

**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 ended 31 December 2020. This announcement should be read in conjunction with the audited financial statements for the period ended 30 June 2020 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 6-MONTH PERIOD ENDED 31 DECEMBER 2020**

RM'000	Note	Current quarter ended 3-month 31.12.2020	Comparative quarter ended 3-month 31.12.2019	Cumulative quarter ended 6-month 31.12.2020	Cumulative quarter ended 6-month 31.12.2019
Revenue		240,568	283,054	421,356	543,664
Operating expenses	1	(213,434)	(329,650)	(435,304)	(587,595)
Other operating income		1,995	4,637	2,424	5,107
<b>Profit/(Loss) from operating activities</b>		<b>29,129</b>	<b>(41,959)</b>	<b>(11,524)</b>	<b>(38,824)</b>
Finance income		14,001	14,245	27,996	28,543
Finance expenses		(16,939)	(12,007)	(34,828)	(27,112)
<b>Profit/(Loss) before tax</b>		<b>26,191</b>	<b>(39,721)</b>	<b>(18,356)</b>	<b>(37,393)</b>
Income tax expense		(2,671)	(271)	(5,705)	(1,316)
<b>Profit/(Loss) for the period</b>	2	<b>23,520</b>	<b>(39,992)</b>	<b>(24,061)</b>	<b>(38,709)</b>
<b>Other comprehensive income/(loss), net of tax</b>					
Actuarial gain from employee benefits		-	(21)	-	(11)
Foreign currency translation differences for foreign operations		(6,243)	(322)	8,957	(1,415)
<b>Total comprehensive income/(loss) for the period</b>		<b>17,277</b>	<b>(40,335)</b>	<b>(15,104)</b>	<b>(40,135)</b>
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		23,441	(42,112)	(21,422)	(39,052)
Non-controlling interests		79	2,120	(2,639)	343
<b>Profit/(Loss) for the period</b>		<b>23,520</b>	<b>(39,992)</b>	<b>(24,061)</b>	<b>(38,709)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2020**

RM'000	Current quarter ended <u>3-month</u> 31.12.2020	Comparative quarter ended <u>3-month</u> 31.12.2019	Cumulative quarter ended <u>6-month</u> 31.12.2020	Cumulative quarter ended <u>6-month</u> 31.12.2019
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	17,487	(42,517)	(13,342)	(40,540)
Non-controlling interests	(210)	2,182	(1,762)	405
<b>Total comprehensive income/(loss) for the period</b>	<b>17,277</b>	<b>(40,335)</b>	<b>(15,104)</b>	<b>(40,135)</b>
<b>Earnings/(Loss) per ordinary share (sen)</b>	<b>3.92</b>	<b>(7.04)</b>	<b>(3.58)</b>	<b>(6.53)</b>
<b>Note 1:</b>				
Operating expenses represents the following:				
Cost of sales	219,821	294,512	390,636	526,079
(Gain)/Loss on foreign exchange - unrealised	(23,685)	(5,222)	6,832	(4,679)
Other operating expenses	17,298	40,360	37,836	66,195
<b>Total</b>	<b>213,434</b>	<b>329,650</b>	<b>435,304</b>	<b>587,595</b>
<b>Note 2:</b>				
Profit/(Loss) is arrived at after (crediting)/ charging the following items:				
Interest income	(328)	(258)	(569)	(495)
Accretion of fair value of non-current receivables	(13,672)	(13,987)	(27,426)	(28,048)
Interest expenses	14,366	8,093	30,367	24,183
Depreciation and amortisation of non-current assets	5,089	6,018	11,796	11,473
Employee retirement benefits provision	221	(530)	283	(216)
Employee share scheme expenses	-	152	-	306

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

RM'000	Unaudited as at 31.12.2020	Audited as at 30.06.2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	577,882	592,750
Right-of-use assets	19,658	8,648
Prepaid lease payments	64,884	21,704
Land held for development	8,935	57,970
Intangible assets	17,737	18,609
Concession service assets	1,777,021	1,625,946
Goodwill	38,887	38,887
Investments in associates	2,802	2,802
Investments in financial assets	116	116
Deferred tax assets	26,820	27,585
Trade and other receivables	583,862	593,419
<b>Total non-current assets</b>	<b>3,118,604</b>	<b>2,988,436</b>
<b>Current assets</b>		
Biological assets	31	31
Inventories	18,861	17,516
Property development costs	23,290	20,621
Tax recoverable	4,237	5,727
Construction contract assets	164,796	201,998
Trade and other receivables	510,624	522,784
Financial assets at fair value through profit or loss	331,977	323,821
Cash and deposits	310,030	425,292
<b>Total current assets</b>	<b>1,363,846</b>	<b>1,517,790</b>
<b>Total assets</b>	<b>4,482,540</b>	<b>4,506,226</b>

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

<b>RM'000</b>	<b>Unaudited as at 31.12.2020</b>	<b>Audited as at 30.06.2020</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	197,536	197,536
Reserves	144,220	157,562
<b>Equity attributable to owners of the Company</b>	<b>341,756</b>	<b>355,098</b>
Non-controlling interests	3,676	5,438
<b>Total equity</b>	<b>345,432</b>	<b>360,536</b>
<b>Non-current and deferred liabilities</b>		
Loans and borrowings	2,608,314	2,612,678
Lease liabilities	2,829	5,183
Employee benefits	5,139	4,935
Deferred tax liabilities	95,376	95,973
Trade and other payables	209,751	206,957
<b>Total non-current and deferred liabilities</b>	<b>2,921,409</b>	<b>2,925,726</b>
<b>Current liabilities</b>		
Loans and borrowings	318,989	371,822
Lease liabilities	6,384	3,646
Trade and other payables	880,836	834,174
Tax liabilities	9,400	10,322
<b>Total current liabilities</b>	<b>1,215,609</b>	<b>1,219,964</b>
<b>Total liabilities</b>	<b>4,137,018</b>	<b>4,145,690</b>
<b>Total equity and liabilities</b>	<b>4,482,450</b>	<b>4,506,226</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 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 July 2020</b>	<b>197,536</b>	<b>1,594</b>	<b>27,889</b>	<b>9,296</b>	<b>1,506</b>	<b>(1,026)</b>	<b>118,303</b>	<b>355,098</b>	<b>5,438</b>	<b>360,536</b>
Loss for the period	-	-	-	-	-	-	(21,422)	(21,422)	(2,639)	(24,061)
Foreign currency translation differences for foreign operations	-	(70)	-	8,150	-	-	-	8,080	877	8,957
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(70)</b>	<b>-</b>	<b>8,150</b>	<b>-</b>	<b>-</b>	<b>(21,422)</b>	<b>(13,342)</b>	<b>(1,762)</b>	<b>(15,104)</b>
<b>At 31 December 2020</b>	<b>197,536</b>	<b>1,524</b>	<b>27,889</b>	<b>17,446</b>	<b>1,506</b>	<b>(1,026)</b>	<b>96,881</b>	<b>341,756</b>	<b>3,676</b>	<b>345,432</b>

**AUDITED 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 →							Subtotal	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			
<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	-	-	-	-	-	-	(98,321)	(98,321)	(12,907)	(111,228)
Foreign currency translation differences for foreign operations	-	334	-	(6,827)	-	-	(1,132)	(7,625)	440	(7,185)
Actuarial gain from employee benefits	-	388	-	-	-	-	-	388	19	407
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>722</b>	<b>-</b>	<b>(6,827)</b>	<b>-</b>	<b>-</b>	<b>(99,453)</b>	<b>(105,558)</b>	<b>(12,448)</b>	<b>(118,006)</b>
Adjustment of share options granted under Employees' Share Scheme	-	-	-	-	(825)	-	-	(825)	-	(825)
<b>Total distribution to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(825)</b>	<b>-</b>	<b>-</b>	<b>(825)</b>	<b>-</b>	<b>(825)</b>
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	(383)	(383)
Changes in ownership interest in subsidiary	-	-	-	-	-	-	-	-	6,748	6,748
<b>Total transactions with non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,365</b>	<b>6,365</b>
<b>At 30 June 2020</b>	<b>197,536</b>	<b>1,594</b>	<b>27,889</b>	<b>9,296</b>	<b>1,506</b>	<b>(1,026)</b>	<b>118,303</b>	<b>355,098</b>	<b>5,438</b>	<b>360,536</b>

Note:

The Company had changed its financial year end from 31 December to 30 June in the previous financial period. Consequently, the comparative figures stated in the Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the 18-month period ended 30 June 2020, and are therefore not comparable. For the current financial year, the next audited financial statements of the Company will be covering a period of 12 months ending 30 June 2021.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2020**

RM'000	Cumulative quarter ended <u>6-month</u> 31.12.2020	Audited for period ended <u>18-month</u> 30.06.2020
<b>CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>		
Loss before tax	(18,356)	(75,790)
Adjustments for:		
Accretion of fair value on non-current receivables	(27,426)	(84,131)
Interest income	(569)	(2,889)
Interest expense	30,235	83,753
Finance costs on lease liabilities	132	480
Employees' Share Scheme gain	-	(825)
Allowance for doubtful debt	-	678
Bad debt written-off	-	505
Loss on foreign exchange - unrealised	6,832	8,767
Amortisation of transaction costs	1,004	1,712
Loss on liquidation of interest in joint ventures	-	16
Depreciation of property, plant and equipment	11,030	53,212
Depreciation of right-of-use assets	766	8,019
Amortisation of prepaid lease payments	2,046	1,589
Amortisation of intangible assets	845	2,534
Impairment of goodwill	-	2,894
Share of loss of associates	-	3
Inventories written-down	-	595
Employee retirement benefits provision	283	1,810
Gain on disposal of property, plant and equipment - net	(67)	(360)
Fair value loss arising from biological assets	-	46
<b>Operating profit before working capital changes</b>	<b>6,755</b>	<b>2,618</b>
Changes in working capital:		
Decrease in inventories	1,343	8,182
Decrease in construction contract assets	37,202	202,523
Increase in property development costs	(2,669)	(10,477)
Increase in concession service assets	(151,075)	(298,900)
Decrease in trade and other receivables	64,524	299,267
Decrease in trade and other payables	(47,385)	(283,608)
<b>Cash used in operations</b>	<b>(93,991)</b>	<b>(80,395)</b>
Interest received	569	2,889
Retirement benefits paid	-	(167)
Income tax paid - net	(3,017)	(16,641)
<b>Net cash used in operating activities</b>	<b>(96,439)</b>	<b>(94,314)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2020**

RM'000	Cumulative quarter ended <u>6-month</u> 31.12.2020	Audited for period ended <u>18-month</u> 30.06.2020
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Addition of land held for development	-	(539)
Impact of changes in ownership of interest in subsidiary	-	6,748
Addition of financial assets at fair value through profit or loss	(8,156)	(159,483)
Proceeds from disposal of property, plant and equipment	46	14,258
Purchase of property, plant and equipment	(8,037)	(60,318)
Proceeds from liquidation of interest in joint ventures	-	18
Acquisition of intangible assets	-	(184)
<b>Net cash used in investing activities</b>	<b>(16,147)</b>	<b>(199,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in pledged cash and deposits	18,464	7,404
Interest paid	(30,367)	(211,631)
Dividend paid	-	(383)
Repayment of lease liabilities	384	(7,838)
Repayment of finance lease liabilities (net)	(3,551)	(17,623)
Proceeds from drawdown of loans and borrowings	76,402	258,641
Repayment of loans and borrowings	(45,093)	(466,537)
Proceeds from issuance of Sukuk	-	535,000
<b>Net cash from financing activities</b>	<b>16,239</b>	<b>97,033</b>
Net decrease in cash and cash equivalents	(96,347)	(196,781)
Cash and cash equivalents at beginning of the period	301,057	497,838
<b>Cash and cash equivalents at end of the period</b>	<b>204,710</b>	<b>301,057</b>
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Deposits placed with licensed banks	100,945	128,723
Cash and bank balances	209,085	296,569
	<b>310,030</b>	<b>425,292</b>
Less:		
Bank overdrafts	(38,222)	(38,673)
Pledged deposits	(67,098)	(85,562)
	<b>204,710</b>	<b>301,057</b>

**Note:**

The Company had changed its financial year end from 31 December to 30 June in the previous financial period. Consequently, the comparative figures stated in the Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the 18-month period ended 30 June 2020, and are therefore not comparable. For the current financial year, the next audited financial statements of the Company will be covering a period of 12 months ending 30 June 2021.



## 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 period ended 30 June 2020 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 period ended 30 June 2020.

### 2. CHANGE OF FINANCIAL YEAR END

In the previous financial period, the Company had changed its financial year end from 31 December to 30 June. All the subsidiary companies of the Company had adopted the change accordingly. As a result, the next audited financial statements of the Company will be covering a period of 12 months ending 30 June 2021.

### 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 period ended 30 June 2020.

#### **New MFRSs and Amendments to MFRSs in issue but not yet effective**

At the date of authorisation for issue of these financial statements, the new MFRSs and Amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 17 Insurance Contracts<sup>4</sup>

Amendments to:

MFRS 3	Definition of a Business <sup>1</sup>
MFRS 3	Reference to Conceptual Framework <sup>4</sup>
MFRS 16	COVID-19 Related Rent Concessions <sup>2</sup>
MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
MFRS 101	Classification of Liabilities as Current or Non-Current <sup>5</sup>
MFRS 101	and MFRS 108 Definition of Material <sup>1</sup>
MFRS 116	Property, Plant and equipment - Proceeds before Intended Use <sup>4</sup>

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

**3. CHANGES IN ACCOUNTING POLICIES (continued)**

**New MFRSs and Amendments to MFRSs in issue but not yet effective (continued)**

Amendments to: (continued)

MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract <sup>4</sup>
MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>3</sup>

Annual Improvements to MFRSs 2018 - 2020 Cycle<sup>4</sup>

Amendments to References to the Conceptual Framework in MFRS Standards<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

<sup>6</sup> Effective date deferred to a date to be determined and announced by the Malaysian Accounting Standards Board ("MASB"), with earlier application still permitted.

The Directors anticipate that the abovementioned MFRSs and Amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these MFRSs and Amendments to MFRSs will have no material impact on the financial statements of the Group in the period of initial application, except for the Amendments to MFRS 16 on COVID-19 related rent concessions.

The Group has not early adopted Amendments to MFRS 16 on COVID-19 related rent concessions. The Directors anticipate that the application of Amendment to MFRS 16 on COVID-19 related rent concession is not expected to have a material impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practical to provide a reasonable estimate of the financial impact of Amendments to MFRS 16 on COVID-19 related rent concessions until the Group completes a detailed review.

Further, during the period, the IFRS Interpretations Committee ("IFRIC") issued an Agenda Decision related to capitalisation of borrowing cost on qualifying assets. On 20 March 2019, MASB announced that an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is currently assessing the impact to the financial statements on the change in accounting policy pursuant to the IFRIC Agenda Decision which is anticipated not to have a material impact on the financial statements of the Group.

**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 period ended 30 June 2020 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 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>6-month</b>								
<b>31.12.2020</b>								
<b>Revenue</b>								
External revenue	339,655	25,658	21,904	31,994	2,145	-	-	421,356
Inter-segment revenue	-	-	3,808	-	-	10,215	(14,023)	-
<b>Total revenue</b>	<b>339,655</b>	<b>25,658</b>	<b>25,712</b>	<b>31,994</b>	<b>2,145</b>	<b>10,215</b>	<b>(14,023)</b>	<b>421,356</b>
<b>Results</b>								
Segment results	(6,353)	25,303	(1,120)	(17,570)	(2,478)	4,825	(20,963)	(18,356)
Interest income	281	6	2	-	8	272	-	569
Interest expenses	(6,232)	(1)	(2,776)	(2,939)	(247)	(18,172)	-	(30,367)
Non-cash income/ (expenses) (Note i)	67	27,426	-	(5,624)	-	(2,495)	(845)	18,529
Depreciation and amortisation of non-current assets	(2,777)	(24)	(576)	(7,821)	(355)	(243)	-	(11,796)
<b>6-month</b>								
<b>31.12.2019</b>								
<b>Revenue</b>								
External revenue	458,943	33,022	35,354	11,932	4,413	-	-	543,664
Inter-segment revenue	2,098	-	1,689	-	-	8,789	(12,576)	-
<b>Total revenue</b>	<b>461,041</b>	<b>33,022</b>	<b>37,043</b>	<b>11,932</b>	<b>4,413</b>	<b>8,789</b>	<b>(12,576)</b>	<b>543,664</b>
<b>Results</b>								
Segment results	(18,932)	27,266	5,555	(17,556)	(758)	(32,968)	-	(37,393)
Interest income	391	54	3	(4)	8	43	-	495
Interest expenses	(6,296)	(9,753)	2,284	(2,984)	(691)	(6,743)	-	(24,183)
Non-cash income/ (expenses) (Note i)	90	28,048	845	6,053	-	(1,836)	(1,690)	31,510
Depreciation and amortisation of non-current assets	(1,662)	(2)	(2,404)	(6,875)	(256)	(274)	-	(11,473)

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

**10. SEGMENT REPORTING (continued)**

Note i:

<b>RM'000</b>	<b>Cumulative quarter ended 6-month 31.12.2020</b>	<b>Cumulative quarter ended 6-month 31.12.2019</b>
Amortisation of intangible assets	(845)	(845)
Employee share scheme expenses	-	(306)
Employee retirement benefits provision	(283)	216
Accretion of fair value of non-current receivables	27,426	28,048
Amortisation of transaction costs	(1,004)	(347)
(Loss)/Gain on foreign exchange - unrealised	(6,832)	4,679
Gain on disposal of property, plant and equipment	67	65
<b>Total</b>	<b>18,529</b>	<b>31,510</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 25 February 2021 (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 Co. Ltd., a subsidiary of the Company, is currently undergoing a tax review with the General Authority of Zakat & Tax of Saudi Arabia ("GAZT") for additional back-taxes. Upon consulting its appointed solicitors, the Company is of the view that there are strong grounds to disagree with the GAZT 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 Directors regard Zaki Holdings (M) Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company of the Company.

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>6-month</u> 31.12.2020	Cumulative quarter ended <u>6-month</u> 31.12.2019
<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.	-	9,721
- Chuan Huat Steel Sdn. Bhd.	-	171
Sales to the following companies, of which certain directors have substantial financial interests and are also directors:		
- MIM Waste Services Sdn. Bhd.	-	(175)
- Kemaman Quarry Sdn. Bhd.	(43)	-
Purchases from QMC Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	973	-
Transactions with MIM Waste Services Sdn. Bhd., a subsidiary company of Zaki Holdings (M) Sdn. Bhd.		
- Purchases of materials	687	
- Sales of scrap	(217)	-
<b>Non-trade</b>		
Administrative services charged by ultimate holding company	64	63
Insurance premium charged by ultimate holding company	455	268
Rental of land charged by a director of the Company	18	414
Security services costs paid to MIM Protection Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	-	3,520
Security services costs charged by ultimate holding company	2,260	-

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

**1. REVIEW OF PERFORMANCE**

For the quarter ended 31 December 2020, AZRB and its subsidiary companies (“the Group”) registered a revenue of RM240.6 million, representing a 15% decrease from the revenue reported in the corresponding quarter of last year. However, the Group managed to post quarterly profit before tax (“PBT”) of RM26.2 million, improving from a loss before tax (“LBT”) of RM39.7 million recorded in the corresponding quarter of last year.

Overall, the Engineering & Construction, Oil & Gas and Property Divisions were affected by the COVID-19 pandemic, resulting in a slow-down of activities and business.

Despite the lower revenues, the Group was able to return to profitability once again this quarter on the back of the improved profitability of the Engineering & Construction, Concession and Plantation Divisions. The one-off provisional charges and contract costs rationalisation exercise in the Engineering & Construction Division performed in the corresponding quarter of 2019, provided a stable base for the Division to improve its profitability going forward. The Division’s bottom-line is also further boosted by prudent financial and operational management exercised during this challenging period.

The Concession Division registered a PBT of RM17.3 million, an 18% increase from the previous corresponding quarter. The improved profitability for the quarter stems from the finalisation of costs related to a maintenance contract which was awarded to the Division recently. The finalisation of these costs resulted in a positive adjustment to the result of the Division, the cumulative effects of which was reflected in the current quarter.

Furthermore, higher palm product prices and volumes have significantly improved the revenue during the quarter which in turn reduced the operational losses at the Plantation Division.

**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**

<b>RM'000</b>	<b>Current quarter ended 31.12.2020</b>	<b>Preceding quarter ended 30.09.2020</b>	<b>Variance + / (-)</b>
Revenue	240,568	180,788	59,780
Profit/(Loss) before tax	26,191	(44,547)	70,738
Add: Forex (gain)/loss	(23,685)	30,517	(54,202)
Forex-adjusted profit/(loss) before tax	2,506	(14,030)	16,536

The Group's revenue for the current quarter of RM240.6 million was 33% higher against the preceding quarter mainly contributed by the Engineering & Construction and Plantation Divisions, as the lifting of the CMCO and provincial restrictions both in Malaysia and abroad resulted in increased construction activities and sales growth in the two Divisions.

The Group's result improved to a PBT of RM26.2 million, from an LBT of RM44.5 million previously, where both quarters' results were highly influenced by unrealised forex movements, substantially originating from the Plantation Division.

Excluding the impact of forex differences, the Group registered a PBT of RM2.5 million, mainly driven by the higher revenues of the Engineering & Construction and Plantation Divisions, as well as the improved profitability of the Concession Division.



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

**3. PROSPECTS**

Currently in the Engineering & Construction Division, the Group has RM1.2 billion of outstanding order-book as at 31 December 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 rolled-out by 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.

In the Oil & Gas Division, results going forward are expected to improve with the entry of a new Production Sharing Contract (“PSC”) operator in January 2021. In addition, the Division continues to engage with existing customers to secure additional volume of business, as well as potential customers to set up their base of operations in the Division’s base, especially in anticipation of the new drilling season expected in year 2021 onwards.

In relation to the Plantation Division, rising CPO prices in the recent months bode well for the Division, despite the heavy rains in Kalimantan Barat arising from the La Nina phenomenon, which has continued into early 2021. The Division is hopeful that with the better weather expected from February 2021 onwards, production and sale of palm products can be maximised to capitalise on the higher selling prices.

The Group is also encouraged by the contribution from the Concession Division, which steadily continues to provide positively to the Group, arising from its long-term concession which will last up to year 2038.

As a whole, the Group continues to observe prudent financial management and rigorously reviews its resources to ensure that that it will continue to remain resilient in facing the challenges of operating in the new normal working environment.

**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**

<b>RM'000</b>	<b>Cumulative quarter ended 6-month 31.12.2020</b>	<b>Cumulative quarter ended 6-month 31.12.2019</b>
Current tax expense	5,903	2,202
Deferred taxation	(198)	(886)
<b>Income tax expense</b>	<b>5,705</b>	<b>1,316</b>

**6. CORPORATE PROPOSALS**

There are no corporate proposals which have been announced by the Company but not completed as at 25 February 2021 (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 December 2020 are as follows:

<b>RM'000</b>	<b>Denominated in currency</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Bank overdrafts	RM	38,222	-	38,222
Trust receipts	RM	9,478	-	9,478
Revolving credits	RM	124,591	-	124,591
Revolving credits	USD	81,077	-	81,077
Term loans	RM	27,380	780,570	807,950
Term loans	USD	-	282,990	282,990
Finance lease liabilities	RM	9,134	13,731	22,865
Sukuk	RM	-	1,531,023	1,531,023
Bankers acceptance	RM	21,722	-	21,722
Invoice financing	RM	7,385	-	7,385
<b>Total</b>		<b>318,989</b>	<b>2,608,314</b>	<b>2,927,303</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”) (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 and 8 to 9 of February 2021 at the AIAC in Kuala Lumpur.

However, the Hearing dates for November 2020 and February 2021 have been vacated by the AIAC due to the current COVID-19 pandemic, and the Hearing of the matter has now been postponed to May 2021.

**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. 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:

<b>RM'000</b>	<b>Current quarter ended <u>3-month</u> 31.12.2020</b>	<b>Comparative quarter ended <u>3-month</u> 31.12.2019</b>	<b>Cumulative quarter ended <u>6-month</u> 31.12.2020</b>	<b>Cumulative quarter ended <u>6-month</u> 31.12.2019</b>
Profit/(Loss) attributable to owners of the Company	23,411	(42,112)	(21,422)	39,052
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	598,098
<b>Earnings/(Loss) per share (sen)</b>	<b>3.92</b>	<b>(7.04)</b>	<b>(3.58)</b>	<b>(6.53)</b>

**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.