

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 3rd quarter and period ended 31 March 2022 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 9-MONTH PERIOD ENDED 31 MARCH 2022**

RM’000	Note	Current quarter ended <u>3-month</u> 31.03.2022	Comparative quarter ended <u>3-month</u> 31.03.2021	Cumulative quarter ended <u>9-month</u> 31.03.2022	Cumulative quarter ended <u>9-month</u> 31.03.2021
Revenue		181,272	217,370	623,616	638,726
Operating expenses	1	(195,920)	(244,327)	(636,111)	(679,631)
Other operating income		600	481	3,564	2,905
(Loss)/Profit from operating activities		(14,048)	(26,476)	(8,931)	(38,000)
Finance income		14,739	15,383	43,572	43,379
Finance expenses		(17,763)	(17,527)	(48,506)	(52,355)
(Loss)/Profit before tax		(17,072)	(28,620)	(13,865)	(46,976)
Income tax expense		(1,687)	(192)	(8,472)	(5,897)
(Loss)/Profit for the period	2	(18,759)	(28,812)	(22,337)	(52,873)
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		(604)	1,713	(6,383)	10,670
Total comprehensive (loss)/income for the period		(19,363)	(27,099)	(28,720)	(42,203)
(Loss)/Profit attributable to:					
Owners of the Company		(16,331)	(26,765)	(21,547)	(48,187)
Non-controlling interests		(2,428)	(2,047)	(790)	(4,686)
(Loss)/Profit for the period		(18,759)	(28,812)	(22,337)	(52,873)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE 9-MONTH PERIOD ENDED 31 MARCH 2022**

RM'000	Current quarter ended <u>3-month</u> 31.03.2022	Comparative quarter ended <u>3-month</u> 31.03.2021	Cumulative quarter ended <u>9-month</u> 31.03.2022	Cumulative quarter ended <u>9-month</u> 31.03.2021
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(16,886)	(25,174)	(27,612)	(38,516)
Non-controlling interests	(2,477)	(1,925)	(1,108)	(3,687)
Total comprehensive (loss)/income for the period	(19,363)	(27,099)	(28,720)	(42,203)
(Loss)/Earnings per ordinary share (sen)	(2.73)	(4.48)	(3.60)	(8.06)
Note 1:				
Operating expenses represents the following:				
Cost of sales	171,397	208,313	582,363	598,949
(Gain)/Loss on foreign exchange - unrealised	1,069	12,146	(9,382)	18,978
Other operating expenses	23,454	23,868	63,130	61,704
Total	195,920	244,327	636,111	679,631
Note 2:				
(Loss)/Profit for the period is arrived at after (crediting)/charging the following items:				
Interest income	(1,499)	(1,793)	(3,583)	(2,363)
Accretion of fair value of non-current receivables	(13,240)	(13,590)	(39,989)	(41,016)
Interest expenses	17,186	17,133	47,749	47,500
Depreciation and amortisation of non-current assets	9,285	(2,876)	26,789	11,279
Employee retirement benefits provision	-	261	35	544

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 31 MARCH 2022**

RM'000	Unaudited as at 31.03.2022	Audited as at 30.06.2021
ASSETS		
Non-current assets		
Property, plant and equipment	640,381	625,405
Right-of-use assets	5,766	7,587
Prepaid lease payments	18,351	18,391
Land held for development	62,726	64,177
Intangible assets	15,560	16,864
Concession service assets	2,212,699	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	596,938	573,340
Total non-current assets	3,613,599	3,312,027
Current assets		
Biological assets	264	264
Inventories	32,511	22,671
Property development costs	3,016	26,445
Tax recoverable	11,117	6,389
Construction contract assets	124,022	123,709
Trade and other receivables	406,307	435,963
Financial assets at fair value through profit or loss	117,195	228,062
Cash and deposits	193,142	207,424
Total current assets	887,574	1,050,927
Total assets	4,501,173	4,362,954

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 31 MARCH 2022**

RM'000	Unaudited as at 31.03.2022	Audited as at 30.06.2021
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	197,536	197,536
Reserves	71,183	98,795
Equity attributable to owners of the Company	268,719	296,331
Non-controlling interests	(1,092)	16
Total equity	267,627	296,347
Non-current and deferred liabilities		
Loans and borrowings	2,632,445	2,504,280
Lease liabilities	4,403	5,288
Employee benefits	4,972	4,022
Deferred tax liabilities	104,755	105,179
Trade and other payables	211,950	209,748
Total non-current and deferred liabilities	2,958,525	2,828,517
Current liabilities		
Loans and borrowings	332,767	459,297
Lease liabilities	1,720	2,618
Trade and other payables	924,578	771,563
Tax liabilities	15,956	4,612
Total current liabilities	1,275,021	1,238,090
Total liabilities	4,233,546	4,066,607
Total equity and liabilities	4,501,173	4,362,954

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 9-MONTH PERIOD ENDED 31 MARCH 2022**

RM'000	Attributable to the owners of the Company									
	Non-distributable					Distributable				
	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employees' Share Scheme	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
At 1 July 2021	197,536	1,784	27,889	18,976	1,506	(1,026)	49,666	296,331	16	296,347
Loss for the period	-	-	-	-	-	-	(21,547)	(21,547)	(790)	(22,337)
Foreign currency translation differences for foreign operations	-	(177)	-	(5,888)	-	-	-	(6,065)	(318)	(6,383)
Total comprehensive (loss)/income for the period	-	(177)	-	(5,888)	-	-	(21,547)	(27,612)	(1,108)	(28,720)
At 31 March 2022	197,536	1,607	27,889	13,088	1,506	(1,026)	28,119	268,719	(1,092)	267,627

**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-distributable					Distributable				
	Share capital	Other reserve	Warrant reserve	Foreign exchange translation reserve	Employees' Share Scheme	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
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
Total comprehensive income/(loss) for the year	-	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 9-MONTH PERIOD ENDED 31 MARCH 2022**

RM'000	Cumulative quarter ended <u>9-month</u> 31.03.2022	Audited for year ended <u>12-month</u> 30.06.2021
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	(13,865)	(55,385)
Adjustments for:		
Accretion of fair value on non-current receivables	(39,989)	(54,521)
Interest income	(3,583)	(2,840)
Interest expense	47,749	60,987
Finance costs on lease liabilities	260	335
Allowance for doubtful debt	-	(22)
(Gain)/Loss on foreign exchange - unrealised	(9,382)	16,286
Amortisation of transaction costs	948	1,674
Depreciation of property, plant and equipment	24,554	27,907
Depreciation of right-of-use assets	670	3,457
Amortisation of prepaid lease payments	298	2,534
Amortisation of intangible assets	1,267	1,731
Share of profit of associates	-	(1)
Employee retirement benefits provision	35	131
Gain on disposal of property, plant and equipment - net	(255)	(570)
Gain on derecognition of right-of-use assets	-	(9)
Fair value gain arising from biological assets	-	(233)
Operating profit before working capital changes	8,707	1,461
Changes in working capital:		
Increase in inventories	(9,840)	(5,155)
Decrease in construction contract assets	(313)	81,497
Decrease/(Increase) in property development costs	23,429	(10,866)
Increase in concession service assets	(268,007)	(232,948)
(Increase)/Decrease in trade and other receivables	169,352	161,443
Increase/(Decrease) in trade and other payables	103,934	(61,139)
Cash from/(used) in operations	27,262	(65,707)
Interest received	3,583	2,840
Retirement benefits paid	-	(129)
Income tax paid - net	(3,399)	(9,388)
Net cash from/(used) in operating activities	27,446	(72,384)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 9-MONTH PERIOD ENDED 31 MARCH 2022**

RM'000	Cumulative quarter ended <u>9-month</u> 31.03.2022	Audited for year ended <u>12-month</u> 30.06.2021
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in land held for development	1,451	(814)
Withdrawal of financial assets at fair value through profit or loss	110,867	95,759
Proceeds from disposal of property, plant and equipment	141	858
Purchase of property, plant and equipment	(39,416)	(77,492)
Net cash from investing activities	73,043	18,311
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Increase in pledged cash and deposits	1,080	(10,693)
Interest paid	(48,009)	(86,006)
Repayment of lease liabilities	(2,043)	(3,645)
Repayment of finance lease liabilities (net)	(6,055)	(9,728)
Proceeds from drawdown of loans and borrowings	-	19,685
Repayment of loans and borrowings	(59,832)	(86,814)
Net cash used in financing activities	(114,859)	(177,201)
Net decrease in cash and cash equivalents	(14,370)	(231,274)
Cash and cash equivalents at beginning of the period	56,212	287,486
Cash and cash equivalents at end of the period	41,842	56,212
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts:		
Deposits placed with licensed banks	78,257	79,034
Cash and bank balances	114,885	128,390
	193,142	207,424
Less:		
Bank overdrafts	(42,554)	(41,386)
Pledged deposits	(108,746)	(109,826)
Cash and cash equivalents at end of the period	41,842	56,212

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

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)

- ¹ Effective for annual periods beginning on or after 1 January 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after 1 January 2023
- ⁴ 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 31 March 2022.

6. CHANGES IN ESTIMATES REPORTED IN PRIOR FINANCIAL YEARS

There were no material changes in estimates of amounts reported in prior financial years 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
9-month								
31.03.2022								
Revenue								
External revenue	334,222	40,250	42,173	172,052	34,919	-	-	623,616
Inter-segment Revenue	-	-	4,338	-	-	14,243	(18,581)	-
Total revenue	334,222	40,250	46,511	172,052	34,919	14,243	(18,581)	623,616
Results								
Segment results	(14,877)	32,783	(477)	(14,197)	4,098	3,985	(25,180)	(13,865)
Interest income	367	3	3	-	15	3,195	-	3,583
Interest expenses	(6,004)	(12)	(4,017)	(10,555)	(694)	(26,467)	-	(47,749)
Non-cash income/ (expenses) (Note i)	137	39,989	-	8,039	-	477	-	48,642
Depreciation and amortisation of non-current assets	(4,177)	(74)	(7,292)	(14,596)	(576)	(74)	-	(26,789)
9-month								
31.03.2021								
Revenue								
External revenue	498,334	38,440	30,983	67,965	3,004	-	-	638,726
Inter-segment revenue	-	-	5,108	-	-	14,107	(19,215)	-
Total revenue	498,334	38,440	36,091	67,965	3,004	14,107	(19,215)	638,726
Results								
Segment results	(11,040)	39,559	(2,663)	(39,036)	(3,447)	1,370	(31,718)	(46,975)
Interest income	412	33	4	-	11	1,903	-	2,363
Interest expenses	(7,824)	(6)	(4,207)	(4,959)	(531)	(29,973)	-	(47,500)
Non-cash income/ (expenses) (Note i)	67	41,016	-	(19,260)	-	(1,600)	-	20,223
Depreciation and amortisation of non-current assets	(1,134)	(47)	(1,083)	(13,179)	(550)	4,714	-	(11,279)

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

9. SEGMENT REPORTING (continued)

Note i:

RM'000	Cumulative quarter ended 9-month 31.03.2022	Cumulative quarter ended 9-month 31.03.2021
Employee retirement benefits provision	(35)	(544)
Accretion of fair value of non-current receivables	39,989	41,016
Amortisation of transaction costs	(948)	(1,338)
Gain/(Loss) on foreign exchange - unrealised	9,381	(18,978)
Gain on disposal of property, plant and equipment	255	67
Total	48,642	20,223

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 27 May 2022 (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. Ihtiar 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 further LAD waiver. Therefore, the Directors are of the opinion that AZSB’s 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:

RM'000	Cumulative quarter ended 9-month 31.03.2022	Cumulative quarter ended 9-month 31.03.2021
Trade		
Sales to MIM Waste Services Sdn. Bhd., of which certain directors have substantial financial interests and are also directors:		
- Sales of scrap	(96)	(275)
- Purchase of materials	178	1,046
Transactions with Kemaman Quarry Sdn. Bhd., of which certain directors have substantial financial interests and are also directors:		
- Purchase of materials	13	-
- Sales of Diesel	(217)	(108)
Purchases from QMC Sdn. Bhd., of which certain directors have substantial financial interests and are also directors	566	1,295
Non-trade		
Administrative services charged by ultimate holding Company	93	96
Insurance premium charged by ultimate holding company	481	626
Rental of land charged by a director of the Company	607	27
Security services costs charged by ultimate holding company	4,440	5,508

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

1. REVIEW OF PERFORMANCE

The Group recorded revenue of RM181 million and loss before tax of RM17 million for the current quarter ended 31 March 2022 compared to revenue of RM217 million and loss before tax of RM29 million in the corresponding quarter of the previous financial year, representing a decrease in revenue of 17% but reduced in loss before tax of 40%.

The Engineering & Construction Division reported revenue of RM98 million and loss before tax of RM3 million in the current quarter compared to revenue of RM159 million and loss before tax of RM1 million in the corresponding quarter of the previous financial year, representing a decrease in revenue of 38% and lower loss before tax of more than 100%. As the Division churns through its order-book, the Division saw a number of projects reaching completion thus leading to lower revenue recognition. While loss for the quarter mainly due to lower revenue and additional costs incurred for completed projects.

The Plantation Division reported revenue of RM56 million and loss before tax of RM12 million in the current quarter compared to revenue of RM36 million and loss before tax of RM22 million in the corresponding quarter of the previous financial year. Excluding the foreign exchange gain of RM1 million, the plantation division would have registered a LBT of RM11 million. The revenue in Plantation Division is consistent in the 3 quarters in this financial year as compared to prior year due to higher realized prices, however in the loss position due to lesser production, and higher overheads especially for the mill maintenance.

The Oil & Gas Division reported a revenue of RM12 million in this quarter, representing a marginal increase of 36% compared to corresponding quarter of the previous financial year. The Oil & Gas division reported a loss before tax of RM3 million in current quarter, compared to RM2 million in corresponding quarter of the previous financial year. Despite the increased in revenue, the Division incurred loss before tax due to higher overheads especially for dredging maintainance.

In the Property Division, there was no ongoing sales in the current quarter due to there being no projects in the current quarter.

The Group posted a quarterly loss before tax ("LBT") of RM17 million for the quarter ended 31 March 2022, consist of loss before tax ("LBT") from Engineering & Construction Division of RM3 million, Plantation Division of RM12 million and Oil and Gas Division of RM4 million, a significant reduction from a loss before tax ("LBT") of RM29 million recorded for same quarter of 2021. The primary difference stems from a significant foreign exchange loss recognised in the corresponding quarter of 2021 of RM13 million but earning foreign exchange gain of RM1 million in current quarter. Adjusting for unrealised forex amount, the Group recorded a forex-adjusted LBT of RM18 million for the current quarter, and a forex-adjusted LBT of RM17 million in the previous corresponding quarter.

**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 31.03.2022	Preceding quarter ended 31.12.2021	Variance + / (-)
Revenue	181,272	239,635	(58,363)
(Loss)/Profit before tax	(17,072)	(9,676)	(7,396)
Add: Forex loss/(gain)	1,069	(53)	1,122
Forex-adjusted (loss)/profit before tax	(16,003)	(9,729)	(6,274)

The Group's revenue dropped to RM181 million, from RM240 million in the previous quarter mainly due to slower progress of construction revenue as most of projects reached the stage of completion.

With the dropped in revenue, the Group has incurred further loss before tax of RM17 million, as compared to LBT of RM10 million in the preceding quarter.

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

3. PROSPECTS

The Group has RM968 million of outstanding order-book as at 31 March 2022. AZRB continues to focus in sourcing for avenues to replenish its order-book, whilst the current outstanding balance will be able to sustain the Group for the upcoming year.

The Group is 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.

The Oil & Gas 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. Tok Bali Supply Base is now at its last stages of preparation in anticipation of an elevated level of activities. In particularly the drilling operations, of which the Division is in its 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.

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 almost 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.

The Group also benefits by the contribution from the Concession Division. It continues to provide positively to the Group from its long-term concessions 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 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

RM'000	Cumulative quarter ended 9-month 31.03.2022	Cumulative quarter ended 9-month 31.03.2021
Current tax expense	8,836	9,457
Deferred taxation	(364)	(3,560)
Income tax expense	8,472	5,897

6. CORPORATE PROPOSALS

There are no corporate proposals which have been announced by the Company but not completed as at 27 May 2022 (being the latest practicable date from the date of issuance of the Quarter Report).

7. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings (secured) as at 31 March 2022 are as follows:

RM'000	Denominated in currency	Current	Non-current	Total
Bank overdrafts	RM	42,554		42,554
Trust receipts	RM	3,818		3,818
Revolving credits	RM	96,791		96,791
Revolving credits	USD	89,598		89,598
Term loans	RM	34,615	801,178	835,793
Term loans	USD		286,128	286,128
Finance lease liabilities	RM	4,925	6,729	11,654
Sukuk	RM	3,271	1,538,410	1,541,681
Bankers' acceptance	RM	48,546		48,546
Invoice financing	RM	8,649		8,649
Total		332,767	2,632,445	2,965,212

**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.

On 25 January 2022, the Arbitration Final Award had been issued in which, AZRB has accrued the full amount as the final settlement of all matters with cost.

On 16 March 2022, Cobrain filed an Enforcement Application to enforce the Arbitration Final Award. On 25 March 2022, both parties entered into a Consent Order for full and final settlement.

**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.

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. On 9 May 2022, the Court of Appeal allowed AEON’s appeal with costs. Consequently, the High Court Order for the Striking Out application is set aside. A case management has been fixed at High Court on 18 May 2022.

**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”)

The Main Action that had been fixed for Trial from 27 to 30 June 2022 is vacated. The new Trial Dates are 20 & 21 May 2024 and 13 & 14 June 2024.

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 that had been fixed for Trial from 9 to 13 May 2022 is vacated. Pending new trial dates.

9. DIVIDEND

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

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

10. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share was calculated based on the consolidated results after taxation and minority interests over the weighted average number of ordinary shares in issue during the period calculated as follows:

RM'000	Current quarter ended <u>3-month</u> 31.03.2022	Comparative quarter ended <u>3-month</u> 31.03.2021	Cumulative quarter ended <u>9-month</u> 31.03.2022	Cumulative quarter ended <u>9-month</u> 31.03.2021
(Loss)/Profit attributable to owners of the Company	(16,331)	(26,765)	(21,547)	(48,187)
Weighted average number of ordinary shares in issue	598,098	598,098	598,098	598,098
(Loss)/Earnings per share (sen)	(2.73)	(4.48)	(3.60)	(8.06)

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.