

**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 1<sup>st</sup> quarter and period ended 30 September 2021 of AZRB and its subsidiaries (“the Group”). This announcement should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2021 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 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

RM'000	Note	Current quarter ended <u>3-month</u> 30.09.2021	Comparative quarter ended <u>3-month</u> 30.09.2020	Cumulative quarter ended <u>3-month</u> 30.09.2021	Cumulative quarter ended <u>3-month</u> 30.09.2020
Revenue		202,709	180,788	202,709	180,788
Operating expenses	1	(193,003)	(221,870)	(193,003)	(221,870)
Other operating income		1,813	429	1,813	429
<b>Profit/(Loss) from operating activities</b>		<b>11,519</b>	<b>(40,653)</b>	<b>11,519</b>	<b>(40,653)</b>
Finance income		15,385	13,995	15,385	13,995
Finance expenses		(14,021)	(17,889)	(14,021)	(17,889)
Share of profit/(loss) of associates		-	-	-	-
<b>Profit/(Loss) before tax</b>		<b>12,883</b>	<b>(44,547)</b>	<b>12,883</b>	<b>(44,547)</b>
Income tax expense		(3,781)	(3,034)	(3,781)	(3,034)
<b>Profit/(Loss) for the period</b>	2	<b>9,102</b>	<b>(47,581)</b>	<b>9,102</b>	<b>(47,581)</b>
<b>Other comprehensive income/(loss), net of tax</b>					
Actuarial gain from employee benefits		-	-	-	-
Foreign currency translation differences for foreign operations		(6,528)	15,200	(6,528)	15,200
<b>Total comprehensive income/(loss) for the period</b>		<b>2,574</b>	<b>(32,381)</b>	<b>2,574</b>	<b>(32,381)</b>
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		6,220	(44,863)	6,220	(44,863)
Non-controlling interests		2,882	(2,718)	2,882	(2,718)
<b>Profit/(Loss) for the period</b>		<b>9,102</b>	<b>(47,581)</b>	<b>9,102</b>	<b>(47,581)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

RM'000	Current quarter ended <u>3-month</u> 30.09.2021	Comparative quarter ended <u>3-month</u> 30.09.2020	Cumulative quarter ended <u>3-month</u> 30.09.2021	Cumulative quarter ended <u>3-month</u> 30.09.2020
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	(1,450)	(30,829)	(1,450)	(30,829)
Non-controlling interests	4,024	(1,552)	4,024	(1,552)
<b>Total comprehensive income/(loss) for the period</b>	<b>2,574</b>	<b>(32,381)</b>	<b>2,574</b>	<b>(32,381)</b>
<b>Earnings/(Loss) per ordinary share (sen)</b>	<b>1.04</b>	<b>(7.50)</b>	<b>1.04</b>	<b>(7.50)</b>
<b>Note 1:</b>				
Operating expenses represents the following:				
Cost of sales	183,334	167,730	183,334	167,730
(Gain)/Loss on foreign exchange - unrealised	(10,398)	30,517	(10,398)	30,517
Other operating expenses	20,067	23,623	20,067	23,623
<b>Total</b>	<b>193,003</b>	<b>221,870</b>	<b>193,003</b>	<b>221,870</b>
<b>Note 2:</b>				
Profit/(Loss) is arrived at after (crediting)/ charging the following items:				
Interest income	(1,967)	(241)	(1,967)	(241)
Accretion of fair value of non-current receivables	(13,418)	(13,754)	(13,418)	(13,754)
Interest expenses	13,927	16,001	13,927	16,001
Depreciation and amortisation of non-current assets	6,392	8,427	6,392	8,427
Employee retirement benefits provision	35	62	35	62

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

RM'000	Unaudited as at 30.09.2021	Audited as at 30.06.2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	631,451	625,405
Right-of-use assets	7,003	7,587
Prepaid lease payments	18,391	18,391
Land held for development	64,177	64,177
Intangible assets	16,433	16,864
Concession service assets	2,028,253	1,944,692
Goodwill	38,887	38,887
Investments in associates	2,803	2,803
Investments in financial assets	116	116
Deferred tax assets	19,372	19,765
Trade and other receivables	571,521	573,340
<b>Total non-current assets</b>	<b>3,398,407</b>	<b>3,312,027</b>
<b>Current assets</b>		
Biological assets	264	264
Inventories	25,559	22,671
Property development costs	27,295	26,445
Tax recoverable	10,417	6,389
Construction contract assets	144,733	123,709
Trade and other receivables	431,326	435,963
Financial assets at fair value through profit or loss	171,688	228,062
Cash and deposits	200,813	207,424
<b>Total current assets</b>	<b>1,012,095</b>	<b>1,050,927</b>
<b>Total assets</b>	<b>4,410,502</b>	<b>4,362,954</b>

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

<b>RM'000</b>	<b>Unaudited as at 30.09.2021</b>	<b>Audited as at 30.06.2021</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	197,536	197,536
Reserves	97,345	98,795
<b>Equity attributable to owners of the Company</b>	<b>294,881</b>	<b>296,331</b>
Non-controlling interests	4,040	16
<b>Total equity</b>	<b>298,921</b>	<b>296,347</b>
<b>Non-current and deferred liabilities</b>		
Loans and borrowings	2,614,445	2,504,280
Lease liabilities	5,011	5,288
Employee benefits	4,530	4,022
Deferred tax liabilities	105,057	105,179
Trade and other payables	212,732	209,748
<b>Total non-current and deferred liabilities</b>	<b>2,941,775</b>	<b>2,828,517</b>
<b>Current liabilities</b>		
Loans and borrowings	357,676	459,297
Lease liabilities	2,334	2,618
Trade and other payables	798,092	771,563
Tax liabilities	11,704	4,612
<b>Total current liabilities</b>	<b>1,169,806</b>	<b>1,238,090</b>
<b>Total liabilities</b>	<b>4,111,581</b>	<b>4,066,607</b>
<b>Total equity and liabilities</b>	<b>4,410,502</b>	<b>4,362,954</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 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	Employees' Share Scheme	Treasury shares	Retained earnings	Total		
At 1 July 2021	197,536	1,784	27,889	18,976	1,506	(1,026)	49,666	296,331	16	296,347
Profit for the period	-	-	-	-	-	-	6,220	6,220	2,882	9,102
Foreign currency translation differences for foreign operations	-	(183)	-	(7,487)	-	-	-	(7,670)	1,142	(6,528)
<b>Total comprehensive income/(loss) for the period</b>	-	(183)	-	(7,487)	-	-	6,220	(1,450)	4,024	2,574
At 30 September 2021	197,536	1,601	27,889	11,489	1,506	(1,026)	55,886	294,881	4,040	298,921

**AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE FINANCIAL 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	Employees' Share Scheme	Treasury shares	Retained earnings	Total		
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	-	-	-	-	-	-	(68,637)	(68,637)	(6,425)	(75,062)
Foreign currency translation differences for foreign operations	-	(448)	-	9,680	-	-	-	9,232	970	10,202
Actuarial gain from employee benefits	-	638	-	-	-	-	-	638	33	671
<b>Total comprehensive income/(loss) for the year</b>	-	190	-	9,680	-	-	(68,637)	(58,767)	(5,422)	(64,189)
At 30 June 2021	197,536	1,784	27,889	18,976	1,506	(1,026)	49,666	296,331	16	296,347

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

RM'000	Cumulative quarter ended <u>3-month</u> 30.09.2021	Audited for year ended <u>12-month</u> 30.06.2021
<b>CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	12,883	(55,385)
Adjustments for:		
Accretion of fair value on non-current receivables	(13,418)	(54,521)
Interest income	(1,967)	(2,840)
Interest expense	13,927	60,987
Finance costs on lease liabilities	94	335
Allowance for doubtful debt	-	(22)
(Gain)/Loss on foreign exchange - unrealised	(10,398)	16,286
Amortisation of transaction costs	263	1,674
Depreciation of property, plant and equipment	5,325	27,907
Depreciation of right-of-use assets	548	3,457
Amortisation of prepaid lease payments	97	2,534
Amortisation of intangible assets	422	1,731
Share of profit of associates	-	(1)
Employee retirement benefits provision	35	131
Gain on disposal of property, plant and equipment - net	(8)	(570)
Gain on derecognition of right-of-use assets	-	(9)
Fair value gain arising from biological assets	-	(233)
<b>Operating profit before working capital changes</b>	<b>7,803</b>	<b>1,461</b>
Changes in working capital:		
Increase in inventories	(2,888)	(5,155)
(Increase)/Decrease in construction contract assets	(21,024)	81,497
Increase in property development costs	(850)	(10,866)
Increase in concession service assets	(83,561)	(232,948)
Decrease in trade and other receivables	19,559	161,443
Increase/(Decrease) in trade and other payables	60,038	(61,139)
<b>Cash used in operations</b>	<b>(20,923)</b>	<b>(65,707)</b>
Interest received	1,967	2,840
Retirement benefits paid	-	(129)
Income tax paid - net	(4,526)	(9,388)
<b>Net cash used in operating activities</b>	<b>(23,482)</b>	<b>(72,384)</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

<b>RM'000</b>	<b>Cumulative quarter ended <u>3-month</u> 30.09.2021</b>	<b>Audited for year ended <u>12-month</u> 30.06.2021</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Addition of land held for development	-	(814)
Withdrawal of financial assets at fair value through profit or loss	56,374	95,759
Proceeds from disposal of property, plant and equipment	8	858
Purchase of property, plant and equipment	(11,371)	(77,492)
<b>Net cash from investing activities</b>	<b>45,011</b>	<b>18,311</b>
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>		
Increase in pledged cash and deposits	(881)	(10,693)
Interest paid	(14,021)	(86,006)
Repayment of lease liabilities	(320)	(3,645)
Repayment of finance lease liabilities (net)	(2,561)	(9,728)
Proceeds from drawdown of loans and borrowings	3,000	19,685
Repayment of loans and borrowings	(5,202)	(86,814)
<b>Net cash used in financing activities</b>	<b>(19,985)</b>	<b>(177,201)</b>
Net increase/(decrease) in cash and cash equivalents	1,544	(231,274)
Cash and cash equivalents at beginning of the period	56,212	287,486
<b>Cash and cash equivalents at end of the period</b>	<b>57,756</b>	<b>56,212</b>
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Deposits placed with licensed banks	79,668	79,034
Cash and bank balances	121,145	128,390
	<b>200,813</b>	<b>207,424</b>
Less:		
Bank overdrafts	(32,350)	(41,386)
Pledged deposits	(110,707)	(109,826)
<b>Cash and cash equivalents at end of the period</b>	<b>57,756</b>	<b>56,212</b>

**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 30 June 2021 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 30 June 2021.

**2. 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 financial year ended 30 June 2021.

**Amendments to MFRSs in issue but not yet effective**

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

Amendments to MFRSs	Annual Improvement to MFRS Standards 2018 - 2020 <sup>2</sup>
Amendments to MFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <sup>3</sup>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>1</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to MFRS 101	Disclosure of Accounting Policies <sup>3</sup>
Amendments to MFRS 108	Definition of Accounting Estimates <sup>3</sup>
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to MFRS 116	Property, Plant, and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to MFRS 137	Onerous Contract - Cost of Fulfilling a Contract <sup>2</sup>



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

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

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2021
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2022
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>4</sup> Effective date deferred to a date to be announced by MASB

The initial application of the accounting standards, interpretations or amendments above are not expected to have any material impact to the financial results of the Group.

**3. STATUS OF FINANCIAL STATEMENTS QUALIFICATION**

The auditors' report of the preceding audited financial statements for the financial year ended 30 June 2021 was not subject to any qualification.

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

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

**5. 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 September 2021.

**6. 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.

**7. 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.

**8. DIVIDEND PAID**

No dividend was paid for the period under review.

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

**9. 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>3-month</b>								
<b>30.09.2021</b>								
<b>Revenue</b>								
External revenue	80,444	12,861	18,230	57,282	33,892	-	-	202,709
Inter-segment revenue	-	-	2,401	-	-	4,748	(6,789)	-
<b>Total revenue</b>	<b>80,444</b>	<b>12,861</b>	<b>20,271</b>	<b>57,282</b>	<b>33,892</b>	<b>4,748</b>	<b>(6,789)</b>	<b>202,709</b>
<b>Results</b>								
Segment results	(2,906)	14,011	3,065	(1,483)	5,674	(94)	(5,384)	12,883
Interest income	159	2	1	-	1	1,804	-	1,967
Interest expenses	(1,717)	(4)	(1,395)	(2,319)	(400)	(8,092)	-	(13,927)
Non-cash income/ (expenses) (Note i)	7	13,419	-	9,872	-	228	-	23,526
Depreciation and amortisation of non-current assets	(956)	(23)	(951)	(4,242)	(190)	(30)	-	(6,392)
<b>3-month</b>								
<b>30.09.2020</b>								
<b>Revenue</b>								
External revenue	14,835	13,239	11,491	10,817	1,406	-	-	180,788
Inter-segment revenue	-	-	2,232	-	-	5,108	(7,340)	-
<b>Total revenue</b>	<b>14,835</b>	<b>13,239</b>	<b>13,723</b>	<b>10,817</b>	<b>1,406</b>	<b>5,108</b>	<b>(7,340)</b>	<b>180,788</b>
<b>Results</b>								
Segment results	(7,806)	11,904	(289)	(36,286)	(1,089)	1,967	(12,948)	(44,547)
Interest income	145	3	1	-	5	87	-	241
Interest expenses	(3,601)	-	(1,472)	(1,338)	(444)	(9,146)	-	(16,001)
Non-cash income/ (expenses) (Note i)	45	13,754	-	(29,709)	-	(1,537)	-	(17,447)
Depreciation and amortisation of non-current assets	(1,385)	(1)	(2,805)	(3,947)	(152)	(137)	-	(8,427)

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

**9. SEGMENT REPORTING (continued)**

Note i:

<b>RM'000</b>	<b>Cumulative quarter ended 3-month 30.09.2021</b>	<b>Cumulative quarter ended 3-month 30.09.2020</b>
Employee retirement benefits provision	(35)	(62)
Accretion of fair value of non-current receivables	13,418	13,754
Amortisation of transaction costs	(263)	(667)
Gain/(Loss) on foreign exchange - unrealised	10,398	(30,517)
Gain on disposal of property, plant and equipment	8	45
<b>Total</b>	<b>23,526</b>	<b>(17,447)</b>

**10. 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.

**11. SUBSEQUENT EVENTS**

There was no material event subsequent to the end of the current quarter up to 30 November 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.

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

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

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

**13. CONTINGENT LIABILITIES**

(a) Tax Review

- (i) 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 (“DZIT”) for additional back taxes. Upon consulting its appointed solicitors, the Directors are of the view that there are strong grounds to disagree with the DZIT and have submitted the necessary supporting documents, and are confident of a favourable outcome.
- (ii) P.T. Ichtiar Gusti Pudi (“PTIGP”), a subsidiary of the Company is currently undergoing a tax review with the Directorate General of Taxes in Indonesia relating to claims of unpaid back taxes relating to year of assessment 2016. PTIGP has filed a tax appeal and has passed 7 stages of trials up to the date of this report. Based on the evidence presented at the on-going trial and upon consulting PTIGP’s tax attorney, the Directors are of the view that there are strong grounds to disagree with the claims, and are confident of a favourable outcome.

(b) Liquidated and Ascertain Damages

On 7 December 2020, a contract customer had issued a letter to Ahmad Zaki Sdn. Bhd. (“AZSB”), a subsidiary of the Company, imposing Liquidated and Ascertain Damages (“LAD”) of RM44,800,000. However, AZSB had submitted appeal letters to the contract customer requesting for waiver of LAD.

As a result, the contract customer had granted waiver of LAD amounting to RM15,700,000. The waiver of LAD had been reflected in the latest interim payment certificate making the net LAD charged to AZSB amounting to RM29,100,000, of which RM7,000,000 has been provided in the financial statements.

On 11 June 2021, AZSB had requested for Extension of Time (“EOT”) to revise the project completion date from 11 January 2020 to 28 October 2020. The EOT is subject to the approval by the contract customer.

Negotiations with the contract customer on the LAD are still ongoing and the Group has taken pro-active actions to appeal for the LAD waiver. Therefore, the Directors are of the opinion that the request is relevant and could be assessed fairly and reasonably by the contract customer.

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

**14. 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:

<b>RM'000</b>	<b>Cumulative quarter ended 3-month 30.09.2021</b>	<b>Cumulative quarter ended 3-month 30.09.2020</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.	-	2,818
- Chuan Huat Steel Sdn. Bhd.	-	86
Sales to MIM Waste Services Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	(18)	(124)
Transactions with Kemaman Quarry Sdn. Bhd., of which certain directors have substantial financial interests and are also directors:		
- Purchases of materials	13	-
- Sales of diesel	(79)	(43)
Purchases from QMC Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	166	473
<b>Non-trade</b>		
Administrative services charged by ultimate holding company	31	32
Insurance premium charged by ultimate holding company	169	185
Rental of land charged by a director of the Company	202	9
Security services costs paid to MIM Protection Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	-	812
Security services costs charged by ultimate holding company	1,403	-

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

**1. REVIEW OF PERFORMANCE**

AZRB and its subsidiary companies (“the Group”) recorded a revenue of RM202.7 million during the quarter, an increase of 12% from the revenue of the previous corresponding quarter of 2020. The revenue performance of the Property, Plantation and Oil & Gas Divisions improved markedly over the results of the previous period of last financial year.

In the Property Division, the completion (via official receipt of the Certificate of Completion and Compliance) and subsequent recognition of proceeds from the Division’s fully-sold Puncak Temala development in Marang, Terengganu, significantly boosted revenue. For the Plantation Division, better revenues was observed due to the improvement in volume of palm product sales coupled with higher realised prices. Similarly, the Oil & Gas Division posted improved revenue performance due to the higher demand for services offered in the Division’s supply base in Tok Bali, Kelantan, as business activities in this sector picked up arising from the positive impact of the Malaysian economy steadily moving towards recovery; post-nationwide vaccine administration.

The improved revenues from the Divisions noted previously were able to offset lower revenues posted by the Engineering & Construction Division, where as the Division churns through its order-book, more projects were nearing their completion stages resulting in a lower realisation of revenue for the quarter under review.

The Group posted a quarterly profit before tax (“PBT”) of RM12.9 million for the quarter ended 30 September 2021, a significant improvement from a RM44.5 million loss before tax (“LBT”) recorded for same quarter of 2020. The Group’s results continue to be affected by unrealised foreign exchange (“forex”) results, registering an unrealised gain of RM10.4 million, as apposed to an unrealised loss of RM30.5 million previously. Adjusting for unrealised forex results, the Group recorded a forex-adjusted PBT of RM2.5 million for the current quarter, markedly improving from a forex-adjusted LBT of RM14.0 million previously.

The higher revenues achieved by the Property, Plantation and Oil & Gas Divisions had a direct positive impact in relation to improving bottom-line results, which bodes well for the Group. In addition to the better revenue performance of most Divisions, the continuous review of the Group’s organisational costs has allowed all Divisions to operate in the most cost-efficient manner possible, further improving the bottom-line. This is especially observed in the Engineering & Construction Division, which was able to narrow its losses despite recording lower revenues.

The Group continues to practice prudent financial management, as we look to mitigate the 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**

<b>RM'000</b>	<b>Current quarter ended 30.09.2021</b>	<b>Preceding quarter ended 30.06.2021</b>	<b>Variance + / (-)</b>
Revenue	202,709	208,255	(5,546)
Profit/(Loss) before tax	12,883	(7,966)	20,849
Add: Forex (gain)/loss	(10,398)	(2,727)	(7,671)
Forex-adjusted profit/(loss) before tax	2,485	(10,693)	13,178

The Group's revenue decreased slightly to RM202.7 million, from RM208.3 million in the previous quarter. Continuing on from the previous quarters, as projects reach their tail-end stages, revenue recognition was slower in the Engineering & Construction Division, affecting the amount of revenue that can be recognised. This was partly offset by the higher revenues achieved by the Property, Plantation and Oil & Gas Divisions.

Excluding the impact of forex differences, the Group posted a PBT of RM2.5 million, improving from an LBT of RM10.7 million recorded in the preceding quarter due to the higher revenue contribution of the Group's Property, Plantation and Oil & Gas Divisions as noted above. Additionally, the continuous Group-wide cost optimisation initiative has seen the Group's Engineering & Construction Division narrow its losses from the previous quarter despite posting a lower revenue.

**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 RM700.7 million of outstanding order-book as at 30 September 2021. The Group continues to focus 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 Malaysian Government's announcement of "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 stages of preparation 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 current financial year and will contribute positively to the Group in the near future. The Division is also greatly encouraged by the recent up-take in the demand for its services, signifying increasing confidence in the supply bases' ability to fulfil the needs of major oil and gas companies in its vicinity.

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.



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

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

Not applicable.

**5. TAXATION**

<b>RM'000</b>	<b>Cumulative quarter ended 3-month 30.09.2021</b>	<b>Cumulative quarter ended 3-month 30.09.2020</b>
Current tax expense	3,902	3,089
Deferred taxation	(121)	(55)
<b>Income tax expense</b>	<b>3,781</b>	<b>3,034</b>

**6. CORPORATE PROPOSALS**

There are no corporate proposals which have been announced by the Company but not completed as at 30 November 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 September 2021 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	32,350	-	32,350
Trust receipts	RM	12,171	-	12,171
Revolving credits	RM	117,592	-	117,592
Revolving credits	USD	88,473	-	88,473
Term loans	RM	41,225	782,581	823,806
Term loans	USD	-	286,128	286,128
Finance lease liabilities	RM	7,012	8,135	15,147
Sukuk	RM	5,726	1,537,601	1,543,327
Bankers' acceptance	RM	43,100	-	43,100
Invoice financing	RM	10,027	-	10,027
<b>Total</b>		<b>357,676</b>	<b>2,614,445</b>	<b>2,972,121</b>

**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 RM2,303,087.00 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.

**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”) (continued)

The hearing for the Application to Strike Out the Counter Claim filed by Betanaz was held on 22 October 2021 and the High Court Judge allowed the Application to Strike Out the Counter Claim with costs to be paid by AEON to AZRB. Effectively, AEON’s claims against AZRB has been struck out and AZRB is no longer a party in AEON’s Counter Claim.

On 26 October 2021, AEON had filed their Notice to Appeal at the Court of Appeal against the entirety of the decision of the High Court Judge.

The Case Management has been set on 14 December 2021.

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 next Case Management was held on 24 November 2021 to update the court on the pre-trial documents and to monitor the progress of the case.

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

**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> 30.09.2021	Comparative quarter ended <u>3-month</u> 30.09.2020	Cumulative quarter ended <u>3-month</u> 30.09.2021	Cumulative quarter ended <u>3-month</u> 30.09.2020
Profit/(Loss) attributable to owners of the Company	6,220	(44,863)	6,220	(44,863)
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	598,098
<b>Earnings/(Loss) per share (sen)</b>	<b>1.04</b>	<b>(7.50)</b>	<b>1.04</b>	<b>(7.50)</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.