depreciation and amortisation of non-current assets	(5,137)	(4)	(13,709)	(20,493)	(950)	(824)	-	(41,117)
<b>12-month</b>								
<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	42,505	40,460	(3,835)	(29,437)	(2,620)	17,606	(39,862)	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:

<b>RM'000</b>	<b>Cumulative quarter ended <u>18-month</u> 30.06.2020</b>	<b>Cumulative quarter ended <u>12-month</u> 31.12.2018</b>
Amortisation of intangible assets	(2,534)	(1,690)
Employee share scheme income/(expenses)	825	(1,331)
Employee retirement benefits provision	(1,513)	(963)
Accretion of fair value of non-current receivables	84,131	59,892
Amortisation of transaction costs	(1,712)	(1,495)
Fair value loss arising from biological assets	(46)	(125)
Loss on foreign exchange - unrealised	(8,659)	(18,700)
Gain on disposal of property, plant and equipment	360	354
<b>Total</b>	<b>70,852</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**

There was no material event subsequent to the end of the current quarter up to 27 August 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, 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 TRANSACTIONS**

The significant transactions with the Directors, parties connected to the Directors, and companies in which the Directors have substantial financial interests are as follows:

<b>RM'000</b>	<b>Cumulative quarter ended <u>18-month</u> 30.06.2020</b>	<b>Cumulative quarter ended <u>12-month</u> 31.12.2018</b>
<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	39,621	43,010
- Chuan Huat Hardware Sdn Bhd	1,530	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	(630)	(395)
<b>Non-trade</b>		
Administrative services charged by ultimate holding company	191	127
Insurance premium charged by ultimate holding company	1,058	503
Purchase of property, plant and equipment from ultimate holding company	-	1,750
Rental of land charged by a director of the Company	579	478
Rental charged by ultimate holding company	-	120
Transactions with MIM Protection Sdn Bhd, of which certain directors have substantial financial interests and are also directors:		
- Security services costs	10,208	4,859
- Rental income	(450)	-

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

**1. REVIEW OF PERFORMANCE**

During the quarter, AZRB and its subsidiary companies (“the Group”) recorded revenue of RM166.8 million, a decrease of 31% from the revenue of the previous corresponding quarter of 2019. The revenues from the Construction & Engineering, Property and Oil & Gas Divisions were hampered by the implementation of the Movement Control Order (“MCO”) and subsequently, Conditional Movement Control Order (“CMCO”) in Malaysia effective from 18 March to 9 June 2020 in response to the COVID-19 pandemic.

The Group posted a quarterly profit before tax (“PBT”) of RM50.5 million, a more than 100% increase from the previous corresponding quarter, whereby PBT recorded was RM5.8 million. This was mainly due to favourable impact arising from the unrealised foreign exchange (“forex”) gain in the Plantation Division. Excluding the effect of unrealised forex gains or losses, the Group posted a loss before tax (“LBT”) of RM24.9 million, compared to a forex-adjusted PBT of RM2.6 million previously.

The movement restrictions imposed not only in Malaysia, but also abroad had resulted in a decline in the overall financial performance of almost all Divisions within the Group.

Engineering & Construction

The Division’s revenue for the quarter was RM131.2 million, a 37% decrease from RM208.5 million previously. Even though on-site operations recommenced at the earliest possible opportunity from 29 April 2020 onwards, the Division was still required to adhere to the strict guidelines imposed by the authorities. Normal operation at all project sites was eventually achieved from 9 June 2020 onwards. Arising from the operational restrictions that the Division had to operate under, it was estimated that the Division had not been able to perform construction work worth approximately RM110.0 million during the quarter.

In-line with the lower construction revenue arising from the impact of MCO and CMCO as explained earlier, LBT for the period under review was recorded at RM7.9 million, against a PBT of RM5.5 million in 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 was RM12.9 million for the quarter, a marked improvement over the previous corresponding quarter’s revenue of RM8.4 million. The new contract award received by the Division in the second half of 2019 to maintain equipment in IIUM Medical Centre was the main catalyst for the improved revenue performance.

This positively impacted PBT, whereby for the quarter it was recorded at RM16.4 million, a significant increase from RM9.8 million in the same quarter of 2019.

Oil & Gas

Revenue posted for the quarter was RM10.1 million, a 30% drop from RM14.5 million in the same quarter of last year. The global oil prices were severely impacted by the COVID-19 pandemic which resulted in a stringent review on contracts and activities of off-shore drilling companies during the period.

LBT for the quarter was recorded at RM9.4 million. Together with the lower revenue, the results of the Division was also impacted by depreciation and additional finance charges which came into effect in 2020, as more facilities are being completed in anticipation of additional new businesses and operations, especially at the Division’s Tok Bali Supply Base (“TBSB”).

Plantation

For the current quarter, the Division’s revenue was recorded at RM11.8 million, where lower average prices of palm products was compounded by weak demand, stemming from the negative buying sentiment arising from the various restrictions resulting from the COVID-19 pandemic worldwide.

The Division recorded a PBT of RM65.9 million for the quarter which was substantially contributed by unrealised forex gains. The Indonesian Rupiah strengthened significantly against the United States Dollar by end of the quarter, which had a positive impact on the translation of the Division’s foreign currency denominated borrowings.

Excluding the impact of unrealised forex gains, the Division posted an LBT of RM9.5 million for the quarter due to higher amortisation charge as more areas of the Division’s palm oil plantation reach their maturity stage.



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

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

Property

The Property Division has also been affected by the COVID-19 pandemic, resulting in a significant reduction in revenue. The pandemic had adversely affected the Division's hospitality business and resulted in minimal sales of property units.

Due to the above, LBT for the Division was posted at RM1.5 million for the quarter, from a PBT of RM0.6 million in the previous corresponding quarter of 2019.

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

RM'000	Current quarter ended 30.06.2020	Preceding quarter ended 31.03.2020	Variance + / (-)
Revenue	166,815	259,226	(92,411)
Profit/(Loss) before tax	50,451	(96,434)	146,885

The Group's revenue decreased by 35.7% to RM166.8 million from RM259.2 million previously. Revenue for the Group continues to be impacted by the MCO and subsequently CMCO, which lasted up to early June 2020, which had a negative top-line impact on nearly all the Divisions in the Group, when compared against the previous quarter.

Results of the Group improved to a PBT of RM50.5 million, significantly reversing the loss incurred in the previous quarter of RM96.4 million. The reversal was mainly attributable to the unrealised forex gain which arose in the Plantation Division. Excluding the impact of forex differences, the Group posted an LBT of RM24.9 million due to the negative results of nearly all the Divisions in the Group.

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

**3. PROSPECTS**

Engineering & Construction

After the end of the CMCO on 9 June 2020, the Division has diligently worked to ensure that all on-site operations were back to normal levels. As a result, the Division is expected to be able to contribute positively to the Group from July 2020 onwards. Despite having the ability to operate positively again, the Division and the Group as a whole are still continuing a rigorous review of its resources and undertaking prudent financial management to ensure that that Group will continue to remain sustainable in the new normal.

Currently, the Group has RM1.6 billion of outstanding order-book as at 30 June 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 recovered from its COVID-19 slump and has remained steady recently. 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 the East Coast of Peninsular Malaysia.

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, especially in anticipation of the new drilling season expected next year onwards.

Plantation

Despite the rising CPO prices in the recent 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. The Group also expects revenues and results to improve going forward as more areas of the plantation come into maturity.

Property

The general outlook for property development remains hugely challenging, especially due to the 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 is 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>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
Current tax expense	12,372	19,354
Deferred taxation	21,727	(3,125)
<b>Income tax expense</b>	<b>34,099</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 27 August 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 30 June 2020 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	38,673	-	38,673
Trust receipts	RM	6,403	-	6,403
Revolving credits	RM	124,591	-	124,591
Revolving credits	USD	90,485	-	90,485
Term loans	RM	68,052	304,649	372,701
Term loans	USD	-	739,645	739,645
Finance lease liabilities	RM	8,328	18,171	26,499
Finance lease liabilities - Right-of-use assets	RM	6,074	3,168	9,242
Sukuk	RM	-	1,558,229	1,558,229
Bankers acceptance	RM	8,944	-	8,944
Invoice financing	RM	2,860	-	2,860
<b>Total</b>		<b>354,410</b>	<b>2,623,862</b>	<b>2,978,272</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:

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 SAR14.4 million.

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. EARNINGS/(LOSS) PER SHARE**

The basic earnings/(loss) 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> 30.06.2020	Comparative quarter ended <u>3-month</u> 30.06.2019	Cumulative quarter ended <u>18-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 31.12.2018
<b>Profit/(Loss) attributable to owners of the Company</b>	<b>33,568</b>	<b>4,652</b>	<b>(95,300)</b>	<b>14,232</b>
<b>Basic</b>				
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	596,414
<b>Diluted</b>				
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
<b>Basic (sen)</b>	<b>5.61</b>	<b>0.78</b>	<b>(15.93)</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 INSTRUMENT - 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.