

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 4th quarter and year ended 30 June 2021. 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 YEAR ENDED 30 JUNE 2021**

RM'000	Note	Current quarter ended <u>3-month</u> 30.06.2021	Comparative quarter ended <u>3-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
Revenue		208,255	163,289	846,981	966,179
Operating expenses	1	(217,669)	(112,415)	(897,300)	(1,056,306)
Other operating income		3,286	-	6,191	5,417
(Loss)/Profit from operating activities		(6,128)	50,874	(44,128)	(84,710)
Finance income		13,972	14,770	57,351	57,394
Finance expenses		(15,811)	(16,872)	(68,166)	(57,739)
Share of profit/(loss) of associates		1	(3)	1	(3)
(Loss)/Profit before tax		(7,966)	48,769	(54,942)	(85,058)
Income tax expense		(14,007)	(24,318)	(19,904)	(31,610)
(Loss)/Profit for the period	2	(21,973)	24,451	(74,846)	(116,668)
Other comprehensive (loss)/income, net of tax					
Actuarial gain from employee benefits		-	479	-	528
Foreign currency translation differences for foreign operations		(711)	(63,430)	9,959	(4,485)
Total comprehensive loss for the period		(22,684)	(38,500)	(64,887)	(120,625)
(Loss)/Profit attributable to:					
Owners of the Company		(20,625)	30,547	(68,812)	(106,706)
Non-controlling interests		(1,384)	(6,096)	(6,034)	(9,962)
(Loss)/Profit for the period		(21,973)	24,451	(74,846)	(116,668)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021**

RM'000	Current quarter ended <u>3-month</u> 30.06.2021	Comparative quarter ended <u>3-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
Total comprehensive loss attributable to:				
Owners of the Company	(21,294)	(33,853)	(59,810)	(110,962)
Non-controlling interests	(1,390)	(4,647)	(5,077)	(9,663)
Total comprehensive loss for the period	(22,684)	(38,500)	(64,887)	(120,625)
(Loss)/Earnings per ordinary share (sen)	(3.45)	5.11	(11.51)	(17.84)
Note 1:				
Operating expenses represents the following:				
Cost of sales	201,285	159,033	804,437	921,442
(Gain)/Loss on foreign exchange - unrealised	(2,727)	(75,343)	16,252	16,626
Other operating expenses	19,111	28,725	76,611	118,238
Total	217,669	112,415	897,300	1,056,306
Note 2:				
(Loss)/Profit is arrived at after (crediting)/ charging the following items:				
Interest income	(467)	(935)	(2,830)	(1,602)
Accretion of fair value of non-current receivables	(13,505)	(13,835)	(54,521)	(55,792)
Interest expenses	13,286	18,191	60,786	55,956
Depreciation and amortisation of non-current assets	8,805	14,141	25,066	34,949
Employee retirement benefits provision	19	1,186	563	976
Employee share scheme expenses	-	(1,435)	-	(1,129)
Fair value (gain)/loss arising from biological assets	(233)	46	(233)	46

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 30 JUNE 2021**

RM'000	Unaudited as at 30.06.2021	Audited as at 30.06.2020
ASSETS		
Non-current assets		
Property, plant and equipment	626,062	592,750
Right-of-use assets	7,587	8,648
Prepaid lease payments	18,391	21,704
Land held for development	64,367	57,970
Intangible assets	16,864	18,609
Concession service assets	1,944,372	1,625,946
Goodwill	38,887	38,887
Investments in associates	2,817	2,802
Investments in financial assets	116	116
Deferred tax assets	6,421	27,585
Trade and other receivables	558,340	593,419
Total non-current assets	3,284,224	2,988,436
Current assets		
Biological assets	264	31
Inventories	22,976	17,516
Property development costs	26,588	20,621
Tax recoverable	10,834	5,727
Construction contract assets	80,421	201,998
Trade and other receivables	516,634	522,784
Financial assets at fair value through profit or loss	228,062	323,821
Cash and deposits	206,079	425,292
Total current assets	1,091,858	1,517,790
Total assets	4,376,082	4,506,226

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 30 JUNE 2021**

RM'000	Unaudited as at 30.06.2021	Audited as at 30.06.2020
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	97,752	157,562
Equity attributable to owners of the Company	295,288	355,098
Non-controlling interests	361	5,438
Total equity	295,649	360,536
Non-current and deferred liabilities		
Loans and borrowings	2,597,435	2,612,678
Lease liabilities	1,828	5,183
Employee benefits	4,811	4,935
Deferred tax liabilities	92,339	95,973
Trade and other payables	218,135	206,957
Total non-current and deferred liabilities	2,914,548	2,925,726
Current liabilities		
Loans and borrowings	365,488	371,822
Lease liabilities	6,078	3,646
Trade and other payables	785,538	834,174
Tax liabilities	8,781	10,322
Total current liabilities	1,165,885	1,219,964
Total liabilities	4,080,433	4,145,690
Total equity and liabilities	4,376,082	4,506,226

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2021**

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		
At 1 July 2020	197,536	1,594	27,889	9,296	1,506	(1,026)	118,303	355,098	5,438	360,536
Loss for the year	-	-	-	-	-	-	(68,812)	(68,812)	(6,034)	(74,846)
Foreign currency translation differences for foreign operations	-	(447)	-	9,449	-	-	-	9,002	957	(9,959)
Total comprehensive (loss)/income for the year	-	(447)	-	9,449	-	-	(68,812)	(59,810)	(5,007)	(64,887)
At 30 June 2021	197,536	1,147	27,889	18,745	1,506	(1,026)	49,491	295,288	361	295,649

**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 →									
	← 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	-	-	-	-	-	-	(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
Total comprehensive income/(loss) for the period	-	722	-	(6,827)	-	-	(99,453)	(105,558)	(12,448)	(118,006)
Adjustment of share options granted under Employees' Share Scheme	-	-	-	-	(825)	-	-	(825)	-	(825)
Total distribution to owners of the Company	-	-	-	-	(825)	-	-	(825)	-	(825)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	(383)	(383)
Changes in ownership interest in subsidiary	-	-	-	-	-	-	-	-	6,748	6,748
Total transactions with non-controlling interest	-	-	-	-	-	-	-	-	6,365	6,365
At 30 June 2020	197,536	1,594	27,889	9,296	1,506	(1,026)	118,303	355,098	5,438	360,536

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 ended 30 June 2021.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2021**

RM'000	Cumulative quarter ended <u>12-month</u> 30.06.2021	Audited for period ended <u>18-month</u> 30.06.2020
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		
Loss before tax	(54,942)	(75,790)
Adjustments for:		
Accretion of fair value on non-current receivables	(54,521)	(84,131)
Interest income	(2,830)	(2,889)
Interest expense	60,786	83,753
Finance costs on lease liabilities	335	480
Employees' Share Scheme gain	-	(825)
Allowance for doubtful debt	97	678
Bad debt written-off	-	505
Loss on foreign exchange - unrealised	16,252	8,767
Amortisation of transaction costs	1,673	1,712
Loss on liquidation of interest in joint ventures	-	16
Depreciation of property, plant and equipment	27,341	53,212
Depreciation of right-of-use assets	530	8,019
Amortisation of prepaid lease payments	1,540	1,589
Amortisation of intangible assets	1,690	2,534
Impairment of goodwill	-	2,894
Share of (profit)/loss of associates	(15)	3
Inventories written-down	-	595
Employee retirement benefits provision	563	1,810
Gain on disposal of property, plant and equipment - net	(634)	(360)
Fair value (gain)/loss arising from biological assets	(233)	46
Operating (loss)/profit before working capital changes	(2,368)	2,618
Changes in working capital:		
(Increase)/Decrease in inventories	(5,460)	8,182
Decrease in construction contract assets	121,577	202,523
Increase in property development costs	(5,967)	(10,477)
Increase in concession service assets	(318,371)	(298,900)
Decrease in trade and other receivables	97,221	299,267
Decrease in trade and other payables	(33,619)	(283,608)
Cash used in operations	(146,987)	(80,395)
Interest received	2,830	2,889
Retirement benefits paid	-	(167)
Income tax paid - net	(4,526)	(16,641)
Net cash used in operating activities	(148,683)	(94,314)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 12-MONTH YEAR ENDED 30 JUNE 2021**

RM'000	Cumulative quarter ended <u>12-month</u> 30.06.2021	Audited for period ended <u>18-month</u> 30.06.2020
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Addition of land held for development	(6,397)	(539)
Impact of changes in ownership of interest in subsidiary	-	6,748
Withdrawal/(Addition) of financial assets at fair value through profit or loss	95,759	(159,483)
Proceeds from disposal of property, plant and equipment	692	14,258
Purchase of property, plant and equipment	(60,711)	(60,318)
Proceeds from liquidation of interest in joint ventures	-	18
Acquisition of intangible assets	-	(184)
Net cash from/(used in) investing activities	29,343	(199,500)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Decrease in pledged cash and deposits	33,215	7,404
Interest paid	(61,121)	(211,631)
Dividend paid	-	(383)
Repayment of lease liabilities	(923)	(7,838)
Repayment of finance lease liabilities (net)	(8,364)	(17,623)
Proceeds from drawdown of loans and borrowings	232,196	258,641
Repayment of loans and borrowings	(263,393)	(466,537)
Proceeds from issuance of Sukuk	-	535,000
Net cash (used in)/from financing activities	(68,390)	97,033
Net decrease in cash and cash equivalents	(187,730)	(196,781)
Cash and cash equivalents at beginning of the period	301,057	497,838
Cash and cash equivalents at end of the period	113,327	301,057
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Deposits placed with licensed banks	78,753	128,723
Cash and bank balances	127,326	296,569
	206,079	425,292
Less:		
Bank overdrafts	(40,405)	(38,673)
Pledged deposits	(52,347)	(85,562)
	113,327	301,057

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 ended 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 ended 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 Contracts⁵

Amendments to:

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

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

Annual Improvements to MFRSs 2018 - 2020 Cycle⁴

Amendments to References to the Conceptual Framework in MFRS Standards¹

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

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

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

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

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

⁶ 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 as and 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 has assessed the impact to the financial statements on the change in accounting policy pursuant to the IFRIC Agenda Decision and it 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 30 June 2021.

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
12-month								
30.06.2021								
Revenue								
External revenue	627,160	50,989	40,667	124,303	3,862	-	-	846,981
Inter-segment revenue	-	-	6,405	-	-	18,991	(25,396)	-
Total revenue	627,160	50,989	47,072	124,303	3,862	18,991	(25,396)	846,981
Results								
Segment results	(3,712)	63,901	(9,615)	(44,520)	(2,370)	(58,626)	-	(54,942)
Interest income	825	53	5	-	15	1,932	-	2,830
Interest expenses	(9,741)	(10)	(5,513)	(6,280)	(549)	(38,693)	-	(60,786)
Non-cash income/ (expenses) (Note i)	660	54,521	-	(16,718)	(26)	(1,537)	-	36,900
Depreciation and amortisation of non-current assets	(2,090)	(69)	(9,003)	(17,797)	(769)	(354)	5,016	(25,066)
12-month								
30.06.2020								
Revenue								
External revenue	800,242	58,176	61,626	39,606	6,529	-	-	966,179
Inter-segment revenue	(1,582)	-	4,388	-	-	22,054	(24,860)	-
Total revenue	798,660	58,176	66,014	39,606	6,529	22,054	(24,860)	966,179
Results								
Segment results	(21,084)	61,749	(5,218)	(54,945)	(3,004)	(62,556)	-	(85,058)
Interest income	879	440	7	-	42	234	-	1,602
Interest expenses	(11,628)	(7,947)	(1,232)	(6,912)	(1,410)	(26,827)	-	(55,956)
Non-cash income/ (expenses) (Note i)	255	55,792	-	(18,720)	-	1,145	-	38,472
Depreciation and amortisation of non-current assets	(4,756)	(3)	(14,567)	(14,202)	(872)	(549)	-	(34,949)

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

10. SEGMENT REPORTING (continued)

Note i:

RM'000	Cumulative quarter ended <u>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
Employee share scheme expenses	-	1,129
Employee retirement benefits provision	(563)	(976)
Accretion of fair value of non-current receivables	54,521	55,792
Amortisation of transaction costs	(1,673)	(1,031)
Fair value loss arising from biological assets	233	(46)
Loss on foreign exchange - unrealised	(16,252)	(16,626)
Gain on disposal of property, plant and equipment	634	230
Total	36,900	38,472

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 30 September 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 year.

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>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
Trade		
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:		
- Chuan Huat Industrial Marketing Sdn. Bhd.	-	15,396
- Chuan Huat Steel Sdn. Bhd.	-	829
Sales to MIM Waste Services Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	-	(505)
Transactions with Kemaman Quarry Sdn. Bhd., of which certain directors have substantial financial interests and are also directors:		
- Purchases of materials	41	-
- Sales of diesel	(157)	-
Purchases from QMC Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	1,622	5
Transactions with MIM Waste Services Sdn. Bhd., a subsidiary company of Zaki Holdings (M) Sdn. Bhd.		
- Purchases of materials	1,293	-
- Sales of scrap	(320)	-
Non-trade		
Administrative services charged by ultimate holding company	128	127
Insurance premium charged by ultimate holding company	769	639
Rental of land charged by a director of the Company	422	339
Security services costs paid to MIM Protection Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	2,260	7,159
Security services costs charged by ultimate holding company	5,671	-

**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 RM208.3 million of revenue for the quarter ended 30 June 2021, an increase of 27.6% from RM163.3 million recorded in the previous corresponding quarter.

Generally, the revenue performance of most Divisions of the Group was comparable against the same quarter of last year with the exception of the Plantation Division which was able to significantly improve their revenues, mainly arising from the higher volume of palm product sales coupled with higher realised prices.

However, the Group recorded a pre-tax loss of RM8.0 million for the quarter, against a pre-tax profit of RM48.8 million recorded in the previous corresponding quarter. Pre-tax results for both quarters were largely impacted by unrealised foreign exchange (“forex”) gains in the Plantation Division. Adjusting for the impact of unrealised forex results, the Group’s pre-tax loss narrowed to RM10.7 million from RM26.6 million previously, a 59.9% reduction in losses.

Despite the Conditional Movement Control Order (“MCO”) and MCO 3.0 being in force during the period under review which resulted in all activities except for the Oil & Gas and Plantation Divisions to be halted for a period of time, through prudent financial management, the Group was able to minimise the impact of these disruptions, as compared against the same corresponding quarter of the previous year.

On the back of the Covid-19 pandemic, the Group continues to review its organisational cost structure to be as cost-efficient as possible. This is a continuous process as we look to mitigate challenges that the Group may face in the time to come.

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

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

RM'000	Current quarter ended 30.06.2021	Preceding quarter ended 31.03.2021	Variance + / (-)
Revenue	208,255	217,370	(9,115)
Loss before tax	(7,966)	(28,620)	20,654
Add: Forex (gain)/loss	(2,726)	12,146	(14,872)
Forex-adjusted loss before tax	(10,692)	(16,474)	5,782

The Group recorded RM208.3 million of revenue in the current quarter, a slight decrease from RM217.4 million recognised in the previous quarter. Continuing on from the previous quarters, as projects reach their tail-end stages, revenue recognition was slower in the Construction & Engineering Division, affecting the amount of revenue that can be recognised. This revenue drop was compensated by higher revenue recorded in the Plantation Division, which increased its revenue by 56.6% over the preceding quarter.

After adjusting for unrealised forex fluctuations, the pre-tax loss for the quarter under review of RM10.7 million was a 35.2% improvement over the RM16.5 million loss recorded previously. The improved results can be mainly attributed to the lower loss contribution of the Plantation Division, which benefited from the the higher volume of palm product sales and higher commodity prices.

Additionally in the Others Division, there were unrealised marked-to-market gains on investments which was recognised on the Group's long-term cash holding investment, whereby the value recovered as the financial outlook in Malaysia improves.

**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 RM831 million of outstanding order-book as at 30 June 2021. The Group is focusing in sourcing for avenues to replenish its order-book, whilst the current outstanding balance will be able to sustain AZRB for the upcoming year.

The Group is also greatly encouraged by the recently announced “The Twelfth Malaysia Plan (12MP)” which highlighted ‘Enhancing Connectivity & Transport Infrastructure’ as one of the key Policy Enablers that will play a crucial role in facilitating growth across all sectors of Malaysia’s economy. This should translate into greater opportunities for the construction industry in the coming 5 years.

In addition to new projects being 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, the Division’s Tok Bali Supply Base is now at its last stage of preparations in anticipation of an elevated level of activities, in particular drilling operations, of which the Division is in final negotiations with the relevant parties to formalise their move into the supply base in the coming months. The Division expects that such operations to commence in the next financial year and be able to contribute positively to the Group from there-on.

In relation to the Plantation Division, the high Crude Palm Oil and commodity prices in general augurs well for the Division. With the palm oil mill’s capacity utilised to its fullest potential, the Division is confident that production and sales can be maximised to capitalise on the current higher prices of palm products, to continue the Division’s up-trend of late.

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 practice prudent financial management and rigorously manages its resources to ensure 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
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5. TAXATION

RM'000	Cumulative quarter ended <u>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
Current tax expense	3,140	11,329
Deferred taxation	16,764	20,281
Income tax expense	19,904	31,610

6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 30 September 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 30 June 2021 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	40,405	-	40,405
Trust receipts	RM	5,176	-	5,176
Revolving credits	RM	115,841	-	115,841
Revolving credits	USD	91,286	-	91,286
Term loans	RM	26,933	788,362	815,295
Term loans	USD	-	279,255	279,255
Finance lease liabilities	RM	9,308	8,744	18,052
Sukuk	RM	29,529	1,521,074	1,550,603
Bankers acceptance	RM	38,038	-	38,038
Invoice financing	RM	8,972	-	8,972
Total		365,488	2,597,435	2,962,923

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

8. MATERIAL LITIGATIONS

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 AZRB 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.

Hearing dates for this matter was fixed on 3, 5 to 7 and 18 to 19 May 2021 at the AIAC in Kuala Lumpur. The Hearing was concluded on 6 May 2021 where all witnesses from both parties have given their statement and the Hearing dates on 7, 18 and 19 May 2021 have been vacated.

Currently, all parties are waiting for the final outcome from the Tribunal.

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

8. MATERIAL LITIGATIONS (continued)

Writ and Statement of Claim against AEON Co. (M) Bhd and Counter Claim by AEON Co. (M) Bhd (“AEON”)

On 2 March 2021, Betanaz Properties Sdn Bhd (“Betanaz”), a 51%-owned subsidiary of the Company served a Writ and Statement of Claim (“Claim”) on AEON pertaining to the breach of Tenancy Agreement by AEON which was entered into between both parties on 24 August 2017, where Betanaz granted to AEON a tenancy and lease of a plot of land held under H.S.(D) 59653, PT No. 145020, Mukim Kuala Kuantan, Daerah Kuantan, Pahang for AEON to construct and thereafter, to operate a commercial shopping complex. The Tenancy Agreement was subsequently supplemented and/or amended by a Supplementary Tenancy Agreement dated 13 September 2019.

Betanaz is claiming against AEON for the following:

- (1) Judgment in the sum of RM59,302,302.97, or such other amount as assessed by the Court;
- (2) in the alternative to (1) above, Judgment in the sum of RM18,936,207.76, or such other amount as assessed by the Court;
- (3) interest at such rate and for such period as the Court deems fit and just;
- (4) costs; and
- (5) such further and or other relief as the Court deems fit and just.

Betanaz’s solicitors and AZRB have on 29 March 2021 and 31 March 2021 respectively, received a Defence against Betanaz’s claim, and a Counterclaim by AEON against Betanaz and AZRB seeking a refund of the monies paid by AEON to Betanaz and AZRB, on the ground that the Tenancy Agreement, and the Commercial Agreement dated 24 August 2017 between AZRB and AEON (“Commercial Agreement”) were allegedly void by reason of the alleged non-fulfilment of the conditions precedent to those agreements.

AEON is claiming against Betanaz, amongst others, the return or payment of RM2,303,087 under the Tenancy Agreement and against AZRB, amongst others, the return of RM28,415,094.44 under the Commercial Agreement.

Betanaz has filed its Reply to Defence and Defence to Counterclaim on 19 April 2021 and AZRB has filed its Defence to the Counter Claim and an Application to Strike Out the Counter Claim on 7 May 2021. The matter was fixed for Case Management of the Main Action (Writs Summons and Statement of Claim) on 30 June 2021 and hearing of the Application to Strike Out the Counter Claim was fixed on 23 July 2021.

The decision on the Application to Strike Out the Counter Claim filed by Betanaz is fixed on 22 October 2021.

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

8. MATERIAL LITIGATIONS (continued)

Writ and Statement of Claim against Edgenta Propel Berhad (“Edgenta”)

Ahmad Zaki Sdn Bhd (“AZSB”), a wholly-owned subsidiary of the Company had on 14 April 2021 served a Writ and Statement of Claim (“Claim”) on Edgenta pertaining to the Klang Valley Mass Rapid Transit’s Putrajaya Line (MRT2) project for a Protection & Relocation of Utilities (Relocation of Telecommunications Works) sub-contract work, which was awarded to the Defendant via a Letter of Award dated 5 August 2016 (“the Works”).

AZSB is claiming against Edgenta, amongst others, a sum of RM23,751,000.00 as liquidated ascertained damages and RM1,848,227.33 being the costs difference incurred by AZSB in engaging a third-party replacement sub-contractor to complete the Works.

The matter has been fixed for Hearing from 9 to 13 May 2022.

9. DIVIDEND

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

10. (LOSS)/EARNINGS 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> 30.06.2021	Comparative quarter ended <u>3-month</u> 30.06.2020	Cumulative quarter ended <u>12-month</u> 30.06.2021	Cumulative quarter ended <u>12-month</u> 30.06.2020
(Loss)/Profit attributable to owners of the Company	(20,625)	30,547	(68,812)	(106,706)
Weighted average number of ordinary shares in issue	589,098	589,098	589,098	598,098
(Loss)/Earnings per share (sen)	(3.45)	5.11	(11.51)	(17.84)

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

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.