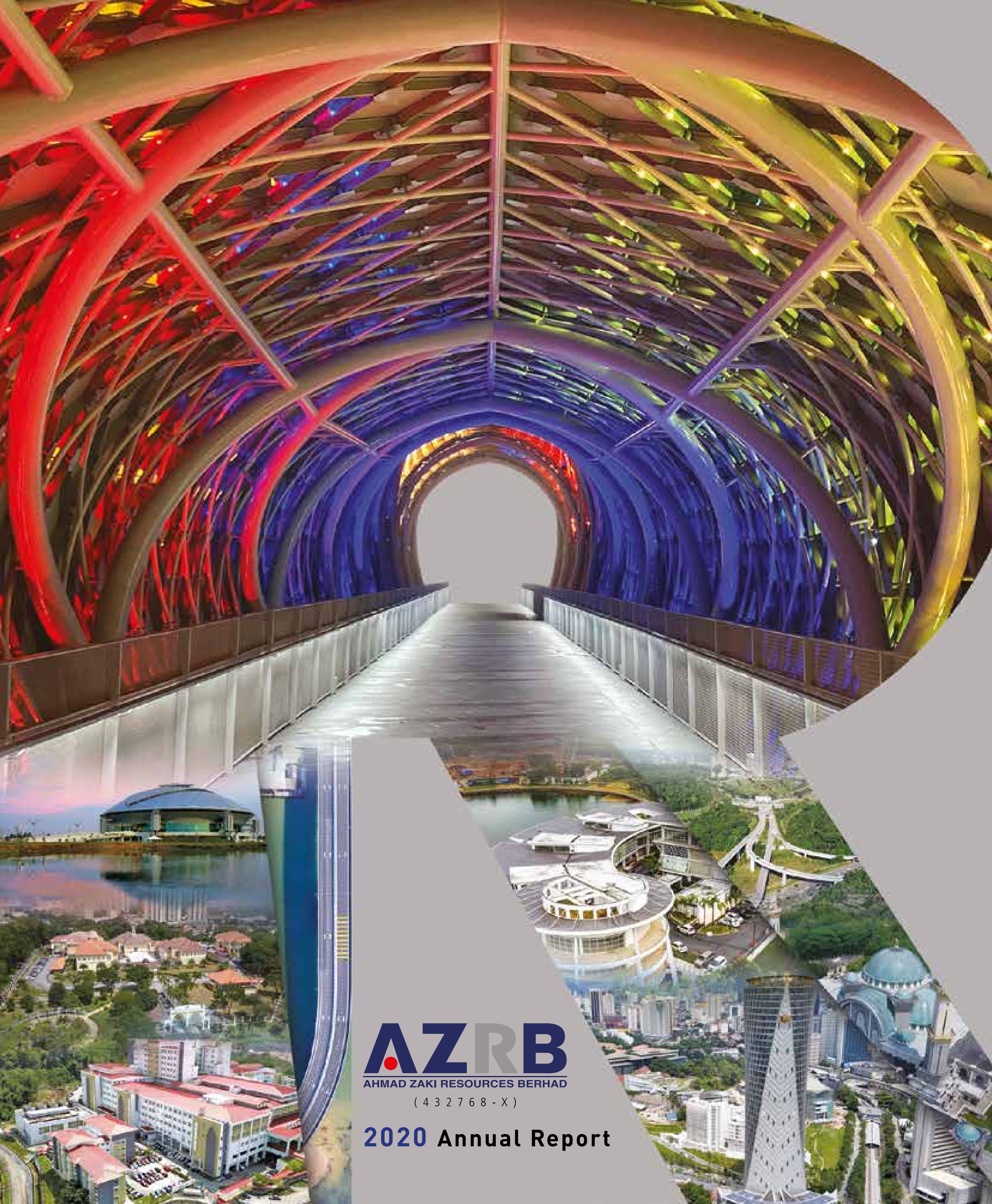


AHMAD ZAKI RESOURCES BERHAD

(432768-X)

2020 Annual Report

Our Vision

To Be A Trusted **INDUSTRY LEADER** in Delivering **COMMITMENT** with **EXCELLENCE** and **VALUE**

Our Mission

- Smart partnership with customers, employees and stakeholders
- Institutionalise the virtues of honesty and trust
- Setting and maintaining high standards; striving for superior performance in all undertakings
- Pro-active through continuous research and development in meeting challenges

Corporate Profile

Ahmad Zaki Resources Berhad ("AZRB"), headquartered in Kuala Lumpur, is a leading Engineering & Construction group listed on the Main Market of Bursa Malaysia. The Group has grown tremendously since its formation in 1982, into a trusted and reputable leader in the industry.

In 2020, AZRB through its wholly-owned subsidiary Ahmad Zaki Sdn Bhd ("AZSB") was awarded the 5-Star SHASSIC Achievement Award by the Construction Industry Development Board ("CIDB") for Bukit Bintang City Centre and Universiti Teknologi Petronas projects. AZRB won the 4-Star CIDB Score Award, whilst AZSB won the same award with a 5-Star achievement from CIDB in 2019. The same year, AZRB received the MSWG Merit Award for Most Improved Corporate Governance Disclosure, as well as the Best Company for Investor Relations and Best Investor Relations Website under the micro-cap category from Malaysian Investor Relations Association. In 2018, AZRB won the Best Under Billion Awards for Best Sustainability Reporting from Focus Malaysia. In 2017, the Group's Engineering & Construction Division was named Builder of the Year at the 2017 Malaysian Construction Industry Excellence Awards. It also scooped 2 additional awards of the MCIEA, namely the Best Project Award and Green Construction Award for its work on the Menara Kerja Raya, Kuala Lumpur. It was awarded the coveted "Builder of the Year" three times (in 2000, 2006, and 2017), and a winner of various construction project categories.

Other notable projects completed by the E&C division include the Universiti Teknologi Petronas, Mass Railway Transit, and IIUM Medical Centre in Kuantan, Pahang. Current ongoing projects include the MRT Putrajaya Line Viaduct Package V202 and East Klang Valley Expressway.

Apart from Engineering & Construction, AZRB Group is also involved in Oil & Gas, Property, Concession and Plantation.

Table of Contents

OVERVIEW

04 Corporate Information

05 Corporate Structure

06 5-Year Financial Highlights

07 Calendar of Events

10 Awards and Recognitions

CORPORATE GOVERNANCE

14 Directors' Profile

24 Profiles of Senior Management

28 Statement on Risk Management and Internal Control

34 Corporate Governance Overview Statement

46 Statement of Directors' Responsibilities in Preparing the Financial Statements

47 Audit and Risk Committee Report

51 Additional Compliance Information

PERFORMANCE DRIVEN

56 Chairman's Statement

61 Management Discussion and Analysis

SUSTAINABILITY REPORT

72 Sustainability Statement

FINANCIAL STATEMENTS

110 Financial Report

ADDITIONAL INFORMATION

258 Directors' Interests in Shares and Warrants

260 Analysis of Shareholdings

263 Analysis of Warrantholdings

265 List of Properties

267 Notice of 23rd Annual General Meeting

• Form of Proxy

For more information, visit our website.

www.azrb.com

OVERVIEW

- Corporate Information
- Corporate Structure
- 5-Year Financial Highlights
- Calendar of Events
- Awards and Recognitions

Corporate Information

Board of Directors

1. **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
   Independent Non-Executive Chairman
2. **Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda**
   Executive Vice Chairman
3. **Dato' Sri Wan Zakariah bin Haji Wan Muda**
   Group Managing Director
4. **Dato' W Zulkifli bin Haji W Muda**
   Deputy Group Managing Director (1)
5. **Dato' Roslan bin Tan Sri Jaffar**
   Deputy Group Managing Director (2)
6. **Dato' Haji Mustaffa bin Mohamad**
   Executive Director (resigned on 16 October 2020)
7. **Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
   Independent Non-Executive Director
8. **Datuk (Prof.) A Rahman @ Omar bin Abdullah**
   Independent Non-Executive Director
9. **Dato' Sr. Abdull Manaf bin Hj Hashim**
   Independent Non-Executive Director
10. **Datuk Wira Azhar bin Abdul Hamid**
    Independent Non-Executive Director
    (appointed on 20 October 2020)

Audit and Risk Committee

1. **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
   (Chairman)
2. **Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**
   (Member)
3. **Datuk (Prof.) A Rahman @ Omar bin Abdullah**
   (Member)

Company Secretaries

1. **Dato' Haji Bahari bin Johari**
   (LS 0008773/
   SSM PC No. 201908002206)
2. **Seuhailey binti Shamsudin @ Azraain**
   (MAICSA 7046575/
   SSM PC No. 202008001650)
3. **Wong Maw Chuan**
   (MIA 7413/
   SSM PC No. 202008003554)

Registered Office

Menara AZRB
No. 71, Persiaran Gurney
54000 Kuala Lumpur
Tel : 03-2698 7171
Fax : 03-2694 8181

Registrar

Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

Principal Bankers

- AmBank (M) Berhad
- Alliance Bank Malaysia Berhad
- Affin Bank Berhad
- AmBank Islamic Berhad
- Bangkok Bank Berhad
- Bank Kerjasama Rakyat Malaysia Berhad
- Bank Pembangunan Malaysia Berhad
- CIMB Bank Berhad
- Hong Leong Islamic Bank Berhad
- Malayan Banking Berhad
- UOB Bank Berhad

Auditors

Deloitte PLT
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

Stock Exchange

Main Market of Bursa Malaysia Securities Berhad
Stock Name : AZRB
Stock Code : 7078

Website

www.azrb.com

Corporate Structure

AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

ENGINEERING AND CONSTRUCTION

1.	AHMAD ZAKI SDN BHD	100%
2.	PENINSULAR PRECAST SDN BHD	100%
3.	AZSB MACHINERIES SDN BHD	100%
4.	TADOK GRANITE MANUFACTURING SDN BHD	100%
5.	UNGGUL ENERGY & CONSTRUCTION SDN BHD	100%
6.	AZRB INTERNATIONAL VENTURES SDN BHD	100%
7.	AHMAD ZAKI SAUDI ARABIA CO LTD	100%
8.	FASATIMUR SDN BHD	50%
9.	SALCON MMCB AZSB JV SDN BHD	30%

OIL & GAS

1.	INTER-CENTURY SDN BHD	100%
2.	MATRIX RESERVOIR SDN BHD	53%
3.	TB SUPPLY BASE SDN BHD	53%
4.	ASTRAL FAR EAST SDN BHD	53%
5.	TB TERMINALS SDN BHD	53%

PLANTATION

1.	PT ICHTIAR GUSTI PUDI	95%
2.	BETANAZ MILLS SDN BHD	67%
3.	PEAK CROPS SDN BHD	40%

PROPERTY

1.	AZ LAND & PROPERTIES SDN BHD	100%
2.	PENISULAR PROKONSULT SDN BHD	100%
3.	RESIDENCE INN & MOTELS SDN BHD	100%
4.	TREND VISTA DEVELOPMENT SDN BHD	100%
5.	TEMALA DEVELOPMENT SDN BHD	70%
6.	KEMAMAN TECHNOLOGY & INDUSTRIAL PARK SDN BHD	60%
7.	TB REALTY SDN BHD	53%
8.	BETANAZ PROPERTIES SDN BHD	51%
9.	PALMACORP SDN BHD	50%

CONCESSION

1.	EKVE SDN BHD	100%
2.	PENINSULAR MEDICAL SDN BHD	100%
3.	SAMBUNGAN LEBUHRAYA TIMUR SDN BHD	60%

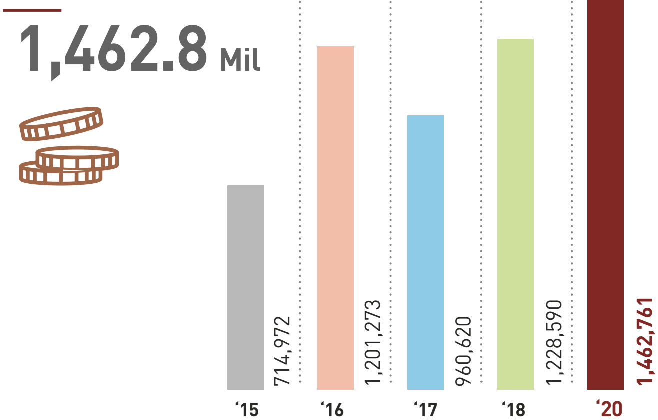
INVESTMENT HOLDING

1.	AZRB CAPITAL SDN BHD	100%

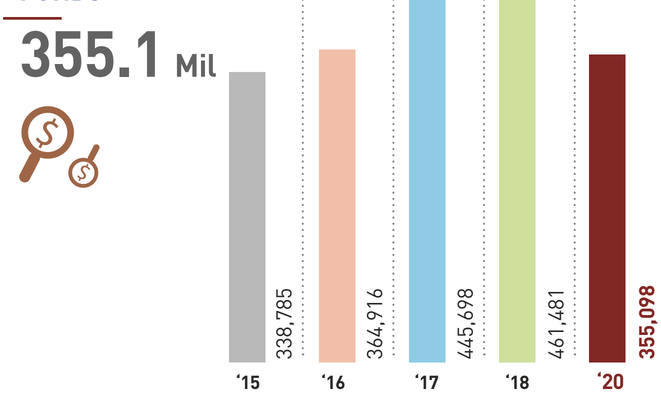
5-Year Financial Highlights

Group Five-Year Summary		2015	2016	2017 (Restated)	2018	2020
Revenue	(RM'000)	714,972	1,201,273	960,620	1,228,590	**1,462,761**
Profit/(Loss) before taxation	(RM'000)	32,082	50,462	61,916	24,817	**(75,790)**
Profit/(Loss) attributable to owners of the Company	(RM'000)	22,877	27,209	29,423	14,232	**(98,321)**
Paid-up Capital	(RM'000)	120,885	120,885	197,478	197,536	**197,536**
Shareholders' Funds	(RM'000)	338,785	364,916	445,698	461,481	**355,098**
Net tangible assets per share	(sen)	69	64	75	69	**51**

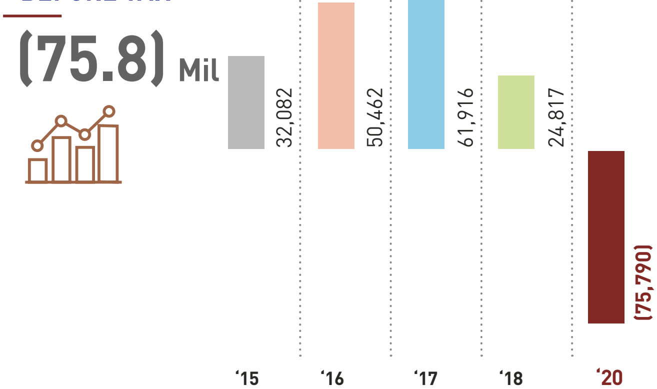
REVENUE



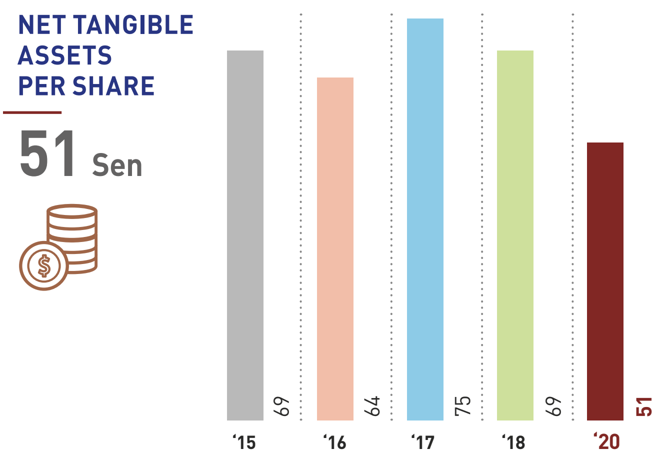
SHAREHOLDERS' FUNDS



PROFIT/(LOSS) BEFORE TAX



NET TANGIBLE ASSETS PER SHARE



Calendar of Events

Sesi Pertemuan Bersama Penduduk Di Hulu Langat (Pakej 1 & 2)

23 February 2019

Pejabat Tapak Utama EKVE, Selangor

Majlis Berbuka Puasa AZRB 2019

16 May 2019

Dewan Perdana Felda, Kuala Lumpur

22nd Annual General Meeting

21 June 2019

TPC Kuala Lumpur

Majlis Sambutan Aidilfitri AZRB 2019

23 June 2019

Sime Darby Convention Centre, Kuala Lumpur

Majlis Tahlil dan Doa Selamat AZRB 2019

18 July 2019

Menara AZRB, Kuala Lumpur

Calendar of Events

Best Student Awards 2019

17 September 2019

Menara AZRB, Kuala Lumpur

Investor Townhall

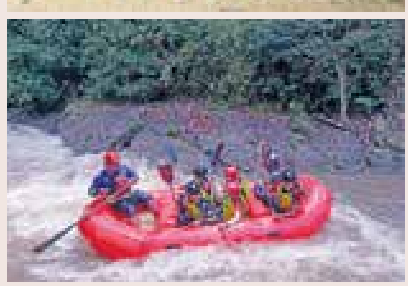
23 September 2019

Doubletree by Hilton Kuala Lumpur

Sumbangan Lembu untuk Program Qurban 2019

11 August 2019

Perumahan Awam Seri Perlis 2, Kuala Lumpur



KSR White Water Rafting

5 & 13 October 2019

Slim River, Perak

Piala Dato' Sri Wan Zakariah Futsal Tournament

24 November 2019

KSL Sport Centre, Kuala Lumpur

Calendar of Events

Agile Corporate Governance In Industrial Revolution (IR) 4.0

3 December 2019

Menara AZRB, Kuala Lumpur

KSR Bowling Tournament

2 February 2020

Ampang Superbowl, Berjaya Times Square, Kuala Lumpur

AZRB JUMP

8 March 2020

Jumpstreet Asia, Petaling Jaya

Sumbangan CSR Serta Bertemu Wira-Wirawati Negara Sempena Musim COVID-19

29 March 2020

Hospital Ampang dan Klinik Kesihatan Ampang, Kuala Lumpur

Awards And Recognitions

5-Star SHASSIC Achiever Award for BBCC project

5-Star SHASSIC Achiever Award for UTP project

Merit Award - Most Improved CG Disclosure 2018

Best Company for IR (micro-cap company category)

Best IR Website (micro-cap company category)

No.	Name of Award	Name of Awarding Body	Year	Recipient of the Award
1	5-Star SHASSIC Achiever Award for BBCC project	CIDB Malaysia	2020	Ahmad Zaki Sdn Bhd
2	5-Star SHASSIC Achiever Award for UTP project	CIDB Malaysia	2020	Ahmad Zaki Sdn Bhd
3	Best Company for IR (micro-cap company category)	Malaysian Investor Relations Association (MIRA)	2019	Ahmad Zaki Resources Berhad
4	Best IR Website (micro-cap company category)	Malaysian Investor Relations Association (MIRA)	2019	Ahmad Zaki Resources Berhad
5	Merit Award - Most Improved CG Disclosure 2018	Minority Shareholders Watch Group (MSWG)	2019	Ahmad Zaki Resources Berhad
6	5-Star Award - SCORE Certificate of Achievement	CIDB Malaysia & SME Corp Malaysia	2018	Ahmad Zaki Sdn Bhd
7	4-Star Award - SCORE Certificate of Achievement	CIDB Malaysia & SME Corp Malaysia	2018	Ahmad Zaki Resources Berhad
8	GOLD Safety Award 2018 - East Klang Valley Expressway 5.5 Million Man-Hours Without Lost Time Injury (LTI)	Kementerian Kerja Raya & Lembaga Lebuh Raya	2018	EKVE Sdn Bhd

Awards And Recognitions

No.	Name of Award	Name of Awarding Body	Year	Recipient of the Award
9	5-Star Award - Sistem Penilaian Keselamatan dan Kesihatan Dalam Pembinaan (SHASSIC)	CIDB Malaysia	2018	EKVE Sdn Bhd
10	Best Under Billion Awards 2018 - Best Sustainability Reporting (RM150 Million to RM499 Million Market Cap Category)	Focus Malaysia	2018	Ahmad Zaki Resources Berhad
11	The Malaysian Construction Industry Excellence Awards 2017: Builder of the Year Award	CIDB Malaysia	2017	Ahmad Zaki Sdn Bhd
12	The Malaysian Construction Industry Excellence Awards 2017: Green Construction Award	CIDB Malaysia	2017	Ahmad Zaki Sdn Bhd
13	The Malaysian Construction Industry Excellence Awards 2017: The Best Project Award (Building Project - Major Category)	CIDB Malaysia	2017	Ahmad Zaki Sdn Bhd
14	Green Building Index Platinum Rating Certification: Main Contractor	Green Building Index Sdn Bhd	2016	Ahmad Zaki Sdn Bhd
15	PAM Award Commendation: Commercial High-Rise (for Menara Kerja Raya)	Pertubuhan Arkitek Malaysia	2015	Ahmad Zaki Sdn Bhd
16	PAM Award Gold: Commercial High-Rise Office for Menara AZRB	Pertubuhan Arkitek Malaysia	2013	Ahmad Zaki Sdn Bhd
17	The Malaysian Construction Industry Excellence Awards 2013: The Best Project Award (Building Project – Medium Category for Menara AZRB)	CIDB Malaysia	2013	Ahmad Zaki Resources Berhad
18	The Malaysian Construction Industry Excellence Awards 2011: Special Mention Award (Environment) – Environmental Best Practices Award	CIDB Malaysia	2011	Ahmad Zaki Sdn Bhd
19	The Malaysian Construction Industry Excellence Awards 2011: CEO of The Year	CIDB Malaysia	2011	Dato' Sri Wan Zakariah bin Haji Wan Muda / Ahmad Zaki Resources Berhad
20	Bumiputera Entrepreneur Award 2010: Construction Cluster Award (Infrastructure)	Gagasan Badan Ekonomi Melayu (GABEM)	2010	Tan Sri Dato' Sri Haji Wan Zaki Haji Wan Muda/ Ahmad Zaki Resources Berhad
21	The Malaysian Construction Industry Excellence Awards 2006: Builder of the Year Award	CIDB Malaysia	2006	Ahmad Zaki Sdn Bhd
22	The Malaysian Construction Industry Excellence Awards 2000: Builder of the Year Award	CIDB Malaysia	2000	Ahmad Zaki Sdn Bhd

CORPORATE GOVERNANCE

- Directors' Profile
- Profiles of Senior Management
- Statement on Risk Management and Internal Control
- Corporate Governance Overview Statement
- Statement of Directors' Responsibilities in Preparing the Financial Statements
- Audit and Risk Committee Report
- Additional Compliance Information

Directors' Profile

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

PSM, SPMP, DPMP

Chairman
Independent Non-Executive Director

Age : 74

Gender : Male

Nationality : Malaysian

Raja Tan Sri Dato' Seri Aman was appointed as the Chairman and Independent Non-Executive Director and member of Audit and Risk Committee on 26 February 2004. Subsequently, he assumed the Chairmanship of the Audit and Risk Committee on 8 April 2004. He also sits on the Remuneration and Nomination Committees as an ordinary member.

Raja Tan Sri Dato' Seri Aman is a graduate of University Malaya. He is a Fellow of the Institute of Chartered Accountants in England and Wales and also a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank Berhad (formerly known as Perwira Habib Bank Malaysia Berhad) in 1985 as Executive Director/CEO. He left Affin Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as Chief Executive Officer. He was re-appointed as Chief Executive Officer of Affin Bank Berhad in 1995 and retired in 2003.

Raja Tan Sri Dato' Seri Aman is Chairman of the Investment Panel of Lembaga Tabung Angkatan Tentera and Affin Hwang Asset Management Berhad and sits on the Board of Tomei Consolidated Berhad and Affin Hwang Investment Bank Berhad.

During the financial period ended 30 June 2020, he attended 10 out of 11 Board meetings held.

Directors' Profile

TAN SRI DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA

PSM, SSAP, SIMP, DPMT, PPN, PJK

Executive Vice Chairman
Non-Independent Executive Director

Age : 71

Gender : Male

Nationality : Malaysian

Tan Sri Dato' Sri Haji Wan Zaki was appointed as the Executive Vice Chairman of the Company on 24 March 1999. Subsequently, he held the post of Executive Chairman from 1 March 2000 and was redesignated as Executive Vice Chairman of the Company on 26 February 2004. He is presently the Chairman of the Remuneration Committee.

Tan Sri Dato' Sri Haji Wan Zaki is the founder of Ahmad Zaki Sdn Bhd ("AZSB"). Prior to venturing into business, he served in various positions in state-owned companies in Pahang and Terengganu of which his last position was the Managing Director of Pesama Timber Corporation Sdn Bhd ("Pesama"), a Terengganu state-owned company. He left Pesama in 1984 to focus on expanding the engineering and construction business of AZSB.

Tan Sri Dato' Sri Haji Wan Zaki had served as the Chairman of Chuan Huat Resources Berhad from 2002 until 2013. He sits on the board of directors of several private limited companies and has no directorship in other public companies and listed issuers.

During the financial period ended 30 June 2020, he attended 10 out of 11 Board meetings held.

Directors' Profile

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA

SSAP, DSAP, DSSA

Group Managing Director
Non-Independent Executive Director

Age : 60

Gender : Male

Nationality : Malaysian

Dato' Sri Wan Zakariah joined the Board of the Company as an Executive Director on 24 March 1999 and subsequently was appointed to the post of Group Managing Director on 1 January 2003. He is presently the Chairman of the Employees' Share Scheme Committee and a member of the Remuneration Committee.

Dato' Sri Wan Zakariah obtained a Bachelor of Science degree in Quantity Surveying from the Thames Polytechnic, United Kingdom (now known as University of Greenwich) in 1986. He started his career in the same year as Quantity Surveyor with the construction subsidiary, AZSB moving through various posts in the Company until he was promoted to be the Managing Director of AZSB in 1996.

Dato' Sri Wan Zakariah also sits on the board of directors of several private limited companies and has no directorship in other public companies and listed issuers.

During the financial period ended 30 June 2020, he attended 10 out of 11 Board meetings held.

Directors' Profile

DATO' W ZULKIFLI BIN HAJI W MUDA
DSAP, DIMP

Deputy Group Managing Director (1)
Non-Independent Executive Director

Age : 58

Gender : Male

Nationality : Malaysian

Dato' W Zulkifli was appointed as a Non-Executive Director on 2 January 1999. He was redesignated as an Executive Director with effect from 1 March 2003 and subsequently appointed as Deputy Group Managing Director (1) with effect from 1 December 2017. He sits on the Employees' Share Scheme Committee as an ordinary member.

Dato' W Zulkifli holds a Bachelor of Science (Civil Engineering) degree, which he obtained in 1985 from the University of Southern Illinois, United States of America. He began his career with AZSB as a Project Engineer in 1985. He was promoted to the position of Project Manager and later as the Executive Director (Operations) of AZSB in 1996 and subsequently became the Managing Director of AZSB effective from 7 February 2003.

Dato' W Zulkifli does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial period ended 30 June 2020, he attended 11 out of 11 Board meetings held.

Directors' Profile

DATO' ROSLAN BIN TAN SRI JAFFAR

DIMP, AMP

Deputy Group Managing Director (2)
Non-Independent Executive Director

Age : 44

Gender : Male

Nationality : Malaysian

Dato' Roslan was appointed as an Executive Director of the Company on 8 January 2015 and subsequently as Deputy Group Managing Director (2) with effect from 1 December 2017. He sits on the Employees' Share Scheme Committee as an ordinary member.

Dato' Roslan holds a Bachelor in Mechanical Engineering degree from Imperial College London, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom.

Dato' Roslan joined the Company in 2010 as Chief Operating Officer and was appointed as an Executive Director of AZSB in the same year. Prior to joining the Company, he was with PricewaterhouseCoopers where he worked in both the Assurance and Advisory divisions in the Kuala Lumpur and Washington DC offices.

Currently, he sits on the Board of Governors of an international school and the Board of Trustees of a Royal foundation.

Dato' Roslan does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial period ended 30 June 2020, he attended 11 out of 11 Board meetings held.

Directors' Profile

TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG
PSM, DPMT, ASM, JP

Independent Non-Executive Director

Age : 71

Gender : Male

Nationality : Malaysian

Tan Sri Dato' Lau was appointed as an Independent Non-Executive Director of the Company on 15 November 2010. He was appointed as a member of the Audit and Risk Committee and Nomination Committee on 1 March 2011 and 24 March 2016, respectively.

Tan Sri Dato' Lau obtained his Diploma in Commerce with distinction from Tunku Abdul Rahman College, Malaysia in 1974. He has been a member of the Malaysian Institute of Accountants since 1979. He was made a Fellow of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom in 1981 and became a graduate member of the Institute of Chartered Secretaries and Administrators ("ICSA"), United Kingdom in 1987. He was formerly a Senator of Dewan Negara, appointed by Seri Paduka Baginda Yang diPertuan Agong, Malaysia.

Tan Sri Dato' Lau had served as a Non-Independent Non-Executive Director and Chairman of the Board of Directors of Nanyang Press Holdings Berhad and Star Publications (Malaysia) Berhad, and as an Independent Non-Executive Director of Media Chinese International Limited, a company listed in Malaysia and Hong Kong. He also served on the Board of Directors of Tenaga Nasional Berhad in various capacities, as Chairman of Audit Committee, Member of Board Disciplinary Committee, Board Tender Committee and Board Member of several subsidiary companies.

Tan Sri Dato' Lau does not hold directorship in other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial period ended 30 June 2020, he attended 11 out of 11 Board meetings held.

Directors' Profile

DATUK (PROF.) A RAHMAN @ OMAR BIN ABDULLAH

PJN, DPMT, JSM, SMT, AMN

Independent Non-Executive Director

Age : 75

Gender : Male

Nationality : Malaysian

Datuk (Prof.) A Rahman was appointed as an Independent Non-Executive Director on 1 January 2003. He was redesignated and appointed as Chairman of the Nomination Committee on 24 March 2016. He also sits on the Audit and Risk Committee and Remuneration Committee as an ordinary member.

Datuk (Prof.) A Rahman holds a Diploma in Quantity Surveying from Thames Polytechnic, London, United Kingdom, and an MSc in Construction Management from the Herriot-Watt University, Scotland. He also holds fellowships with The Royal Institute of Chartered Surveyors (UK) and the Royal Institution of Surveyors Malaysia, as well as Professional Membership with The Chartered Institute of Building of United Kingdom.

Datuk (Prof.) A Rahman was the founding Chief Executive Officer of the Construction Industry Development Board ("CIDB") Malaysia, a post which he held from 1995 to 2002, after which he held the post of Chairman of CIDB until December 2006. Prior to CIDB, Datuk (Prof.) A Rahman started his career in the Public Works Department ("PWD") where he served for 25 years. His last post in PWD was the Deputy Director-General of PWD. In 1992, he was accorded as an Honorary Professor by the University Teknologi Malaysia. Among other appointments, he is the past President of the Royal Institution of Surveyors Malaysia, the past President of the Board of Quantity Surveyors Malaysia and currently he is a Fellow of the Academy of Sciences Malaysia.

Datuk (Prof.) A Rahman does not hold directorship in any other public companies and listed issuers but sits on the board of directors of several private limited companies.

During the financial period ended 30 June 2020, he attended 11 out of 11 Board meetings held.

Directors' Profile

DATO' SR. ABDULL MANAF BIN HJ HASHIM

DIMP, KMN, AMN

Independent Non-Executive Director

Age : 65

Gender : Male

Nationality : Malaysian

Dato' Sr. Abdull Manaf was appointed as an Independent Non-Executive Director of the Company on 1 July 2016.

He holds a Bachelor in Quantity Surveying from Universiti Teknologi Malaysia.

Dato' Sr. Abdull Manaf started his career as a Quantity Surveyor in the Education Unit of the Quantity Surveying Branch at Jabatan Kerja Raya ("JKR") Headquarters Malaysia and has served in JKR for 38 years, rising through the ranks until his last post as the Deputy Director General of JKR, Malaysia.

He was the Deputy President of the Royal Institution of Surveyors Malaysia ("RISM") for the session 2011/2012, the President of RISM for the session 2012/2013 and has served as the President of the Board of Quantity Surveyors for 10 years since 2007 until 2017. Dato' Sr. Abdull Manaf has been re-appointed as a Director (Special Interest) of Lembaga Lebuhraya Malaysia for another 2-year period from 27 November 2018 to 26 November 2020.

Dato' Sr. Abdull Manaf does not hold directorship in any other public companies and listed issuers.

During the financial period ended 30 June 2020, he attended 10 out of 11 Board meetings held.

Directors' Profile

DATUK WIRA AZHAR BIN ABDUL HAMID

Independent Non-Executive Director

Age : 59

Gender : Male

Nationality : Malaysian

Datuk Wira Azhar bin Abdul Hamid was appointed as an Independent Non-Executive Director of the Company on 20 October 2020.

He is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom and a member of the Malaysian Institute of Accountants.

He began his career as an Internal Audit Manager at British Telecom Plc, United Kingdom from 1989 to 1991. He then joined Malaysian Cooperative Insurance Society Ltd as Head of Internal Audit prior to joining Sime Darby Group in 1994 where he held several roles as Financial Controller in Sime Tyres International Sdn Bhd, Business Development Director in Sime Conoco Sdn Bhd and Group General Manager of Sime Darby Group's Engineering, Oil & Gas Division.

In 2001, Datuk Wira Azhar was appointed as Group Chief Executive of Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad), a post he held until 2002.

Subsequently, in 2003, he returned to Sime Darby Group and held various key positions including as Managing Director of Tractors Malaysia Holdings Berhad, Sime Darby Group's Divisional Director for Heavy Equipment Division (Asia Pacific), Managing Director of Sime Plantations Sdn Bhd and Sime Darby Group's Divisional Director for Plantations & Food Division.

Datuk Wira Azhar was appointed as Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd in 2011 and held the position until 2014. He had served as President/Group Managing Director of Tradewinds Corporation Berhad in 2015 and subsequently appointed as its Chairman in 2016.

He was previously the Group Managing Director of Malakoff Corporation Berhad, Chairman of Malaysian Palm Oil Association and MSM Malaysia Holdings Berhad and currently, the Chairman of FGV Holdings Berhad, a position he held since 2017.

Since he was appointed as a Director subsequent to the financial period ended 30 June 2020, he did not attend any Board meeting held during the said financial period.

Directors' Profile

NOTES:

Family Relationship

Except for Tan Sri Dato' Sri Haji Wan Zaki Bin Haji Wan Muda, Dato' Sri Wan Zakariah Bin Haji Wan Muda and Dato' W Zulkifli Bin Haji W Muda who are siblings, and Dato' Roslan Bin Tan Sri Jaffar who is the son-in-law of Tan Sri Dato' Sri Haji Wan Zaki, none of the other Directors are related to one another, nor with any major shareholder.

Conflict of Interest

Save as disclosed in the related party transactions on Note No. 44 in the Financial Statements of this Annual Report, none of the other Directors have any conflict of interest with the Company during the financial period ended 30 June 2020.

Convictions of Offences

None of the Directors have been convicted of any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial period ended 30 June 2020.

Profiles of Senior Management

MOHAMMAD FAUZI BIN HAJI AHMAD

Director, Concession | Age : 54 | Nationality : Malaysian | Gender : Male

Date Joined
3 October 2011

Date of Appointment to Current Position
6 November 2017

Academic/Professional Qualification(s)
- Bachelor of Science in Civil Engineering, University of Pittsburgh, USA

Working Experience(s)
- Reliance Engineering, USA (2005 to 2011)
- Radicare (M) Sdn Bhd (2001 to 2005)
- Abrar-Manfield Consortium (1996 to 2001)
- Kuala Lumpur City Centre (KLCC) (1993 to 1996)
- Projek Penyelenggaraan Lebuhraya (PROPEL) (1990 to 1993)
- Pengurusan Lebuhraya Berhad (PLB) (1989 to 1990)

WAN SHARIMAN WAN MOHAMED

Director, Corporate Services | Age : 53 | Nationality : Malaysian | Gender : Male

Date Joined
17 October 2016

Date of Appointment to Current Position
1 August 2018

Academic/Professional Qualification(s)
- Member of Malaysian Institute of Accountants (MIA)
- Fellow of Chartered Institute of Management Accountants (CIMA), UK
- Master in Business Administration (with Distinction), Nottingham Trent University, UK

Working Experience(s)
- Idealcap Holdings Sdn Bhd (2013 to 2016)
- Maju Holdings Group (2010 to 2012)
- Malaysian Resources Corporation Berhad (2003 to 2010)
- APL-NOL Malaysia (1995 to 2003)
- Amanah Capital Berhad (1995)
- Oriental Bank Berhad (1992 to 1994)

HAYATI TAMZIR

Executive Director – Contracts & Commercial, AZSB | Age : 54 | Nationality : Malaysian | Gender : Female

Date Joined
2 January 2018

Date of Appointment to Current Position
1 June 2019

Academic/Professional Qualification(s)
- Bachelor of Building, New South Wales University, Sydney, Australia

Working Experience(s)
- UEM Builders Sdn Bhd, posted in India (2010 to 2017)
- Pembinaan Bintang Baru Sdn Bhd (2010)
- Syarikat Siah Brothers Trading Sdn Bhd (1990 to 2010)

Profiles of Senior Management

ISKANDAR SHAM BIN ABD RASAP

Chief Financial Officer | Age : 50 | Nationality : Malaysian | Gender : Male

Date Joined
3 February 2020

Date of Appointment to Current Position
28 February 2020

Academic/Professional Qualification(s)
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)
- Fellow of Association of Chartered Certified Accountants (ACCA), UK
- Member of Chartered Institute of Management Accountants (CIMA), UK
- Master of Science in Professional Accountancy (Merit), University of London, UK
- Bachelor of Science (Honours) Accounting & Financial Analysis, University of Warwick, UK
- Diploma in Managing Terminal Operations, DP World Institute Dubai

Working Experience(s)
- Unitar Capital Sdn Bhd (2016 to 2019)
- Pelabuhan Tanjung Pelepas Sdn Bhd (2008 to 2016)
- Media Prima Berhad (2006 to 2008)
- PricewaterhouseCoopers (2002 to 2006)
- Arthur Andersen & Co (1995 to 2002)

DATO' KHAIRUL YUSNI MD YUSOF

Director, Business Development | Age : 63 | Nationality : Malaysian | Gender : Male

Date Joined
1 October 2019

Date of Appointment to Current Position
1 October 2019

Academic/Professional Qualification(s)
- Graduated from Armed Forces Staff College, Kuala Lumpur
- Graduated from the Royal Navy International Communication Specialisation, HMS Mercury, Portsmouth, UK
- Higher school education at Royal Military College

Working Experience(s)
- Melewar Integrated Engineering Sdn Bhd (2018 to 2019)
- Encorp Berhad (2011 to 2017)
- Tradewinds Corporation Berhad (2010 to 2011)
- MMC Berhad (2009 to 2010)
- Enfiniti Productions Sdn Bhd (2009)
- Economic Planning Unit, Prime Minister Department (2006 to 2008)
- Ministry of Higher Education (2004)
- Ministry of Agriculture Malaysia (2001 to 2003)
- Vantage View Sdn Bhd (1998 to 2000)
- Bukit Cahaya Country Resort (1998)
- Royal Malaysian Navy (1977 to 1996)

Profiles of Senior Management

KHAIRUDIN BIN HAJI MOHD ALI

Chief Compliance Officer | Age : 45 | Nationality : Malaysian | Gender : Male

Date Joined
13 November 2013

Date of Appointment to Current Position
6 November 2017

Academic/Professional Qualification(s)
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)
- Associate Member of Institute of Internal Auditors Malaysia (IIA Malaysia)
- BA (Hons) Accounting and Finance, De Montfort University, Leicester, UK

Working Experience(s)
- Prokhas Sdn Bhd (2009 to 2013)
- CIMB Investment Bank Berhad (2006 to 2009)
- KPMG Singapore (2005 to 2006)
- KPMG Kuala Lumpur (2004 to 2005)
- Jamal, Amin and Partners (2002 to 2004)
- PricewaterhouseCoopers (1997 to 2002)

IR. AUBREY MICHAEL SHEPHERDSON

Head, Property | Age : 59 | Nationality : Malaysian | Gender : Male

Date Joined
12 December 2018

Date of Appointment to Current Position
12 December 2018

Academic/Professional Qualification(s)
- Master of Business Administration, University of Strathclyde, Scotland, UK
- Bachelor of Science in Civil Engineering, University of Toledo, Ohio, USA

Working Experience(s)
- Malaysian Resources Corporation Berhad (2014 to 2018)
- KLCC Projeks Sdn Bhd (2009 to 2014)
- Putrajaya Holdings Sdn Bhd (1998 to 2009)
- Pengurusan Lebuhraya Berhad (1991 to 1997)
- HSSI Sdn Bhd (1990 to 1991)
- Minconsult Sdn Bhd (1987 to 1989)

MD SUHAIMI BIN HUSAIN

Chief Operating Officer, TB Supply Base Sdn Bhd | Age : 59 | Nationality : Malaysian | Gender : Male

Date Joined
1 May 2017

Date of Appointment to Current Position
1 May 2017

Academic/Professional Qualification(s)
- B.Sc. Maritime/Nautical Studies from Liverpool John Moores University, UK

Working Experience(s)
- Atlas Merger Sdn Bhd (2006 to 2017)
- Eastern Pacific Industrial Corporation Berhad (EPIC) (1998 to 2006)
- Pangkalan Bekalan Kemaman Sdn Bhd (Kemaman Supply Base) (1989 to 1998)
- Perwaja Terengganu Sdn Bhd (1985 to 1989)

Profiles of Senior Management

BHASKARAN SUBRAMANIAM

President Director, PT Ichtiar Gusti Pudi | Age : 52 | Nationality : Malaysian | Gender : Male

Date Joined
15 August 2020

Date of Appointment to Current Position
15 August 2020

Academic/Professional Qualification(s)
- Executive Master in Plantation & Estate Management, Asia e University
- Diploma from The Incorporated Society of Planters (ISP)

Working Experience(s)
- Advisory Role in Rubber Plantation in Malaysia (2018 to 2020)
- Barito Plantation Indonesia (2014 to 2018)
- Genting Plantation Indonesia (2011 to 2014)
- Cargill Group Plantation Indonesia (2008 to 2011)
- PPB Oil Palms - Malaysia and Indonesia (1994 to 2008)

MOHD HARON BIN MOHD IDRIS

Director, Security | Age : 54 | Nationality : Malaysian | Gender : Male

Date Joined
2 July 2007

Date of Appointment to Current Position
1 May 2020

Academic/Professional Qualification(s)
- Executive Diploma in Management, Universiti Teknologi Malaysia
- Diploma in Hotel & Management, National Restaurant Association, USA

Working Experience(s)
- Corporate Advisor – MIM Waste Services Sdn Bhd (2017 to 2020)
- Security Advisor – MIM Protection Sdn Bhd (2016 to 2020)
- DISD Coordinator Foreign Affair (2006 to 2007)
- Staff Assistant to Defence Advisor Malaysian High Commission in Islamabad, Pakistan (2002 to 2006)
- Counter Intelligence Instructor – PULARIS (2000 to 2002)
- DISD Surveillance & Interrogation Coordinator (1998 to 2000)
- Chief of Security Detachment Ipoh, Perak (1995 to 1998)
- Chief of Security Detachment Butterworth, Penang (1993 to 1995)
- DISD Counter Intelligence Group (1987 to 1993)

SEUHAILEY BINTI SHAMSUDIN

Company Secretary | Age : 43 | Nationality : Malaysian | Gender : Female

Date Joined
15 June 2005

Date of Appointment to Current Position
1 August 2006

Academic/Professional Qualification(s)
- Associate of The Malaysian Institute of Charted Secretaries and Administrators (ICSA)

Working Experience(s)
- Ranhill Berhad (2003 to 2005)
- Mekar Korperat Sdn Bhd (2000 to 2003)

Statement on Risk Management and Internal Control

1. INTRODUCTION

Pursuant to the Main Market Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the requirements of the Malaysian Code on Corporate Governance, the Board of Directors ("the Board") is committed in maintaining a sound system of risk management and internal control in Ahmad Zaki Resources Berhad ("AZRB") and its subsidiaries ("the Group") to manage risk and to report on internal controls and regulatory compliance so as to safeguard shareholders' investment and the Group's assets.

Set out below is the Board's Statement on Risk Management and Internal Control ("Statement" or "SORMIC") for the financial period ended 30 June 2020 which was prepared in accordance with the Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia and pursuant to Paragraph 15.26(b) of the Listing Requirements. This Statement outlines the nature and scope of risk management and internal control and covers all of the Group's operations except for associate companies and smaller investments.

2. RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of risk management and internal control in the Group and as such has reaffirmed its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also operational, project management, organisational and compliance controls, and for reviewing the adequacy of integrity in these systems.

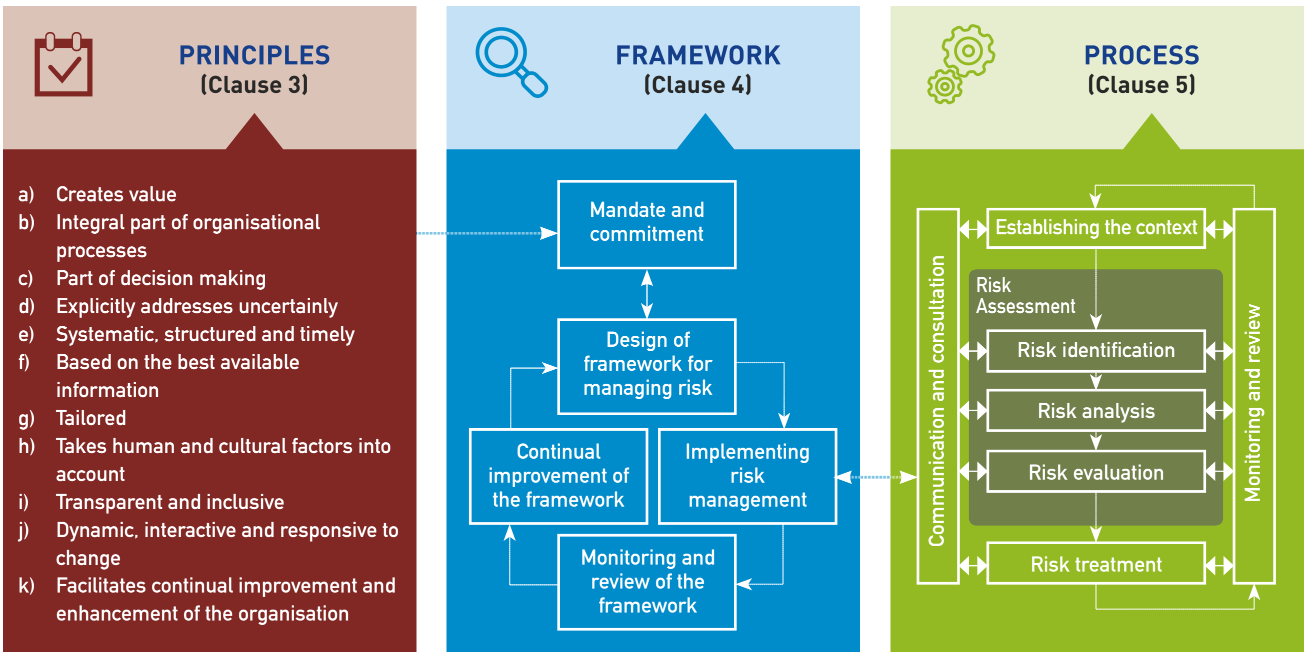
Whilst the Board is ultimately responsible for these systems, it has delegated the implementation of these control systems to the Management who regularly report on risks identified and action or steps taken to mitigate and/or to minimise the risks. The oversight of this critical area is carried out by the Audit and Risk Committee ("ARC") comprising the independent Board members.

The system of risk management and internal control is designed to identify and manage the Group's risk within the acceptable risk tolerance, rather than to eliminate the risk of failure in achieving the Group's business objective in accordance with the Group's strategy. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement, financial loss or fraud. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

3. RISK MANAGEMENT FRAMEWORK

The Group has in place a Risk Management Framework to proactively identify, evaluate, assess and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims at providing risk management on an integrated basis and is organised entity-wide. It outlines the risk management methodology which is in line with the Principles and Guidelines of MS ISO 31000:2010 Risk Management – Principle and Guidelines, mainly promoting the risk ownership and continuous monitoring of key risks identified.

Statement on Risk Management and Internal Control



Sources: MS ISO 31000:2010

Risk management awareness and training are continually conducted to all employees as part of the Group's initiatives to instil a proactive risk management culture and implement proper risk management framework in the Group.

The Board recognises that risk is an essential part of the Group's business, presenting both threats and opportunities. In order to achieve the Group's business objectives and meet shareholders' expectations, the Board and Management would have to make decision which will involve some degree of risk. The following risk management policy provides guidance as to the management of risks and its application across AZRB and business divisions:

- Integrate risk management into AZRB culture, business activities and business decision making processes;
- Inculcate risk management in every business process at every level;
- Anticipate and respond to the changing operational, economic, social, environmental and regulatory requirements proactively;
- Manage risks pragmatically, to an acceptable level given specific circumstances of each situation;
- Ensure all approvals to strategy, key projects, major assets, significant initiatives or investment should include a detailed risk assessment report as and when required; and
- Implement a robust and sustainable risk management framework that is aligned with AZRB vision, mission and in accordance to best practices.

Statement on Risk Management and Internal Control

4. SIGNIFICANT RISK

As depicted in the Group's risk management procedure, risks are broadly categorised into strategic, operational, financial, compliance and hazard risk. The identified individual risk events under the broad risk categories have undergone comprehensive reviews in line with the Group's risk management methodology.

During the period under review, the significant risks across divisions were presented and deliberated in the meetings of Risk Management Committee ("RMC") – Subsidiary, Board of Directors of subsidiaries and ARC.

The RMC – Subsidiary is assisted by the Risk Management Department ("RMD") in discharging risk management responsibilities. RMD facilitates the risk assessment process on risk identification and risk rating determination by the respective process owners (head of department). RMD also provides guidance and support in the development of risk action plan and monitors the risk action effectiveness and status. The Head of Business Divisions are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring risk actions plans and reporting all risks to the RMC – Subsidiary, Board of Directors of subsidiaries and ARC.

The RMC – Subsidiary, Board of Directors of subsidiaries and ARC have noted the key risks, the potential impact and likelihood of risks occurring, the effectiveness of existing controls and the risk action plans being taken to manage the risks to the desired levels.

5. INTERNAL AUDIT

The Internal Audit Department ("IAD") reports directly to the ARC. Through internal audit reviews, IAD's principal roles are to evaluate and improve the effectiveness of internal control within the Group.

Regular reviews by IAD are carried out based on the annual audit plan which encompasses the management of risk and governance, and the effectiveness and adequacy of the internal control procedures across the various business divisions within the Group. The corrective actions taken by Management on audit recommendations are reported on a regular basis to the ARC for their update, consideration and approval.

Further information on the activities of IAD can be found in the ARC Report.

Statement on Risk Management and Internal Control

6. KEY INTERNAL CONTROL FEATURES

The Group has a structure which outlines accountability, authority and responsibility to the Board, its committees and Management. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control that include the following:

a. Board of Directors

The Board is the pillar of the Group's risk management and internal control practices. The Board is committed to maintaining a sound system of internal control and the overall responsibility for risk oversight, mirroring its overall responsibility for strategy.

The Board meetings are held on a quarterly basis during the period to review and evaluate the Group's operations and performance and to address key issues. However, additional meetings may be convened as Special Board Meetings when required.

b. Audit and Risk Committee

The ARC is responsible in ensuring effectiveness of integrated risk management function within the organisation, reviews the internal audit plan and result of internal audit activity as well as ensuring appropriate action is taken on the recommendation of the internal audit function.

The ARC composition comprises 3 Independent Non-Executive Directors. The ARC has full access to both Internal Auditors and External Auditors and has the right to convene meeting with auditors without the presence of Executive Directors and Senior Management.

c. Business Plan and Budget

For the current period's Business Plan and Budget, the Group has prepared an annual business plan and budget for all Business Divisions and subsidiaries. The annual business plan and budget were deliberated and approved by their respective Boards. The performance of each business division and subsidiary is assessed against budget by the Chief Financial Officer, with explanation on significant variances presented to the Board on a quarterly basis.

d. Documented Policies and Procedures

Clearly documented policies and procedures of business processes have been set out in a series of Standard Operating Procedures ("SOP") or Integrated Management System ("IMS") and implemented throughout the Group. These policies and procedures are periodically reviewed and updated to reflect the changes in business structure, processes as well as changes in external environment.

Statement on Risk Management and Internal Control

6. KEY INTERNAL CONTROL FEATURES (CONT'D)

e. Code of Conduct

The Group has in place, a Code of Conduct which sets the tone of compliance with the Group's rules and regulations and employee conduct as set out in the Employee Handbook.

f. Performance Management

Performance appraisals are carried out annually in a Performance Management System ("PMS") that aims to develop individual employees with the required commitment, skills and competencies for working towards shared meaningful objectives within the organisational framework.

In order to nurture talent, training and development plans for employees are established.

g. Business Ethics

The Code of Business Ethics ("the Code") is established and communicated to all employees. The Code provides guidance and serves as the main source of reference to assist employees to live up to ethical business standards and explains how business and duties should be conducted. Compliance to the Code is mandatory to all employees.

h. Building a Resilient Group

The Coronavirus disease ("COVID-19") pandemic has impacted the global economy. Domestically, the Government has announced various economic stimulus packages to help cushion the resulting adverse impact of the pandemic and to reinvigorate economic growth.

The Board has formulated appropriate strategic plans to address the impact of COVID-19 to the Group. In building a resilient Group, the Senior Management has formed a Special Task Force ("STF") to focus on 3 main areas, i.e. Protect Business Continuity, Build and Secure Liquidity and Engage Stakeholders. The frequency of the STF meeting is adjusted depending on the severity of the pandemic in the country and the effectiveness of the execution of the 3 focus areas.

Statement on Risk Management and Internal Control

7. ASSURANCE TO THE BOARD

The monitoring, review and reporting arrangements in place is to provide reasonable assurance that the internal control system is appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others, or occurrence of unforeseeable circumstances.

In line with the Guidelines, the Board has received assurance from the Group Managing Director and the Chief Financial Officer that the risk management and internal control systems of the Group are operating adequately and effectively. The Board is of the view that the risk management and internal control systems in place during the period under review are sound and sufficient to safeguard shareholders' investment, stakeholders' interest and the Group's assets.

8. REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of Bursa Malaysia's Listing Requirements, this Statement has been reviewed by the external auditors, Deloitte PLT, for inclusion in the Annual Report for financial period ended 30 June 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required to be set out by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* to be set out, nor the SORMIC factually inaccurate.

9. CONCLUSION

For the financial period under review and up to the date of issuance of the Statement, the Board is pleased to state that the Group's risk management and internal control were rated overall satisfactory, adequate and effective for the Group's purpose and safeguard the shareholders' investment and the interest of customers, employees and other stakeholders. There have been no material breaches, contingencies or uncertainties identified from the reviews.

This Statement was approved by the Board on 30 September 2020.

Corporate Governance Overview Statement

The Board of Directors ("Board") of Ahmad Zaki Resources ("AZRB" or "Company") is pleased to present this Corporate Governance Overview Statement ("Statement") to provide investors with an overview of the extent of compliance on the application of principles as set out in the Malaysian Code of Corporate Governance 2017 ("Code") by AZRB and its subsidiaries (collectively referred as the "Group") throughout the financial period from 1 January 2019 until 30 June 2020.

The Board of Directors remains committed to ensuring that good corporate governance principles continue to be developed and implemented throughout the Group with the ultimate objective of enhancing shareholders' value, whilst taking into account the interests of other stakeholders as well as to generate long-term sustainability and growth.

Principle A	Principle B	Principle C
Board Leadership and Effectiveness • Board Responsibilities • Board Composition • Remuneration	**Effective Audit and Risk Management** • Audit Committee • Risk Management and Internal Control Framework	**Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders** • Communication with Stakeholders • Conduct of General Meetings

This Statement is also prepared in accordance with the Listing Requirements of Bursa Malaysia and should be read together with the Corporate Governance Report of the Company ("CG Report") which is available on the website of Bursa Malaysia and the Company's website at www.azrb.com.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD

Responsible for providing stewardship and oversight of the Group's business affairs

Audit and Risk Committee

Review of financial reporting, internal controls, related party transactions and conflicts of interest, internal audit as well as external audit processes

Nomination Committee

Review candidates for Board appointment and re-appointment and conduct annual assessment of the Board, Board Committees and Directors

Remuneration Committee

Review and oversee the establishment and administration of remuneration policies and procedures for Directors and Senior Management

Employees' Share Scheme Committee

Formulate, implement and administer of the Employees' Share Scheme in accordance with the By-Laws

GROUP MANAGING DIRECTOR

Responsible for day-to-day running of business operations and implementation of the Board's policies and decisions

DEPUTY GROUP MANAGING DIRECTOR (1)

DEPUTY GROUP MANAGING DIRECTOR (2)

GROUP EXECUTIVE COMMITTEES

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD RESPONSIBILITIES

The principal responsibilities of the Board shall include but not limited to the following:

- Reviewing and adopting a strategic plan for the Company and for the Group;
- Together with Senior Management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- Overseeing the conduct of the Company and the Group's businesses and to evaluate whether the businesses are being properly managed;
- Identifying principal risks affecting the Company and the Group and ensuring the implementation of appropriate internal controls and mitigation measures;
- To approve succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Overseeing the development and implementation of a shareholder and stakeholder communications policy for the Company and the Group; and
- Reviewing the adequacy and the integrity of the management information and internal control systems of the Company including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board recognises its roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board is ultimately responsible in determining the direction of the Group including setting the strategic direction, establishing short, medium and long-term business goals and monitoring the achievement of these goals for the Group. The roles and responsibilities of the Board are clearly defined in the Board Charter which is available on the website of the Company. The latest Board Charter was reviewed and approved by the Board on 30 September 2020.

The Board delegates the authority to implement the Group's strategies and managing the operations of the Group to the Executive Vice Chairman, Group Managing Director, Deputy Group Managing Directors and the Executive Director who are supported by a capable Management team. The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis or as and when required. Non-executive Directors play key supporting roles, contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.

Board Committees

In order to assist in the oversight function with respect to specific responsibility areas, the Board has established 4 Board Committees, namely, Audit and Risk Committee, Nomination Committee, Remuneration Committee and Employees' Share Scheme Committee. Details of the Terms of Reference of each Board Committees are also stipulated in the Board Charter. The Board is regularly updated on the proceedings and deliberations of the Board Committees and recommendations will be highlighted and reported to the Board. Professional advisers and members of the Senior Management team will attend the committees meetings as and when required.

The Board and its Committees meet regularly to deliberate on matters under their purview. During the financial period, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, investment proposals, financial results as well as key performance indicators.

Corporate Governance Overview Statement

BOARD COMPOSITION

During the financial period under review, the Board has 9 members comprising 5 Executive Directors and 4 Independent Non-Executive Directors. The profiles of the Directors are presented on pages 14 to 22 of this Annual Report. The Board endeavours to ensure that it has the appropriate mix of skills, experience, and diversity to reflect the Group's nature of business. The Board also, from time to time, undertakes a review of its composition to determine areas of strengths and improvement opportunities.

At present, the Board consists of all male Directors. However, there are 5 female Directors in the subsidiaries of AZRB. The Board will continue to source for qualified female candidates without compromising on the business imperative.

The Board takes cognisance that the Code recommends that at least half of the board is independent directors. With the current Board composition of having more than 1/3 independent directors, the Board is satisfied that the current number of independent directors is sufficient to ensure balance of power and authority on the Board.

Separation of Positions of Chairman and Managing Director

There is a clear division of responsibilities between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The Non-Executive Chairman is responsible for looking after the best interest of all shareholders by instilling good corporate governance practices, leadership and effectiveness of the Board, whilst the Group Managing Director, with the assistance of the Deputy Group Managing Directors, has the overall responsibility for the execution of the Group's strategies in line with the Board's direction, oversees the business operations and drives the Group's businesses and performance towards achieving the Group's vision and goals.

Nomination Committee ("NC")

The members of the NC and their respective attendance during the financial period ended 30 June 2020 are as follows:

Name	Attendance
Datuk (Prof.) A Rahman @ Omar bin Abdullah (Chairman)	1/1
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	1/1
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	1/1

The NC shall meet at least once a year or at any other time deemed necessary by the Chairman. The quorum for a meeting of the NC is 2 members.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee ("NC") (Cont'd)

Key matters were discussed by NC, among others:

- Assessing and recommending to the Board, the continuation of service of the Directors who are seeking re-election at the Annual General Meeting ("AGM");
- Assessing and recommending to the Board on the appointment of chairman of subsidiaries of AZRB;
- To consider and recommend Independent Non-Executive Directors who have served for a cumulative term of more than 9 years to continue in office as Independent Non-Executive Director;
- To assess the effectiveness of the Board and Board Committees as a whole and the contribution of each individual Director according to the assessment process;
- To review annually the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board;
- Reviewing and assessing the annual performance and effectiveness of the Board and the Committees; and
- To review the term of office and performance of the ARC and each of its members annually to determine whether the ARC and members have carried out their duties in accordance with their terms of reference.

The Board noted the recommendation by the Code on the tenure of an independent director should not exceed a cumulative of 9 years. Nonetheless, at the moment, the Board has not adopted any policy which limits the tenure of Independent Directors up to certain number of years. The Board is of the view that there is no requirement to fix a maximum tenure limit for independent director as there are significant advantages and benefits to be gained from a long servicing director who is familiar with the Company's affairs and businesses. The ability of a director to serve effectively as an independent director is very much dependent on his skills, knowledge, expertise and experience, professionalism, integrity and the ability to discharge his duties and responsibilities. The length of his service does not in any way diminish his exercise of independent judgement.

Whilst Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng and Datuk (Prof.) A Rahman @ Omar bin Abdullah, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years each, the NC has carried out the annual assessment and recommended to the Board for them to continue to act as Independent Non-Executive Directors of the Company, subject to shareholders' approval at the forthcoming AGM of the Company. The annual assessment was based on the following criteria:

- He fulfils the criteria under definition of Independent Non-Executive Director as stated in the Listing Requirements and therefore, is able to bring independent and objective judgement to the Board;
- His experience in industries relevant to the Group's businesses enables him to provide the Board and the Audit and Risk Committee, as the case may be, with pertinent expertise, skills and competence to enable the Board to discharge its responsibilities;
- His commitment to the Company in terms of time spent on the Group, as evidenced by his meeting attendance;
- He was assessed to be "independent in mind" with the will and ability to stand for an objective point of view; and
- He has been with the Company for an optimal period of time to understand the Company's business operations and has accumulated tacit knowledge which in turn enables him to contribute actively during deliberations or discussions at the Board and Audit and Risk Committee Meetings, as the case may be.

Corporate Governance Overview Statement

Board Meetings

During the financial period ended 30 June 2020, the Board met for a total of 11 times and their respective attendances are as follows:

Name	Attendance
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	10/11
Dato' Sri Wan Zakariah bin Haji Wan Muda	10/11
Dato' W Zulkifli bin Haji W Muda	11/11
Dato' Roslan bin Tan Sri Jaffar	11/11
Dato' Haji Mustaffa bin Mohamad (resigned on 16 October 2020)	11/11
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	10/11
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	11/11
Datuk (Prof.) A Rahman @ Omar bin Abdullah	11/11
Dato' Sr. Abdull Manaf bin Hj Hashim	10/11
Datuk Wira Azhar bin Abdul Hamid (appointed as Director subsequent to the financial period ended 30 June 2020)	Not Applicable

All the Directors have complied with the minimum requirement of at least 50% on attendance of Board meetings during the financial period as stipulated in the Listing Requirements.

Directors are provided with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions on pertinent matters. The circulation of meeting materials to Board members is carried out using a secured technological platform which facilitates seamless information flow and allows for timely enhancements to be made to the materials, if necessary.

Directors' Training

The Board emphasises the importance of continuing education and training for its Directors to broaden their knowledge and keep abreast with recent developments of the business environment, relevant changes in laws and regulations and also in the areas related to their duties. During the financial period, all Directors have attended various conferences, seminars and training programme as follows:

- Business Transformation: Drive Impactful Performance Results
- AMLA Program 2019
- Directors' Training – Corporate Liability Provision (Section 17A of Malaysian Anti-Corruption Commission Act, 2009)
- Cyber Security Awareness Programme
- Group-Wide Training Programme
- Cybersecurity & Work-From-Home Security Challenges Amidst Coronavirus disease ("COVID-19") Pandemic
- Adequate Procedure & the Implementation of MS ISO 37001 Anti-Bribery Management System (ABMS)
- Agile Corporate Governance In Industrial Revolution (IR) 4.0

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Code of Business Ethics

The Group has established a Code of Business Ethics for Directors and employees which lays out the ethical, business and lawful conduct of the Company, including managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering and encapsulated in the Group's Human Resource policies. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Group. The Group communicates its Code of Business Ethics to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service. The Code of Business Ethics can be found on the Company's website and is subject to regular review and updates.

Anti-Bribery and Corruption Policy

In line with the implementation of new corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) effective 1 June 2020, the Board had on 30 September 2020 reviewed, approved and adopted the Anti-Bribery and Corruption Policy ("ABC Policy"). The ABC Policy serves to provide guidance on how to prevent, detect and respond to bribery and corruption that may arise in the course of business. The ABC Policy is applicable to all Directors, employees and any person who performs services for and on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group. The ABC Policy is available on the Company's website.

Whistleblowing Policy

The Company adopted the Whistleblowing Policy ("the Policy") as a tool to manage non-compliance to the Group's Code of Business Ethics and its future improvement which provides an avenue and mechanism for any individual to report concerns they may have on any suspected and/or known improper conducts, wrongdoings, corruption, fraud and/or abuse in accordance with the procedures as provided under the Policy. The Policy can be found on the Company's website for reference and to ease of access for reporting by Directors, employees and associates of the Group.

Company Secretaries

In discharging its responsibilities, the Board is supported by suitably qualified and competent Company Secretaries who are experienced, competent, and knowledgeable on laws and regulations issued by the relevant authorities. The Company Secretary is present for all Board and Board Committee meetings and act as counsel on corporate governance matters to the Board whilst also co-coordinating information flow as well as meeting proceedings.

Corporate Governance Overview Statement

REMUNERATION

The Board believes that the level of remuneration offered by the Company is sufficient to attract and retain Senior Management, Executive and Non-Executive Directors needed to run the Company and to maximise shareholders' value. The component parts of remuneration packages have been structured to link rewards to corporate and individual performance for Senior Management and Executive Directors, whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities. In addition, all Senior Management and Directors are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in discharging their duties.

Remuneration Committee ("RC")

The members of the RC and their respective attendance during the financial period ended 30 June 2020 are as follows:

Name	Attendance
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda (Chairman)	1/1
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	1/1
Datuk (Prof.) A Rahman @ Omar bin Abdullah	1/1
Dato' Sri Wan Zakariah bin Haji Wan Muda	1/1

The RC shall meet at least once a year or at any other time deemed necessary by the Chairman. The quorum for a meeting of the RC is 2 members. The RC reviewed the remuneration of the executive board members before recommending the same for the Board's approval. The Directors concerned abstained from deliberating and voting on their own remuneration.

The RC is responsible for recommending the remuneration packages of the Directors for consideration and approval by the Board. The Directors play no part in deciding their own remuneration. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. The directors' fees and benefits payable to the Directors are recommended by the Board and approved by the shareholders at the AGM.

The Company has policy to determine the remuneration of Senior Management which shall commensurate with their experience, skills and education as well as benchmarking against industry standards. The top 5 Senior Management of the Company comprises the 5 Executive Directors including the Executive Vice Chairman, and details of their respective remuneration are disclosed below.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee ("RC") (Cont'd)

Details of the remuneration for individual Directors of the Company are outlined below:

Name of Director	Received from the Company (RM'000)			Received from the Group (RM'000)		
	Fees and Meeting Allowance	Salary[1] and other emoluments	Benefits-in-kind	Fees and Meeting Allowance	Salary[1] and other emoluments	Benefits-in-kind
Executive Directors						
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	8	2,283	52	72	214	49
Dato' Sri Wan Zakariah bin Haji Wan Muda	8	1,826	64	92	16	52
Dato' W Zulkifli bin Haji W Muda	9	0	0	70	1,685	109
Dato' Roslan bin Tan Sri Jaffar	9	1,279	58	97	17	26
Dato' Haji Mustaffa bin Mohamad (resigned on 16 October 2020)	9	0	11	125	1,443	79
Non-Executive Directors						
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	361	0	57	4	0	0
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	187	0	0	96	0	10
Datuk (Prof.) A Rahman @ Omar bin Abdullah	276	0	38	7	0	0
Dato' Sr. Abdull Manaf bin Haji Hashim	179	0	11	3	0	26
Datuk Wira Azhar bin Abdul Hamid (appointed on 20 October 2020)	–	–	–	–	–	–

Notes:
[1] Excludes Employees Provident Fund ("EPF") and other statutory contributions.

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT AND RISK COMMITTEE ("ARC")

The Board has established an ARC to provide robust oversight on financial reporting, external and internal audit processes, related party transactions and conflict of interest situations as well as risk management matters of the Group. The ARC members possess the requisite financial literacy and business knowledge that support the sound understanding of matters under their purview. Whilst a stand-alone Risk Management Committee is not established, the ARC strives to ensure that deliberations on risk management matters are not placed on the periphery. Adequate attention is accorded for risk management matters including discussion on nuanced risks such as reputational, key performance indicator and cyber risks.

The ARC assists the Board in overseeing the financial reporting of the Group by reviewing the quarterly financial results and annual audited financial statements to ensure that they are drawn up in accordance with the applicable financial reporting standards and the requirements of the Companies Act, 2016 prior to recommending them for approval by the Board and subsequent issuance to the shareholders.

The details of meeting attendance of the ARC members are outlined below:

Members	Attendance
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Chairman)	9/11
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	10/11
Datuk (Prof.) A Rahman @ Omar bin Abdullah	11/11

The ARC has unrestricted access to both the internal and external auditors, who report functionally and directly to the ARC. The ARC has established transparent arrangements to maintain an appropriate relationship with the Company's external auditors. During the financial period under review, the external auditors has provided assurance that their personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.

The NC assessed the performance of the ARC and its members through an annual evaluation. Based on the outcome of the evaluation for the financial period under review, both the NC and the Board were satisfied with the ARC's performance. The information on the composition, attendance record and summary of activities of the ARC is presented in the Audit Committee Report of this Annual Report.

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

RISK MANAGEMENT AND INTERNAL AUDIT

The Board acknowledges its overall responsibilities for the Group's system of risk management and internal control, which includes the establishment of an appropriate control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to ensure that the Group's assets and the shareholders' interests are safeguarded.

The Company has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. This function is embedded and carried out as part of the Group's operating and business management processes. The Group has also continued to implement its Risk Management procedures in areas of Enterprise Risk Management and Project Risk Management in its major subsidiaries. The ARC is delegated with the oversight responsibility of risk management. The Board, through its ARC, reviews the key risks identified to ensure proper management and mitigation of risks within its control.

The Group has an in-house Internal Audit Department ("IAD") which is independent of the activities or operations of the other operating units in the Group. The IAD adopts a risk-based audit approach when executing each audit assignment which is carried out in accordance with the annual audit plan. The annual audit plan covers the major active subsidiaries of the Group. The IAD reports directly to the ARC and provides the Board with reasonable assurance regarding the adequacy and integrity of the systems of risk, governance and internal controls.

The Group's risk management and internal control framework is made available on the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

The Board acknowledges the importance of timely and equal dissemination of all material business, corporate and financial developments affecting the Group to shareholders and other stakeholders. Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The Board ensures that continuous disclosures made are effective and transparent whilst regular communication with its stakeholders are connected through a variety of communication channels such as annual report, circular to shareholders, press releases, announcements including quarterly and annual financial results, which provide shareholders with an overview of the Group's business and financial performances.

The Company maintains a corporate website at www.azrb.com which provides corporate and financial information of the Group. Shareholders and the public can also direct their queries through the email contact provided in the corporate website.

Corporate Governance Overview Statement

CONDUCT OF GENERAL MEETINGS

The Board recognises the AGM as a main platform for shareholders to engage with the Board and Senior Management in a productive dialogue and to raise their concerns about the Group. All Directors of the Company were present at the 22nd AGM held on 21 June 2019 to provide clear and meaningful response to shareholders' questions. The Senior Management, external auditors and adviser were also present to respond to any queries by the shareholders.

Shareholders have been provided with at least 21 days' advance notice for the upcoming AGM to accord them with adequate time to prepare and ultimately make informed decisions during the AGM. The notice of AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information, where applicable.

All the resolutions set out in the notice of AGM shall be voted by poll. An independent scrutineer shall be appointed to verify the results of the poll. The proceedings at the AGM were recorded in the minutes of meeting which a summary of the minutes is made available on the Company's website.

This Corporate Governance Overview Statement was approved by the Board of Directors of the Company on 30 September 2020.

Statement of Directors' Responsibilities in Preparing the Financial Statements

The Directors acknowledge their responsibilities to prepare the financial statements so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2020, and financial performance of the Group and the Company for the financial period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Companies Act, 2016 ("Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In the preparation of the financial statements, the Directors have:

- ensured that applicable approved accounting standards have been complied with;
- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent where needed;
- prepared the financial statements on the going concern basis and disclose, as applicable, matters related to going concern and using the going concern basis of accounting unless either intends to liquidate or to cease operations, or have no realistic alternative but to do so; and
- ensured that necessary internal controls are in place to enable the preparation of financial statements free from material misstatement, whether due to fraud and/or error.

The Directors are responsible for ensuring that the accounting and other records have been properly kept in accordance with the provision of the Act.

The Directors have overall responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This Statement of Directors' Responsibilities is made in accordance with a resolution of the Board of Directors dated 30 September 2020.

Audit and Risk Committee Report

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Chairman

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Independent Non-Executive Director

Members

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
Independent Non-Executive Director

Datuk (Prof.) A Rahman @ Omar bin Abdullah
Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial period ended 30 June 2020, a total of 11 meetings were held and the details of attendance of the members are as follows:-

Members	Date of Meeting											Total attendance
	2019								2020			
	30 Jan	28 Feb	28 Mar	29 Apr	29 May	29 Aug	30 Oct	29 Nov	22 Jan	27 Feb	29 June	
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	√	√	√	√	√	√	√	x	x	√	√	9/11 (79%)
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	√	√	√	√	√	√	x	√	√	√	√	10/11 (89%)
Datuk (Prof.) A Rahman @ Omar bin Abdullah	√	√	√	√	√	√	√	√	√	√	√	11/11 (100%)

The Group Managing Director was invited to attend all the Audit and Risk Committee ("ARC") meetings to facilitate direct communications as well as to provide clarification on audit issues and the Group's operations, if any. The relevant person-in-charge of the respective division/project was also invited to brief the ARC on specific issues arising from the audit reports or any matters of interest, if required. The Head of Internal Audit attended the ARC meetings by invitation to present the internal audit findings report and also presented the internal audit plan and activities.

The external auditors were also invited to attend the ARC meetings to present their reports on the audited financial statements. A separate meeting between the ARC and the external auditors without the presence of the Executive Directors and Senior Management was held during the financial period to discuss on audit feedback.

Audit and Risk Committee Report

TERMS OF REFERENCE

The terms of reference establishes the membership, quorum, powers, authority, duties and responsibilities of the ARC and is incorporated in the Board Charter which is accessible on the Company's website at www.azrb.com.

The Nomination Committee ensures that the terms of office and performance of the ARC and each of its members are being evaluated annually to determine whether the ARC and its members have carried out their duties in accordance with their terms of reference.

SUMMARY OF ACTIVITIES

The duty and responsibilities of the ARC are in line with its terms of reference. During the financial period, the ARC had timely reviewed and deliberated the following matters and reported the same to the Board for approval:

1. Financial Reporting
    - Quarterly financial results and annual financial statements of the Company and the Group for the financial period ended 30 June 2020

2. External Audit
    - Re-appointment of external auditors and audit fees
    - Scope of works and audit planning memorandum of the external auditors including audit strategy, audit focus, evaluation of internal controls system and resources for the financial period ended 30 June 2020
    - Final audit report together with the external auditors
    - Met the external auditors without the presence of Executive Directors and Senior Management and discussed matters arising from the audit process

3. Internal Audit
    - Internal audit plan of the Company and its subsidiaries for year 2020
    - Major findings of internal audit reports, recommendations in relation to weaknesses in the internal control and corrective actions to be taken by Management

4. Recurrent Related Party Transactions ("RRPT") of a Revenue and Trading Nature
    - RRPT entered into by the Company and its subsidiaries with related parties and ensure disclosure requirements of the Main Market Listing Requirements are adhered to.
    - Reviewed the circular to shareholders in relation to the proposed renewal of existing shareholders' mandate for RRPT of a revenue or trading nature

Audit and Risk Committee Report

5. Risk Management
   - Risk Management Plan of the Company and its subsidiaries for the financial period ended 30 June 2020
   - Quarterly Risk Management reports

6. Sustainability
   - Sustainability Plan of the Company and its subsidiaries for the financial period ended 30 June 2020

7. Integrity
   - Establishment of Anti-Bribery Management Systems for the Company and its subsidiaries

8. Annual Report
   - Corporate Statements such as Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Directors' Responsibility Statement for the financial period ended 30 June 2020, Audit and Risk Committee Report and Sustainability Statement

9. Corporate Governance
   - Corporate Governance Report for the financial period ended 30 June 2020

INTERNAL AUDIT FUNCTION

The Group's Internal Audit function is performed in-house by the Internal Audit Department ("IAD") and is independent from the main activities and operations of AZRB Group's operating units. The IAD reports directly to the ARC and its primary function is to assist in discharging the ARC's duties and responsibilities. The main role of the internal audit function is to undertake regular reviews of the Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the ARC regarding the adequacy and effectiveness of governance, risk management and internal control systems.

The Internal Audit activities carried out during the financial period are summarised below:

- Prepared the annual audit plan for deliberation and approval by the ARC;

- Performed 30 audit reviews on business divisions and projects to ascertain the adequacy and compliance of their system of governance, risk management and internal control; and

- Conducted 6 follow-up audits to determine the adequacy, effectiveness and timeliness of action taken by Management on audit recommendations and provided updates on their status to the ARC.

Audit and Risk Committee Report

The results of the audit reviews were discussed with Management and subsequently, the audit findings including the recommendations for improvement were presented to the ARC at scheduled meetings. In addition, the Internal Audit function carried out follow-up reviews to ensure that corrective actions have been implemented in a timely manner by Management and the results of such reviews are also periodically reported to the ARC. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material breaches that would require separate disclosure in this Annual Report.

The Head of IAD is Khairudin bin Haji Mohd Ali who has diverse professional experience in internal audit, risk management and corporate governance fields. He is an associate member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. There are 8 internal auditors in the Group. The Internal Audit personnel on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework. The total cost incurred for the Internal Audit function for the financial period ended 30 June 2020 was RM886,995.

Additional Compliance Information

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There are no corporate proposals which have been announced by the Company but not completed as at the date of this report.

AUDIT FEES*

A breakdown of fees for audit and non-audit services incurred by the Company and on group basis for the financial period from 1 January 2019 to 30 June 2020 is set out under Note 8 of the Financial Statements of this Annual Report.

MATERIAL CONTRACTS OR LOANS WITH RELATED PARTIES

Save as those disclosed in the following recurrent related parties transaction of a revenue in nature, there were no material contracts or loans entered into by the Company and its subsidiaries involving directors' and major shareholders' interest either subsisting at the end of financial period from 1 January 2019 to 30 June 2020 or entered into since the end of the previous financial year.

EMPLOYEES' SHARE SCHEME ("ESS")

The ESS was approved by the Company's shareholders at the Extraordinary General Meeting held on 17 March 2014 and implemented on 18 August 2014 for a period of 5 years which expired on 17 August 2019. The ESS has been extended for a further period of 5 years expiring on 17 August 2024. The ESS comprises ESS Options and ESS Share Award.

(a) ESS Options and ESS Share Award granted up to the end of the financial period:

	ESS Options		ESS Share Award	
	Total	Directors	Total	Directors
Granted	-	-	-	-
Forfeited	485,285	205,000	4,494,918	2,122,500
Exercised	-	-	-	-
Outstanding as at 30 June 2020	3,185,475	2,323,334	-	-
Vested during the financial period	3,642,733	2,570,000	-	-

Notes:
* The following particulars in relation to the audit and non-audit services rendered to the listed issuer or its subsidiaries for the financial period:

(a) amount of audit paid or payable to the listed issuer's auditors, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively;

(b) amount of non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively. If the non-audit fees incurred were significant, details on the nature of the services rendered. If no non-audit fees were incurred, a statement to that effect.

Additional Compliance Information

EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D)

(b) ESS Options and ESS Share Award granted to Directors and Senior Management during the financial period and since commencement of ESS:

	During the financial period		Since commencement of ESS	
	ESS Options	ESS Share Award	ESS Options	ESS Share Award
Maximum allocation (%)	-	-	74.17	-
Actual allocation (%)	-	-	74.17	-

(c) Non-Executive Directors granted with ESS Options during the financial period:

Name of Director	Amount of ESS Options granted	Amount of ESS Options exercised
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	-
Tan Sri Lau Yin Pin @ Lau Yen Beng	-	-
Datuk (Prof.) A Rahman @ Omar bin Abdullah	-	-
Dato' Sr. Abdull Manaf bin Hj Hashim	-	-

RECURRENT RELATED PARTY TRANSACTIONS

The value of recurrent related party transactions entered into by the Company and its subsidiaries during the financial period which have obtained shareholder's mandate in the previous AGM are qualified as follows:

Nature of the transactions with related party	Entered by AZRB and its subsidiaries	Period covered from 1 January 2019 to 30 June 2019 (RM'000)	Period covered from 1 July 2019 to 30 June 2020 (RM'000)
(a) Purchase from subsidiaries of Chuan Huat Resources Berhad:			
(i) Chuan Huat Industrial Marketing Sdn Bhd	AZSB	24,225	15,396
(ii) Chuan Huat Hardware Sdn Bhd	AZSB	701	829
(b) Purchase from subsidiary of ZHSB:			
(i) QMC Sdn Bhd	AZSB	84	5
(c) Sales to the following companies which certain directors have substantial financial interests and are also directors:			
(i) Kemaman Quarry Sdn Bhd	ICSB	(24)	-
(ii) MIM Waste Services Sdn Bhd	AZSB	(125)	(505)

Additional Compliance Information

Nature of the transactions with related party	Entered by AZRB and its subsidiaries	Period covered from 1 January 2019 to 30 June 2019 (RM'000)	Period covered from 1 July 2019 to 30 June 2020 (RM'000)
(d) Insurance premium charged by ZHSB	AZRB AZSB ICSB AMSB PPSB	31 368 19 - 1	50 521 39 28 1
(e) Administrative services charged by ZHSB	AZSB ICSB KTIP	62 1 1	121 3 3
(f) Rental of land charged by Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	AZSB PPSB	18 222	36 303
(g) Transactions with MIM Protection Sdn Bhd: (i) Security services costs	 AZSB PPSB	 3,043 6	 7,159 -

Relationship of the related parties:

(i)	Chuan Huat Resources Berhad	-	A company in which Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda had substantial equity interest.
(ii)	Zaki Holdings (M) Sdn Bhd ("ZHSB")	-	The holding company of Ahmad Zaki Resources Berhad ("AZRB").
(iii)	Kemaman Quarry Sdn Bhd	-	A subsidiary of ZHSB.
(iv)	MIM Waste Services Sdn Bhd	-	A company in which Dato' Sri Wan Zakariah bin Haji Wan Muda and Dato' W Zulkifli bin Haji W Muda have substantial equity interests and are also Directors.
(v)	MIM Protection Sdn Bhd	-	A company in which Dato' Sri Wan Zakariah bin Haji Wan Muda and Dato' W Zulkifli bin Haji W Muda have substantial equity interests and are also Directors.
(vi)	Ahmad Zaki Sdn Bhd	-	AZSB
(vii)	Inter-Century Sdn Bhd	-	ICSB
(viii)	AZSB Machineries Sdn Bhd	-	AMSB
(ix)	Peninsular Precast Sdn Bhd	-	PPSB
(x)	Kemaman Technology & Industrial Park Sdn Bhd	-	KTIP

PERFORMANCE DRIVEN

- Chairman's Statement
- Management Discussion and Analysis

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board"), it is my pleasure and privilege to present the Annual Report and Financial Statements of Ahmad Zaki Resources Berhad ("AZRB" or "the Group") for the 18-month period ended 30 June 2020.

Raja Tan Sri Dato' Seri Aman Bin Raja Haji Ahmad
Chairman

Chairman's Statement

OVERVIEW

The last 18 months since the Group's last Annual Report, that for the year ended 31 December 2018 has been a period of extreme contrasts. We entered the period by celebrating a contract win from Petroliam Nasional Berhad ("Petronas") for the refurbishment and upgrading works at their office complex ("POC Project") in Kerteh, Terengganu, worth RM150.5 million. However, the ongoing global trade disputes and a marked slowdown in global economic growth put paid to any hopeful thoughts of economic boom. Instead, 2019 saw the continued decline in the Malaysian stock market index which started in 2018 following the shock May 2018 General Elections. In particular, the construction industry in Malaysia saw very little activity in terms of roll out of new public sector projects during this period as the Government of Malaysia ("Government") grappled with the growing economic issues affecting the country. As such, the POC Project was our sole major contract win for the entire 18-month period ended 30 June 2020. In turn, our unbilled order book has dwindled down to RM1.6 billion as at 30 June 2020 (2018: RM2.9 billion).

Artist impression of POC Project in Kerteh, Terengganu

In other sectors, the low crude palm oil ("CPO") prices that prevailed for much of 2019 had a profound effect on the palm oil plantation sector, and unfortunately the Group also suffered from its effects. Finally, to compound matters for the economy, the onset of the COVID-19 pandemic which set in with devastating impact not only on the health of people but also the economies of every single country in the world. Malaysia was not spared from its effects. On 18 March 2020, the Government implemented the Movement Control Order ("MCO") which stretched until 9 June 2020. During this period, the whole country was effectively under strict lockdown with no one, other than those on the frontline or providing essential services, allowed to leave their place of residence to work or engage in recreational activities. The Group was not spared, with all activities, excepting that involving health and safety, at all its construction and property development sites suspended. In terms of other Group activities, only our Concession Division, with its leasing and maintenance of IIUM Medical Centre in Kuantan, and Oil and Gas ("O&G") Division, with its activities at Tok Bali Supply Base as well as its bunkering activities at Kemaman Supply Base, operated at this critical moment, with both divisions being deemed essential services to the country.

Unlike in many other sectors, the nature of our activities does not lend itself to allowing the Group to mobilise our staff to work from home as a substitute. As a result, for the entire MCO period, the Group was only able to realise minimal construction revenue and this had a profound effect on the Group's cash flow not only during the MCO period but subsequent periods to that. Although the Government identified the construction sector as one of the first sectors to be allowed to return to work effective from 4 May 2020, in actual fact, the Group only saw its sites return back to full swing in June 2020. This was due to various factors, including procedures required in getting Government clearance to commence work as stipulated in the Standard Operating Procedures ("SOP") issued by the Government, clearance from clients to recommence work as well as the backlog of COVID-19 testing which was also a compulsory requirement stipulated in the SOPs.

The MCO had a significant impact on the Group's finances. It is estimated that the MCO lockdown resulted in close to RM130.0 million in lost revenue across the Group. Equally damaging is the loss of momentum at each of our work sites of which its financial impact is not directly quantifiable. Based on all these factors, the Group posted a net loss of RM111.2 million for the whole 18-month period ended 30 June 2020.

Chairman's Statement

MITIGATING ACTIONS

During this great period of uncertainty, the Board noted the Management's efforts in addressing the key issues impacting the Group. Immediately after the MCO was announced, the Management quickly formed a Special Task Force ("STF") made up by all the division heads and members of the Senior Management as well as representatives from the Board of Directors. The STF met regularly online to discuss matters of importance including safeguarding operations, cash flow management and stakeholder engagement. Individually, each division of the Group formed its own crisis teams to act on their operational needs and issues and in turn, reported back to the STF.

Resulting from these frequent consultations, the Group was able to manage its affairs, in particular, managing its cash flow requirements by successfully negotiating with the majority of its lenders and creditors for a moratorium or rescheduling of payments where available. I am pleased to report that all of our lenders were both helpful and accommodative in ensuring the Group remains a going concern during this difficult period. This was made possible by the sheer hard work of our Finance Division and the good relationship we have with all of our lenders.

LOOKING FORWARD

The period from 1 January 2019 until now has been some of the most challenging periods the Group's Construction Division has ever been through. The Group is fortunate that it entered this period with a healthy balance order book that helped sustain the Group's operations throughout this period. Apart from the POC Project mentioned above and the PNB118 Tunnels Project disclosed in our 2018 Annual Report, the landscape in terms of construction projects has been the driest it has ever been since the Global Financial Crisis of 2007-2008.

The current COVID-19 pandemic poses medium term challenges for the national economy as many sectors of the economy remains affected, thereby dampening consumer spending. In terms of the Government, quite a significant amount has been spent and will continue to be spent combating the pandemic and thus will face a challenge in allocating spending for public infrastructure.

Installing rebar base slab VC sectior at PNB118 Tunnels Project

That being said, the Group has started noticing a pick-up in construction tenders being called by the current administration. We are also encouraged by the Government's announcements of the need to roll out large scale projects as a means to stimulate the economy. The Group stands ready to take part and compete in the new tenders being rolled out and is confident of our technical and competitive abilities to land a few tenders, which will help to keep us busy for the few years ahead.

Tok Bali Supply Base

In terms of our O&G Division, whilst we have seen encouraging growth in the activities at our Tok Bali Supply Base, the COVID-19 impact on global oil prices has resulted in the oil majors operating off the shores of Peninsular Malaysia to pause and take stock of their position momentarily. As a result, the major activities that we expected to take place this year has been put on hold for the time being. Nevertheless, we continue to position our Tok Bali Supply Base as the base of choice to serve the North Malay Basin and Malaysia-Thailand Joint Development Area ("MTJDA") in particular in this time of dampened global oil prices.

In terms of our Plantation Division, we are encouraged by the recovery of CPO prices from the lows of 2018 and 2019. This bodes well for our Plantation Division, which admittedly has gone through a very rough patch due to a combination of factors. We have recently restructured the Division to address some of the weaknesses at the Division and are looking forward to better yields and performance in the years to come.

Our Property Division was significantly affected by the pandemic and MCO. At Laman Temala (formerly Puncak Temala), we are rushing the completion of our maiden residential phase with handover to buyers targeted in November/December 2020. Our maiden phase of 102 houses has seen a very encouraging sales percentage of 95% with a number of units currently in the process of finalising sale. The pandemic has also affected our launching plans for new phases, both at Tiara Paka and Laman Temala, which has been delayed to 2021. In the meantime, the current glut in high-rise residential units in the Klang Valley has caused us to further delay our planned development at Kwasa Damansara. Whilst we still firmly hold to the belief that Kwasa Damansara will be the next property development hot spot, the combination of the COVID-19 pandemic and oversupply in the current market makes our current position the prudent position to be in. We continue to observe the market closely so as to spot the best window of opportunity for our proposed launch.

East Klang Valley Expressway

Finally in terms of our Concession Division, we look forward to see the completion of our East Klang Valley Expressway in mid-2021. As of the date of this report, we have finally regained the momentum of construction at the site. We are now working on the next phase for this expressway with plans in place and submitted to take the highway beyond its current terminus at Ukay Perdana and therefore complete the Kuala Lumpur Outer Ring Road system.

ACKNOWLEDGEMENT

I would like to welcome on board, YBhg. Datuk Wira Azhar bin Abdul Hamid, who joined the Board of Directors of AZRB on 20 October 2020 as an Independent Non-Executive Director. Datuk Wira Azhar is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom and a member of the Malaysian Institute of Accountants. He has held leadership roles in many illustrious companies, this includes the role of Group Chief Executive of Tradewinds Corporation Berhad, Managing Director of Sime Plantations Sdn Bhd, Acting President and Group Chief Executive of Sime Darby Berhad, Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd and Group Managing Director of Malakoff Corporation Berhad.

Chairman's Statement

Currently, Datuk Wira Azhar is the Chairman of FGV Holdings Berhad as well as being a Director of Icon Offshore Berhad and Hume Industries Berhad, all companies listed on the Main Market of Bursa Malaysia Securities Berhad.

Datuk Wira Azhar carries with him a vast wealth of knowledge and experience through his many leadership roles in the past, and the Group looks forward to his counsel, advice and sharing for many years to come.

APPRECIATION

On behalf of the Board, I wish to express my sincerest gratitude and appreciation to the shareholders, various government agencies, clients, consultants, suppliers and business partners who have contributed significantly to our success and for the continuous support and confidence in the AZRB Group.

Mixed Development at Kampung Baru for UDA Legasi Sdn Bhd

MRT Line 2 Package S206 – UPM Station in progress

I would also like to register my deepest gratitude to all the people at AZRB and its Group of Companies for their dedication and commitment to the Group's cause. I would also like to take this opportunity to thank both YBhg. Datuk (Prof.) A Rahman @ Omar Bin Abdullah and YBhg. Dato' Sr. Abdull Manaf Bin Hj Hashim, who have both given their notices to retire and not seek re-election as Directors of AZRB Group. Datuk (Prof.) A Rahman retires after nearly 18 years being with the Group as an Independent Non-Executive Director. In that time, he has been a steady guiding hand in his role as the Non-Executive Chairman of Ahmad Zaki Sdn Bhd, the Group's main construction subsidiary, which had seen the Group undertake a myriad of landmark projects like the Putrajaya Mosque, Menara Kerja Raya 2, IIUM Medical Centre in Kuantan as well as the Klang Valley Mass Rapid Transit projects. Dato' Sr. Abdull Manaf retires nearly four and a half years after joining the Board. During his time on the Board, he has helped to provide valuable insight and advice, particularly on contractual matters. Similarly, I would like to express the Board's deepest gratitude to YBhg. Dato' Haji Mustaffa Bin Mohamad, who had resigned as an Executive Director of AZRB on 16 October 2020. Dato' Mustaffa has been the Group's stalwart at its O&G Division, having almost single-handedly brought about the success that is the O&G Division today. He retires after 21 and a half years of being on the Board. The Board wishes these three doyens of their fields the very best of luck in their future endeavours and the greatest appreciation for their immense contribution for all their years of service to the Group.

Lastly, I wish to place on record my deepest appreciation to my fellow members of the Board, both at Group level as well as the various subsidiaries for their wise counsel, guidance and invaluable contributions.

Thank you.

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD
CHAIRMAN

Management Discussion and Analysis

Dear Valued Shareholders,

On behalf of the Senior Management of Ahmad Zaki Resources Berhad ("AZRB" or "the Group"), I am pleased to present our report card for the 18-month financial period ended 30 June 2020 ("2020"). 2020 has proven to be our most challenging period for the Group and indeed the world as a whole.

Dato' Sri Wan Zakariah Bin Haji Wan Muda
Group Managing Director

Management Discussion and Analysis

Change Of Year End

Since I last reported to you in our 2018 Annual Report, the Group had made the decision to change its year end from 31 December to 30 June and thus resulting in this Annual Report for the 18-month period ended 30 June 2020. Our decision to change our financial year end was driven by wanting to extract the best value in our financial reporting through accommodating our external auditors better. The traditional financial year end of 31 December as favoured by the vast majority of companies resulted in external audit firms being supremely stretched in their commitments and we noted that we were not getting the best value for the amount of fees we were paying. By having a 30 June year end, we will be giving our auditors more time and allow them to allocate more resources for their work on our Financial Statements. It is our aim that with this change in year end, the quality of our financial reporting will improve for the better over time.

FINANCIAL REVIEW

2020 has proven to be our most challenging period indeed. We, as with the whole country, had entered the new period with quiet optimism following the historic 2018 general election results. However, our optimism slowly dampened as the bearish sentiment both in the general stock market and in particular, the construction industry, cast a gloomy cloud not just for AZRB but all our peers in the engineering and construction sector. With little to zero new public sector tenders and construction awards, the Group has had to work through its existing balance order book, the bulk of which had been accumulated prior to 2018. To compound matters, the onset of the COVID-19 pandemic in 2020 deeply affected the performance of not just AZRB but the whole Malaysian economy.

For the 18-month period ended 30 June 2020, the Group recorded revenue of RM1.46 billion compared to RM1.23 billion for the 12-month year ended 31 December 2018 previously. In gross terms, this represented an increase of 18.7% but in pro-rated terms, it was a decrease of 20.9% compared to 2018. Of the RM1.46 billion revenue recorded, the Engineering and Construction ("E&C") Division led the way with RM1.23 billion (2018: RM1.03 billion) followed by the Oil and Gas ("O&G") Division with RM86.2 million (2018: RM46.6 million). The Concession Division contributed RM76.0 million in 2020 (2018: RM36.0 million), whilst the Plantation Division and Property Division came in at RM46.8 million (2018: RM106.5 million) and RM20.5 million (2018: RM9.9 million), respectively. The Group's profitability for 2020 was severely impacted by the Government's decision to impose the Movement Control Order ("MCO") from 18 March 2020 in response to the COVID-19 pandemic that swept into Malaysia starting in February. During the MCO period until 29 April 2020, effectively no work was able to be undertaken by the E&C and Property Divisions, which severely affected the Group's profitability and results. As a whole, the Group made a total loss for the period of RM111.2 million compared to a recorded profit in 2018 of RM8.6 million.

Engineering and Construction Division

The E&C Division remains the Group's primary contributor with recorded revenue of RM1.23 billion (2018: RM1.03 billion). Whilst it was pleasing to see the E&C Division surpass the billion ringgit mark in consecutive financial periods, for 2020, it was a case of what could have been, if not for the effects of the COVID-19 pandemic. The imposition of the MCO to combat the growing pandemic in March 2020 resulted in an estimated loss of revenue of about RM125.0 million up to 30 June 2020. This in turn, had a profound effect to the Division's profitability as cost continued to be incurred despite the absence of work and revenue. All told, the Division recorded a loss before tax of RM8.4 million for 2020 (2018: profit before tax of RM54.2 million). Included in the current year loss are adjustments for additional subcontractor claims and potential liquidated ascertained damages as well as potential non-recoverable loss and expense claims for various completed projects totalling RM63.7 million.

Management Discussion and Analysis

Despite adjusting for the potential non-recoverability of claims, the Division is continuing to make best effort in recovering what is contractually our right to payments.

As mentioned above, the pandemic had a profound effect on the Division's results. Even though the construction industry was one of the very first non-essential services industries allowed to return to work during the MCO following Government announcement on 10 April 2020, the restrictions imposed initially plus the need to register with the Government for clearance to commence work meant that much of April 2020 was lost to complying to procedural matters instead of actual work progress. As a further complication, strict Standard Operating Procedures ("SOP") being rolled out by the Government meant the Division had to tread carefully when opening its sites for work. On 28 April 2020, the Government lifted the restriction on half capacity work subject to adherence with SOP. Unfortunately, due to the large number of requests by companies to start work, there continued to be procedures in obtaining clearance to work from the Government or from clients. This, coupled with the large backlog in mandatory COVID-19 testing for all site workers, meant that even by end of May 2020, the Division's construction sites were still not at full capacity.

Further delays in the supply chain getting back to its feet meant that the Division saw its construction sites only get into full swing by end June and it was only in August 2020 where the Division regained the full pre-MCO momentum.

Swab test carried out at MSO Hulu Langat (KLORR Project)

Despite the financial impact, we are very grateful for the prudent approach taken by the Government in combating the pandemic. The strict SOPs have enabled our sites to work purposefully and safely and we continue to take heed of the Government's advice in always adhering to the established SOPs to ensure the pandemic remains under control.

Oil and Gas Division

The O&G Division showed good growth in terms of revenue with 2020 revenue at RM86.2 million (2018: RM46.6 million), with the increase mainly contributed by our operations at Tok Bali Supply Base ("TBSB"). In terms of Revenue, TBSB operations contributed about 45% (2018: 24%) of total division revenue. For this financial period ended 30 June 2020, we have seen TBSB continue its growth trajectory. For 2020, TBSB recorded a total of 951 vessel calls as compared to 235 vessel calls for the 12-month financial year ended 31 December 2018. Of the 951 vessel calls, 520 (2018: 141) were Offshore Supply Vessels with the remainder mainly comprised of fast crew boats. This demonstrates the growing confidence of the oil companies in using TBSB as the base of choice.

Tok Bali Supply Base

Management Discussion and Analysis

Despite the large increase in revenue, the Division only showed a marginal narrowing of loss before tax to RM5.8 million (2018: RM5.8 million), approximating that of the previous financial year. A significant impact to the results was a RM7.8 million in adjustments primarily due to depreciation amounts relating to prior years that were previously not taken up, being fully accounted for in the current year. Without these adjustments, the Division would have been above breakeven level for 2020.

As encouraging as the growth in TBSB has been, the operations at TBSB has yet to reach breakeven or profitable levels. The Division had expected to see TBSB receive a boost in its operations through drilling campaigns around the North Malay Basin that had been scheduled to take place in 2020. However, due to the shock impact of the COVID-19 pandemic, which resulted in the severe drop in oil and gas prices, these campaigns have since been postponed to 2021/2022. TBSB is now working hard discussing and negotiating with the oil companies to prepare for the forthcoming drilling campaign in 2021.

Concession Division

The Concession Division continued to be the Group's main shining star with revenue contribution of RM76.0 million in 2020 (2018: RM36.0 million) and profit before tax contribution of RM80.9 million (2018: RM43.8 million). Much of the additional contribution came about from the revenue recognition for the supply of new medical equipment to the Division's main concession asset, IIUM Medical Centre in Kuantan ("IIUM Medical Centre"). As in previous years, the Division's profitability continues to be boosted through the recognition of accretion income of its long-term receivables.

IIUM Medical Centre, Kuantan

Plantation Division

The 18-month period ended 30 June 2020 was a period where the Division found itself in a perfect storm that reflected itself in the Division's financial performance. The recorded revenue of RM46.8 million for 2020 was in contrast to the RM106.5 million recorded for 2018. The low CPO prices from much of 2018, deteriorated further for much of 2019 and caused a severe strain on the Division to keep up with its obligations. In light of the low CPO prices, the Division undertook a major reform and restructuring of the organisation. Unfortunately, some of this was met with resistance by the local workers and in the time taken to iron things out, the Division's productivity was severely hampered. Much of the issues were ironed out with the Division emerging leaner but due to other contributing issues, production throughout the period remained affected.

The severe haze of mid-2019 also caused further disruptions to harvesting activities compounded by irresponsible open burning activities by the local populace on their local farmland, but which was within our concession zone. Although the land subjected to burning was still land 'owned' by the local residents and yet to be 'released' to our Division, the fact that this land was still within our 'concession' area, caused the local authorities to order a suspension of work on our estate whilst they conducted an investigation. Additionally, the fire also spread into parts of our estate which further complicated matters. Whilst the fire as a whole was relatively quickly tackled, the subsequent events proved disruptive particularly so as it occurred during the period of peak crop with regards to our estate.

Finally, the COVID-19 pandemic also had an effect on the Division due to restrictions in bringing in trained harvesters from other regions into our estate. Also, the market reaction to the COVID-19 pandemic in Indonesia caused wild fluctuations to the foreign exchange rate of the Indonesian Rupiah, particularly against the US Dollar. This in itself resulted in a net unrealised foreign exchange loss of RM8.8 million, being recognised in the Division's loss before tax. As a whole, the loss before tax in the Division in 2020 was RM59.4 million (2018: RM29.6 million).

Management Discussion and Analysis

Property Division

In terms of revenue, the Property Division showed good growth with recorded revenue of RM20.5 million (2018: RM9.9 million). This was mainly on the back of completion of our Phase 1 residential development at Tiara Paka, in Paka, Terengganu. Comprising of a total of 83 residential units, the Division recorded a healthy sales take up rate of 94%. The bulk of the sales here comprised of houses sold under the Projek Perumahan Penjawat Awam Malaysia ("PPAM") or Government Officers Housing Project scheme, which by legal form, is on the build and sell model. As a result, the bulk of the revenue and profits could only be recognised upon vacant possession and thus were only recorded in the current financial period.

Aerial view of Tiara Paka

Notwithstanding the successful delivery of the first phase of residential development at Tiara Paka, the Group's profitability was affected by a number of factors. Firstly, the Division took the decision to write down the carrying value for some of its older unsold stock of industrial properties. This is in line with the extremely bearish property market, particularly for certain type of industrial developments. The other major factor affecting the Division was due to the performance of the Division's hotel business, which was severely affected by the COVID-19 pandemic. As a result of the pandemic and the Government's MCO measures, the Division's hotel was unable to cater to any guest from the outset of the MCO on 18 March 2020 right until the financial period end.

For the 18-month period ended 30 June 2020, the Division recognised a loss before tax of RM2.9 million (2018: RM1.8 million).

Residence Inn Cherating

SEGMENT REVIEW AND PROSPECTS

Engineering and Construction Division

In working through our balance order book, the Division had in 2020, delivered a project that has since taken its place as one of the most iconic landmarks in Kuala Lumpur. Dubbed the Saloma Link or Pintasan Saloma, it is a pedestrian walkway linking the Kampung Baru area to the Kuala Lumpur City Centre area. Spanning 69 metres over the Klang River and Ampang-Kuala Lumpur Elevated Highway ("AKLEH"), the bridge's showpiece is its architecture inspired by the traditional sirih junjung or betel nut leaf arrangement. The entire structure is beautifully lit by LED lights capable of displaying multiple colours and images, and has proven to be a major crowd attraction, especially at night. The total project was valued at close to RM31.0 million, and whilst it has not been one of our largest projects, it certainly has been one of our most iconic projects and we are proud to have been associated with the project.

Management Discussion and Analysis

Pintasan Saloma

The 18-month period ended 30 June 2020 was not a great period for the Division in terms of new project awards. The only project the Division managed to obtain was for the "Proposed Refurbishment and Upgrading Works to the Existing Petronas Office Complex (Block A) and Petronas Operations (Block C), Infrastructure and Landscaping Works on part of Lot 52271 and 52272 in Kerteh, District of Kemaman in Terengganu Darul Iman ("the POC Project"). The POC Project was awarded by Rantau Properties Sdn Bhd, a wholly owned subsidiary of Petroliam Nasional Berhad ("Petronas") and was valued at RM150.5 million.

Railing work for roof beam area at POC Project

Aside from the POC Project, the Division was kept busy churning through its sizeable balance order book, the bulk of which consisted of projects obtained prior to 2018. For the whole 18-month period ended 30 June 2020, there were very few public works tenders being put out to the market. Due to the bearish property market, private commercial tenders were also in limited supply. The rapid onset of the COVID-19 pandemic saw planned tenders for new construction works being further pushed back as the Government acted to limit the spread of the pandemic and keep the nation safe. I am pleased to note that the Government has been successful in combating the COVID-19 pandemic, and that the Division has now started to see a good volume of public works tenders being rolled out. The Division has been actively participating in these tenders and is confident in our ability to obtain a few over the next few months. We are greatly encouraged by the current Government's position in prioritising the construction industry as a means to drive economic growth following the sharp slowdown due to the pandemic in mid-2020. We are therefore bullish about our prospects in adding to our balance order book going forward.

Oil and Gas Division

The O&G Division continued its growth trajectory as our TBSB further established its value proposition as the supply base of choice for the North Malay Basin fields. Of particular note was a special contract undertaken in September 2019, where an oil company decided to perform a shutdown maintenance program from the base. The program was budgeted to take 14 days to perform but due to the logistical superiority of TBSB, the program was completed in a record 9 days thereby saving the oil company millions of ringgit in costs.

Management Discussion and Analysis

The Group has continued to invest in the base in its bid to attract more volume and customers to the base. In 2020, TBSB signed an agreement with another Production Sharing Contract ("PSC") operator for their use of TBSB to support their operations in the Malaysia-Thailand Joint Development Area ("MTJDA"). With this agreement, the new PSC operator is both able to use TBSB officially and will be looking to conduct more operations out of TBSB in order to leverage on our competitive advantages and thus realise cost savings. We are pleased to inform that TBSB continues to engage with existing and potential main PSC operators with the aim of negotiating long-term basing commitments with these main PSC operators.

The COVID-19 pandemic caused a short-term panic in the global oil prices and as a result of the continuing economic uncertainty due to COVID-19, the main oil companies have postponed their planned drilling campaigns to 2021 at the earliest. Nevertheless, the Division remains optimistic of its future chances securing the right to host the drilling campaign operations for these PSC operators as well as to attract more volume to utilise the base.

Concession Division

The Concession Division continues to be a shining light in terms of financial contribution. Its primary concession asset, the IIUM Medical Centre remains steady with its strong financial contribution. As the IIUM Medical Centre matures as the medical centre of choice in the east coast of Peninsular Malaysia, particularly in Kuantan, so is the need for expanding offerings and services. As the asset owner, the Division is in constant discussion with the operator on how best to undertake these future expansions.

The Division's other main asset is still under construction, which is the East Klang Valley Expressway ("EKVE"). Its completion is highly anticipated as many look to EKVE as a means to relieve the growing traffic congestion on the eastern corridor of Greater Kuala Lumpur. Its construction is progressing well, although a few technical and land dispute issues have resulted in the construction of EKVE to be pushed back a bit. Additionally, the lost time due to the COVID-19 pandemic and resultant MCO would mean EKVE being open to public use in mid-2021.

Concreting diaphragm in progress at EKVE

East Klang Valley Expressway

Management Discussion and Analysis

Plantation Division

As narrated previously, the Plantation Division ran into fairly significant headwinds during the 18-month period ended 30 June 2020. I am pleased to say that the Group has addressed many of the issues and are continuing to work hard in addressing the remaining ones. Of major note, the Division has put in place a major cost realisation exercise. It has consolidated both its corporate and operational premises at its estate in Kalimantan Barat, Indonesia. The Division has also seen a change of the guard in terms of divisional and operational leadership. In September 2020, we have put in place a new President Director who is empowered to make the necessary operational improvements and we are pleased to report that we have already started to see quick wins on the ground and are optimistic that things will continue to improve in the near future.

Property Division

For the 18-month period ended 30 June 2020, the Division handed over vacant possession for its first phase of residential development at Tiara Paka in Terengganu. Comprising of 83 units, the phase has recorded 94% completed sales with the remaining units garnering interest from prospective buyers in the area. The Division is also currently completing its first phase of residential development at its new township, Laman Temala (formerly Puncak Temala) in Marang District, Terengganu. The new township is located near the town of Ajil, Terengganu and is strategically located with the Ajil interchange for the East Coast Expressway a mere 5 kilometres away. Comprising of 102 units, the first phase has seen 95% take up rate in terms of completed sales with the remaining units garnering keen interest as the development nears completion. Scheduled for handover to house buyers in November/December 2020, the completion of this development is slightly delayed having been affected by the COVID-19 pandemic and MCO lockdown in the whole country.

The Division has plans in place to launch a new phase of residential housing at both Tiara Paka and Laman Temala but has decided to postpone these launches to around mid-2021 due to the current uncertain economic climate that has impacted property development rather severely.

Laman Temala in Marang, Terengganu

With regards to the Division's hotel property, the COVID-19 pandemic and MCO lockdown severely impacted the operations of the hotel as the government closed the hospitality industry during the MCO period. However, with the Government having relaxed the MCO and replaced it with the Recovery MCO ("RMCO"), the hotel has seen a boost in bookings for the remainder of 2020 as local Malaysian tourists flock to local resorts and destinations for their holidays as our international borders remain closed to overseas travel by Malaysians. With this, the Division expects a better performance from the hotel for the financial year ending 30 June 2021.

Management Discussion and Analysis

APPRECIATION

The MCO lockdown had a major impact on the Group's financial well-being and in particular its cash flow. With effectively very little revenue to be recognised and earned during the lockdown, the Group would not have been able to pull through if it were not for the support of the whole AZRB family. During the time of our greatest need, every member of the AZRB family from the clerks to the directors sacrificed some portion of their pay in a bid to reduce the strain on the Group. For that, the Directors and Senior Management of AZRB are greatly thankful to everyone in the AZRB family for making that sacrifice. As always, I would also like to express the Group's deepest gratitude to all in the AZRB family for their continued efforts, dedication, commitment and personal sacrifices for the betterment of the Group.

I would also like to thank all our bankers and financiers who came to us with the sincerest aim of helping the Group ride through the COVID-19 lockdown storm. These noble financial institutions worked hand in hand with the Group Finance team to help structure our borrowings so as to enable the Group to ride out the worst of the storms.

Finally, we express our sincerest appreciation to the shareholders, various Government agencies, clients, consultants, suppliers and business partners who have been pivotal to our success and look forward to their continued support and confidence in the AZRB Group.

Thank you.

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA
GROUP MANAGING DIRECTOR

SUSTAINABILITY REPORT

➤ Sustainability Statement

Sustainability Statement

AZRB SUSTAINABILITY

SUSTAINABILITY PERFORMANCE

MSM 1: Enhancing Economic Value

Outstanding order book of RM1.6 billion (as of 30 June 2020)

5-star SHASSIC Award For BBCC and UTP2 Projects

ESG rating for PLCs assessment by FTSE Russell - FTSE4Good Bursa Malaysia 3-star (out of 4-star)

Completion construction of SLINK (Feb 2020)

Embarked our journey for MS ISO 37001:2016 Anti-Bribery Management Systems

MSM 2: Promoting Innovation & Delivering Excellent Services

Customer satisfaction score >75% (MRTS206, PNB, SLINK, TGLK, TBSB)

AiQA average score >80% (PNB118, TGLK, KLORR P3, MRT S206, POC)

Invested in the latest Innovation Features & Technology (BIM, IBS, System Scaffolding, Drones, Vessels' Communication, Continuous Steriliser)

MSM 3: Strengthening Our Supply Chain

100% Locally sourced construction materials (Concrete, reinforcement bar, common clay brick, etc.)

Adopted JDE To optimise supply chain management

MSM 4: Cultivating Healthy and Safe Workplace & Reducing Environmental Footprint

8,740kg worth >RM2,400 of recyclable materials during **Sustainable Office Challenge**

Improved air & water* quality by >20%
*except UTP2 & KLORR

Reduction of >3% of electricity consumption for 3 consecutive years (at Menara AZRB)

3 completed projects & 4 ongoing projects (green building index)

Zero incident cases at TGLK

MSM 5: Empowering Our People & Enriching Local Community

>1,200 participation of staff in KSR activities

108 training session worth >RM133,000

53% Involvement of woman in management

Contributed almost RM150,000 for surrounding communities and CSR activities

Sustainability Statement

ABOUT THIS SUSTAINABILITY STATEMENT

Background

This is our third year of publishing Sustainability Statement that summarises AZRB's performance from the triple bottom-line perspective of Economic, Environmental and Social ("EES") pillars.

During the previous financial year, the Group introduced Sustainability Policy and mapped the Material Sustainability Matters ("MSMs") with the United Nations Sustainability Development Goals ("UNSDG"). In this reporting period, we made several additional enhancements to reflect our growing interest in translating sustainability within the AZRB ecosystem:

- **Scope of Reporting** – Oil and Gas ("O&G") Division is now included in this reporting period, together with Engineering and Construction ("E&C") Division and Plantation Division.
- **Material Sustainability Matters** – the previous 20 MSMs (as disclosed in the previous reporting year) are now regrouped and renamed into 5 MSMs for better clarity and wider coverage of the disclosure.
- **Reference and Guidelines** – Sustainability initiatives and disclosures are aligned with the Global Reporting Initiative ("GRI") Standards, as well as Bursa Malaysia Sustainability Reporting Guide. The FTSE Russell ESG Rating indicators have also been incorporated into the Company's EES assessment.
- **Sustainability Performance** – Key Performance Indicators ("KPIs") are introduced for tracking of our sustainability performance.
- **Sustainability Strategy** – Sustainability Compass has been incorporated into Sustainability Framework with enhancement in the Stakeholder Engagement Mapping.

Scope of Sustainability Statement

The projects that have been discussed in AZRB's Sustainability Statement for the 18-month financial period from 1 January 2019 to 30 June 2020 are listed below:

Division	Project/Company	Description	Location
E&C	PJHZ	Two blocks of office buildings, retail spaces, external works, basement parking and access road	Precinct 1, Putrajaya
	UDA	Mixed development project of residential and office tower with basement carpark	Kampung Baru, Kuala Lumpur
	PNB	35-storey office block and 50-storey hotel tower	Jalan Sultan Ismail, Kuala Lumpur
	UTP2	Academic building for Faculty of Geoscience & Petroleum Engineering and TNB33kV substation	Universiti Teknologi Petronas, Tronoh, Perak
	POC	Petronas office complex and Petronas 1 operations complex, new annex building, infrastructure and landscaping works	Kerteh, Terengganu
	SLINK	Combined pedestrian and bicycle bridge across the Klang River, joining Kampung Baru and Kuala Lumpur City Centre	Kampung Baru, Kuala Lumpur

Sustainability Statement

ABOUT THIS SUSTAINABILITY STATEMENT (CONT'D)

Scope of Sustainability Statement (Cont'd)

Division	Project/Company	Description	Location
E&C (Cont'd)	BBCC	Substructure and PPU works of BBCC mixed development project	Bukit Bintang, Kuala Lumpur
	KLORR	Dual two-lane East Klang Valley Expressway (EKVE) with a total length of 39.66 kilometres	Sungai Long, Kajang to Ukay Perdana, Ulu Klang, Selangor
	PNB118	Construction of Jalan Hang Jebat, Jalan Kenanga and Chin Woo Tunnels and associated works of PNB 118	Jalan Hang Jebat, Kuala Lumpur
	MRTV202	Viaduct guideway and other associated works from Persiaran Dagang to Jinjang	Kepong, Kuala Lumpur
	MRTS202	Elevated stations and other associated works at Kepong Sentral, Metro Prima, Kepong Baru and Jinjang	Kepong, Kuala Lumpur
	MRTS206	Elevated stations and other associated works at Serdang Raya (South), Seri Kembangan and UPM	Seri Kembangan, Selangor
	TGLK	Dual two-lane bridge across Sungai Kuantan to connect Kuantan City and Tanjung Lumpur	Kuantan, Pahang
O&G	TB Supply Base Sdn Bhd ("TBSB")	Integrated support services and facilities for oil and gas industry in the offshore Peninsular Malaysia and Gulf of Thailand	Tok Bali, Kelantan
	Inter-Century Sdn Bhd ("ICSB")	Supply of marine fuel products and lubricants at Kemaman Supply Base on the O&G platforms operating in offshore East Coast of Peninsular Malaysia	Kemaman, Terengganu
Plantation	PT Ichtiar Gusti Pudi ("PTIGP")	Operation of palm oil plantation – estates and mill	Landak, West Kalimantan, Indonesia

Table 1: Scope of Sustainability Statement

Statement Period

On 22 November 2020, the Company announced its financial year end change from 31 December 2019 to 30 June 2020. Accordingly, all disclosures in this Statement are as per the Company's new financial period i.e. 1 January 2019 to 30 June 2020 (18 months), unless otherwise stated.

Statement References and Guidelines

- Bursa Malaysia Sustainability Reporting Guide
- Global Reporting Initiative ("GRI") Standards
- United Nations Sustainable Development Goals ("UNSDGs")
- FTSE4Good Index Series

Sustainability Statement

Contact Us

We welcome your feedback and encourage you to read this Sustainability Statement together with the Management Discussion and Analysis section in this 2020 Annual Report to obtain a more comprehensive view and understanding of our sustainability journey and value creation process during the period under review.

As we believe that sustainability is an inclusive journey, the views and insights from our stakeholders are important in ensuring that we continue to deliver sustainable values. Should you have any comments or suggestions on our Sustainability Statement, kindly contact us at the following email address: sustainability@azrb.com

SUSTAINABILITY AT AZRB

Commitment to Sustainability

At AZRB, we define sustainability as a commitment to managing the resources, assets and values that we have now, whilst ensuring that we are able to meet the needs of the future generation. We believe that sustainability can be achieved by balancing the needs of Nature, Economy, Wellbeing and Social – N.E.W.S.

In ensuring sustainable returns, we believe that responsible corporate practices play a significant role, as we always aim at doing things right the first time. Guided by our Sustainability Framework and Sustainability Policy, we continue to embed sustainability in the manner we conduct our businesses.

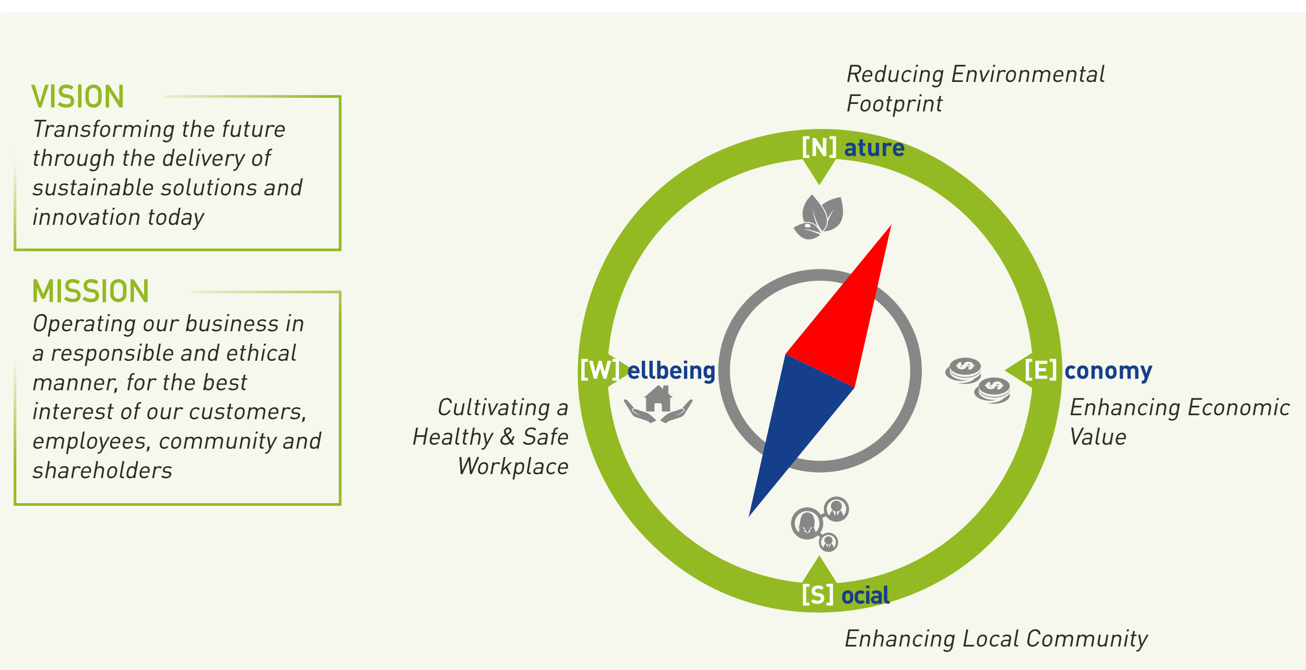


Figure 1: Sustainability @ AZRB

Sustainability Statement

SUSTAINABILITY AT AZRB (CONT'D)

Commitment to Sustainability (Cont'd)

Our Sustainability Policy is based upon the following principles:

- *Proactively and continuously assess and address significant economic, environmental and social risks and the impact of our operations, and integrate these considerations into business planning, decision-making and implementation processes that ensure sustainable outcomes*
- *Set clearly defined targets and measuring and monitoring sustainability performance to support continual improvement*
- *Explore ways to improve efficiency in all operations*
- *Comply with relevant legislations, standards, policies and procedures*
- *Continuously maintaining communication with the stakeholders on its corporate footprint in the economic, environmental and social realms*
- *Conduct business activities in an ethical and transparent manner*

Figure 2: AZRB Sustainability Policy

Sustainability Governance

Our sustainability efforts are governed through our corporate structure with ultimate responsibility coming from our Board of Directors; which provides oversight on the Group's sustainability performance. The Group Managing Director ("GMD") together with the Deputy Group Managing Directors ("DGMDs") oversee the implementation of the Group's sustainability approach and ensure that key targets are being met with the support of Senior Management and all of our employees.

Sustainability Statement

Board of Directors	1. *Oversee the overall Group Sustainability Strategy and its performance* 2. *Set the direction for sustainability agenda for the Group and provide sponsorship* 3. *Approve the Sustainability Statement*
Audit and Risk Committee	1. *Review and approve the Group Sustainability Strategy* 2. *Recommend to the Board of Directors on Sustainability Statement, policies, standard operating procedures and budget for approval*
Group Managing Director & Deputy Group Managing Directors	1. *Ensure the implementation of Group Sustainability Strategy are properly conducted* 2. *Ensure the Group's compliance towards related sustainability policies and standard operating procedures are achieved*
Sustainability Working Committee	1. *Implement and deliberate the Group Sustainability Strategy for managing Material Sustainability Matters* 2. *Review the deliberated sustainability data and provide reports to the GMD/DGMDs on periodical basis* 3. *Recommend to GMD/DGMDs on sustainability policies, standard operating procedures and budget*
Sustainability Department	1. *Coordinate and monitor all sustainability activities by referring to the sustainability KPIs and targets* 2. *Prepare the Sustainability Statement in accordance with Listing Requirement by Bursa Malaysia and other references and guidelines* 3. *Prepare and maintain the sustainability policies, standard operating procedures and budget*

Figure 3: Sustainability Governance

Sustainability Statement

SUSTAINABILITY AT AZRB (CONT'D)

Sustainability Journey

Since the establishment of AZRB's Sustainability Department in 2017, our sustainability journey is a growing and thriving process. We are proud to announce that we have established the foundation of the sustainability governance, strategy and action plan that have positioned AZRB at a higher level of managing our business operation in a more responsible manner.

2017

- *Published **inaugural Sustainability Statement***
- *Established **governance structure and sustainability framework***
- *Adopted GRI G4 guidelines*
- *Conducted materiality assesssment*

2018

- *Established **Sustainability Policy***
- *Adopted Bursa Malaysia Sustainability Reporting Guide, GRI Standards and UNSDGs*
- *Established materiality matrix and mapped to UNSDGs*

2019 2020

- *Set Sustainability **KPIs and targets** across the Group*
- *Conducted sustainability engagement **programmes***
- *Focused material sustainability matters*

Figure 4: Sustainability Journey

MATERIALITY REASSESSMENT

Reviewing Material Sustainability Matters (MSMs)

We have identified and prioritised the MSMs that are significant to both our stakeholders and to our business. Managing the MSMs is crucial in achieving our long-term success.

In our previous Sustainability Statement, we identified 20 MSMs based on the survey conducted with the internal stakeholders of AZRB. In this reporting period, we revisited these MSMs and some of the MSMs have been regrouped and renamed for better clarity and wider coverage of the disclosure. The changes are as follows:

2018 MSMs	2019/2020 MSMs
Economic and Business Performance	**Economic and Business Performance**
Branding and Reputation	
Corporate Governance	
Business Ethics	
Customer Satisfaction	**Quality and Innovation**
Product Quality	
Green Buildings	

Sustainability Statement

2018 MSMs	2019/2020 MSMs
Supply Chain Management	**Supply Chain Management**
Material Waste Management	**Health, Safety and Environment**
Energy Conservation	
Water Management	
Air Quality	
Regulatory Compliance	
Protecting Biodiversity	
Occupational Health and Safety	
Diversity and Inclusivity	**Diversity, Inclusivity and Social Justice**
Training and Career Development	
Employee Benefits	
Protecting Labour Rights	
Community Engagement	

Table 2: Revision of MSMs

Defining Material Sustainability Matters (MSMs)

MSMs	Definitions	Indicators
Economic and Business Performance	Efforts to contribute in significant infrastructure investments and services development that improve community welfare and local economies. This also includes revenue generated by division, secured contracts or received awards and efforts to maintain the highest standard of integrity and professionalism in its business dealings	· Market Presence · Economic Performance · COVID-19: Protecting Our Business · Indirect Economic Impacts · Awards, Recognition and Achievement · Corporate Governance
Quality and Innovation	Efforts to embrace innovation by using tools or technology in business operation that enable efficiency, productivity or promote cost saving. This also includes initiatives conducted to meet clients' expectations of our products or services, and efforts to promote quality within our stakeholders	· Integrated Management System · Customer Satisfaction · Quality · Innovation Features and Technology
Supply Chain Management	Efforts to identify and monitor the Group's procurement practices that have potentially caused or contributed to negative impacts in the supply chain	· Procurement Practices · Local Supplier · JD Edwards Enterprise Resources Planning ("ERP") System

Sustainability Statement

MATERIALITY REASSESSMENT (CONT'D)

Defining Material Sustainability Matters (MSMs) (Cont'd)

MSMs	Definitions	Indicators
Health, Safety and Environment ("HSE")	Efforts to create a healthy and safe working environment for our workers and staff, together with efforts to reduce negative environmental impacts in the areas in which the organisation operates in. This also includes compliance with applicable laws and regulations.	· HSE Policy and Certifications · HSE Committee · Compliance Registry · HSE Training and Competency · Health and Safety Matters · Environmental Matters · Security and Assets
Diversity, Inclusivity and Social Justice	Efforts to create a positive working environment that embraces diversity and mutual respects. This also includes efforts to attract and retain talent by providing comprehensive benefits, rewards, and capacity building. Engaging our employees and communities through Kelab Sukan dan Rekreasi AZRB ("KSR") and Corporate Social Responsibility ("CSR") activities, respectively.	· Employees Distribution · Staff Welfare · Human Rights · Training and Career Development · KSR and CSR Activities · Community Outreach Programmes

Table 3: Definition and Indicators of MSMs

Summary of KPI Target and Achievement

Revisit MSMs	KPI Target	Achievement
MSM 1: Economic and Business Performance	Minimum 2 initiatives taken per year by AZRB Group to contribute to local economy/community	1. Secured a contract value of RM150.5 million for POC project in February 2019 2. Completed Saloma Link ("SLINK") project in February 2020. This project has created better connectivity (shorter distance) between Kampung Baru and Kuala Lumpur City Centre ("KLCC") 3. Submitted detailed Environmental, Social and Governance ("ESG") disclosures for FTSE Russell assessment and scored 3-star rating (out of 4-star) with overall ESG Rating of 2.1 (out of 5.0) for FTSE4Good Bursa Malaysia as of June 2020

Sustainability Statement

Revisit MSMs	KPI Target	Achievement
MSM 2: Quality and Innovation	Minimum 2 initiatives taken per year by AZRB Group to improve quality of deliverables and constantly innovate to promote operational efficiency	1. Conducted customer satisfaction survey at all E&C projects and TBSB 2. Conducted AZRB Internal Quality Assessment ("AIQA") on quarterly basis for all E&C projects 3. Applied Building Information Modelling ("BIM"), Industrialised Building System ("IBS") and system scaffolding in E&C projects 4. Installed Automatic Identification System ("AIS") detection and buoy as barricade at TBSB 5. Use of continuous steriliser technology for mill at PTIGP
MSM 3: Supply Chain Management	Minimum 2 initiatives taken per year by AZRB Group to promote sustainable procurement practices	1. Conducted performance evaluation for sub-contractors, suppliers and consultants on an annual basis 2. Adopted ERP System to optimise our supply chain management performance 3. Concrete, reinforcement bar, common clay brick are 100% locally sourced at all E&C projects
MSM 4: Health, Safety and Environment	Minimum 2 activities conducted per year by AZRB Group to cultivate a health, safety and environment awareness culture at AZRB	1. Conducted a total of 365 HSE training sessions at Menara AZRB and E&C projects as of June 2020 2. Conducted emergency drill at all E&C projects except UDA 3. Conducted HSE campaign at MRT V202, MRT S206, POC, TGLK, UDA and UTP2 4. Conducted 'You See You Act Campaign' at TBSB 5. Performed environmental monitoring at all projects on a periodical basis 6. Conducted Sustainable Office Challenge
MSM 5: Diversity, Inclusivity and Social Justice	Minimum 2 engagement activities or initiatives conducted per year by AZRB Group with internal and external stakeholders	1. Conducted weekly KSR activities at Menara AZRB and E&C projects 2. Contributed almost RM150,000 for community outreach programmes 3. Contributed more than RM52,000 for zakat contribution – aid underprivileged community 4. Sponsored more than RM12,000 for excellent students and RM5,000 for Back to School program 5. Donated RM1,600 to orphans under Pertubuhan Rahoma Darul Fakir Malaysia during AZRB's Hari Raya Open House 2019

Table 4: Summary of KPI and Target

Sustainability Statement

STAKEHOLDER ENGAGEMENT MAPPING

Our stakeholders have vested interests in the manner the Group addresses their respective concerns. We aim to maintain our relationship with the stakeholders by not putting aside their concerns in our decision-making process. Through our sustainability assessment, we are able to identify and engage our relevant stakeholders more effectively. Different divisions and projects offer different strategies in addressing stakeholders' concerns, as tabulated below:

Stakeholders	Engagement Channel (Frequency)	Stakeholders' Concerns	Company's Expectation	Relevant Sections
Board of Directors	· Board Meetings (Quarterly) · Ongoing communications (Periodic) · Directors' trainings (Throughout the year) · General Meeting (Annually)	· Growth and strategic direction of the Company · Group's financial performance · Governance, risk and control · Economic, Environmental and Social risks and opportunities	· Set the strategic direction of the Group	· Financial Statements · Corporate Governance · Sustainability Statement · Performance Driven
Shareholders and Investors	· Financial results announcement (Quarterly) · General Meeting (Annually) · Annual Report (Annually) · Corporate Website (Periodic) · Press Release (Periodic)	· Group's financial performance · Corporate governance, laws and regulations, compliance, ethical business conduct, risk management · Mergers and acquisitions, new business opportunities · Group's position within the industry	· Continual investment	· Financial Statements · Corporate Governance · Sustainability Statement · Performance Driven
Government Agency/ Regulators/ Local Authority	· Regular meetings with regulators (Periodic) · Regular consultations (Periodic) · Site inspections/audits (Periodic) · Reporting i.e. monitoring reports (Periodic)	· Approval and permit · Laws and regulations compliance · Annual reporting · Contributions to the economy, local community · Labour practices, environmental and health issues	· No stop work order · No compound/ penalty	· Sustainability Statement: (i) MSM 1: Economic and Business Performance (ii) MSM 4: Health, Safety and Environment (iii) MSM 5: Diversity, Inclusivity and Social Justice

Sustainability Statement

Stakeholders	Engagement Channel (Frequency)	Stakeholders' Concerns	Company's Expectation	Relevant Sections
Clients/ Customers	· Feedback and enquiry templates (Periodic) · Client satisfaction survey (Annually) · Regular meetings with clients (Periodic) · Site visits (Ongoing) · AIQA assessments (Quarterly)	· Progress completion of project · Quality of deliverable · Health, safety and environmental compliance	· Project delivered and accepted by client · Payment certified and paid · Continuity in business partnership	· Sustainability Statement: (i) MSM 2: Quality and Innovation (ii) MSM 4: Health, Safety and Environment
Employees	· Training calendar (Throughout the year) · On-site work safety training (Periodic) · Kelab Sukan dan Rekreasi (throughout the year) · Team building activities (as and when required) · Staff e-Portal (Ongoing) · Annual performance appraisal (Annually) · Town hall sessions (Periodic) · Engagement and dialogue sessions (Ongoing)	· Career development · Employees training/ knowledge and skills enhancement · Safety and health at workplace · Work-life balance · Employees benefits and rewards · Attractive remuneration · Diversity and inclusivity	· Deliver work on time · Knowledge sharing among employees · Teamwork	· Sustainability Statement: (i) MSM 4: Health, Safety and Environment (ii) MSM 5: Diversity, Inclusivity and Social Justice
Vendors/ Suppliers/ Sub-contractors	· Contract negotiations and bidding opportunities (as and when required) · Suppliers/ sub-contractors audit and evaluation (Annually) · Vendor registration screening (pre-qualification of suppliers and subcontractors) (Periodic) · Performance reviews (Suppliers, subcontractors and consultants performance evaluation) (Annually)	· Cost of services · Quality and timely delivery · Compliance issues · Contractual terms · Knowledge transfer and capacity building · Fair procurement process	· Continuity in business partnership · Works completed on time (subcontractor) · Material delivered as per schedule (supplier) · Comply with quality, health, safety and environmental requirements · Supplied materials/products are environmental friendly	· Sustainability Statement: (i) MSM 3: Supply Chain Management

Sustainability Statement

STAKEHOLDER ENGAGEMENT MAPPING (CONT'D)

Stakeholders	Engagement Channel (Frequency)	Stakeholders' Concerns	Company's Expectation	Relevant Sections
Media	· Press Releases (as and when required) · Advertisements (as and when required) · Announcements (as and when required)	· Company development · Financial and business updates · Community development initiatives · Communication of corporate updates and news · Public service announcements i.e. on road closures, traffic disruptions etc.	· Spread the good news · Public service announcements well delivered · The news is delivered accurately and timely	· Sustainability Statement: (i) MSM 1: Economic and Business Performance (ii) MSM 4: Health, Safety and Environment
Communities	· Corporate social responsibility activities (throughout the year) · Community engagement and outreach programmes (as and when required) · Strategic partnership (as and when required) · Town hall and dialogue sessions (ongoing)	· Impact of operations (i.e. health, safety, environmental and security) on community · Charity and giving donation · Local community development · Staying connected with the company · Access to project information	· No issues/ complaint raised · No stop work order	· Sustainability Statement: (i) MSM 1: Economic and Business Performance (ii) MSM 4: Health, Safety and Environment (iii) MSM 5: Diversity, Inclusivity and Social Justice
Civil Society Organisations	· Collaborative engagement sessions (as and when required)	· Health, safety and environmental issues · Security issues · Human rights · Local community support	· No issues/ complaint raised · No stop work order	· Sustainability Statement: (i) MSM 4: Health, Safety and Environment (ii) MSM 5: Diversity, Inclusivity and Social Justice

Table 5: Stakeholder Engagement Mapping

Sustainability Statement

MSM 1: ECONOMIC AND BUSINESS PERFORMANCE

Market Presence

AZRB is a leading Engineering and Construction ("E&C") group listed on the Main Market of Bursa Malaysia. The Group has grown tremendously since its formation in 1982, into a trusted and reputable leader in the industry. With experience in the business for more than 3 decades, our track record of achievement, as disclosed in the Awards and Recognitions section of this Annual Report, indicates our strong market presence in the industry. Apart from E&C, the Group is also involved in Oil and Gas ("O&G"), Property, Concession and Plantation.

Economic Performance

Since our listing on Bursa Malaysia in 1999, the Group had completed numerous construction projects nationwide and overseas. We have a strong track record in the construction of commercial buildings, infrastructure works, educational institutions, public buildings and amenities, and sport facilities, that brought confidence to our stakeholders. In our journey to become a resilient group and sustain our business, we continuously endeavour to incorporate sustainable practices into our operations and activities in our attempt to consistently create sustainable values for our stakeholders.

In February 2019, the E&C Division successfully replenished its order book balance by securing a RM150.5 million contract to build, refurbish and upgrade Petronas Office Complex ("POC") in Kertih, Terengganu. This has boosted the E&C Division's outstanding order book to RM1.6 billion as of 30 June 2020 which is expected to further sustain its business. In February 2020, the construction of the iconic Saloma Link ("SLINK") project was completed, which has created better connectivity between Kampung Baru and KLCC.

SLINK during the day and night time. The architecture of SLINK is inspired by the 'sirih junjung' concept, which is an integral part of the Malay wedding ceremony

With regards to the O&G Division, TBSB is equipped with integrated facilities which include liquid mud plant ("LMP") and dry bulk ("DB") that reside in the bonded area. Therefore, TBSB is able to cater to multiple Production Sharing Contract ("PSC") for a safe and cost-effective operation in meeting clients' requirements. Currently, TBSB has secured major contracts with several PSC operators, enabling our supply base to sustain its growing business.

Sustainability Statement

MSM 1: ECONOMIC AND BUSINESS PERFORMANCE (CONT'D)

Economic Performance (Cont'd)

LMP and DB facilities at TBSB

The performance of business divisions is further discussed in the Management Discussion and Analysis section of this Annual Report.

COVID-19: Protecting Our Business

The year 2020 has been the greatest challenge that we ever faced due to the COVID-19 pandemic. The Movement Control Order ("MCO") announced by the Government since 18 March 2020 has severely impacted our business whereby all our construction projects were temporarily suspended. This has resulted in supply chain disruption and difficulties in performing our contractual obligations or scheduled performance during the MCO period. However, as one of the critical industries, we obtained approval from the Government to gradually resume operation since end of April 2020, with strict adherence to COVID-19 prevention Standard Operating Procedure ("SOP") by the authorities.

Responding to the impacts of this pandemic, the Group has established a Special Task Force ("STF"), chaired by the Group Managing Director to identify and assess the impact of MCO amid the COVID-19 pandemic to our business operations covering 3 main areas, namely Protect Business Continuity, Build and Secure Liquidity and Engage Stakeholders. At the time of this report, the STF is formulating action plans to overcome and address identified challenges and at the same time identifying potential business growth opportunities as the economy is in its recovery phase. Detailed measures that we have taken in responding to the pandemic are further discussed in MSM 4: Health and Safety and MSM 5: Diversity, Inclusivity and Social Justice.

Indirect Economic Impacts

We are cognisant of the social impacts arising from the construction projects' life cycle. We define the social impacts as the social consequences to human population at where they live, work, interact and play. Hence, instead of becoming an economic-centric industry player, we do aim for the social benefits that can be derived from our projects as well.

For instance, upon completion of KLORR, it is expected that this project will be able to spur the surrounding economic development as well as will divert the traffic congestion from Middle Ring Road 2 ("MRR2"). Meanwhile, Kuantan folks will enjoy better accessibility between Tanjung Lumpur and Kuantan City Centre once our TGLK project is completed. A new shopping mall and hospital are planned to be developed within the vicinity area which will ultimately improve the local socioeconomic landscape and fulfil the needs of the local communities. Aside from this project, it is also expected that the connectivity of the Greater Kuala Lumpur will be improved significantly through the completion of MRT V202, MRT S202 and MRT S206 projects in Kepong and Seri Kembangan areas respectively, as part of the MRT Putrajaya Line alignment.

Sustainability Statement

Aerial view of TGLK and MRTS206 projects, which will enhance the connectivity of urban folks upon their completion

Awards, Recognition and Achievement

We continue to prove our excellent branding and track record in the industry by receiving multiple awards and recognitions. We are pleased to announce that we received the following awards and achievements for this reporting period.

List of Awards, Recognition & Achievement

- 5-Star SHASSIC Achiever Award for BBCC and UTP projects – Awarded by CIDB Malaysia (2020)
- 5-Star SCORE Award for AZSB – Awarded by CIDB Malaysia in collaboration with SME Corp (2019)
- Best Company for IR (Micro Cap Company Category) – Awarded by Malaysia Investor Relations Association ("MIRA") (2019)
- Best IR Website (Micro Cap Company Category) – Awarded by MIRA (2019)
- Merit Award for Most Improved CG Disclosure – Awarded by Minority Shareholders Watch Group ("MSWG") (2019)

In June 2020, AZRB achieved a 3-star rating[1] for the Environment, Social and Governance ("ESG") of Public Listed Companies ("PLCs") Assessment by FTSE Russell[2] in the FBM EMAS Index. The assessment was made in line with the FTSE4Good Bursa Malaysia review cycle. This new achievement indicates strong commitment of the Group in adopting the philosophy of ESG practices and our reporting disclosures, which will improve our capabilities and secure long-term value.

Note:

1. *3-star rating is defined as Top 26% - 50% by ESG Ratings amongst Public Listed Companies in FBM Emas that has been assessed by FTSE Russell. The maximum rating is 4-star, which is defined as Top 25%.*
2. *FTSE Russell is a leading global index provider that provides clients with sustainable investment data models, ratings, and indexes covering thousands of companies across developed and emerging markets globally. FTSE Russell's ESG Data Model produces ratings that are an objective measure of ESG exposure and performance in multiple dimensions (the FTSE ESG Ratings), which are used in certain FTSE sustainable investment indexes to determine the eligibility of index constituents.*

Sustainability Statement

MSM 1: ECONOMIC AND BUSINESS PERFORMANCE (CONT'D)

Corporate Governance

AZRB is always committed in maintaining and promoting high standards of corporate governance practices at all levels of operations, with the key objective of promoting greater transparency, maintaining market integrity and investor protection. Our commitment is proven through our recent achievement of winning Merit Award for Most Improved CG Disclosure 2018 during MSWG-ASEAN Corporate Governance Awards, held on 31 July 2019.

Pursuant to the enforcement of Section 17A of MACC Act 2009 (Amendment 2018), the Group has embarked on the implementation of MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") to comply with the law. A series of ABMS awareness training and workshops have been conducted to ensure the readiness of the Group with the new law. Several new policies and procedures have been established to ensure adequate controls are in place to prevent corruption at workplace.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ABMS: A Tool to Achieve Our Anti-Corruption Objective

Supports Sustainable Development Goal 16:
Peace, Justice and Strong Institutions through substantially reduced corruption and bribery in all their forms

A series of Awareness Briefing on MS ISO 37001 ABMS and Corporate Liability Law to the Board of Directors and Senior Management were delivered by Institut Integriti Malaysia ("IIM") and Malaysian Anti-Corruption Commission ("MACC") respectively

Below are the other initiatives conducted or measures taken to uphold good corporate governance culture within the Group:

- Establishment of Board Committees – Audit and Risk Committee, Nomination Committee, Remuneration Committee, Employees' Share Scheme Committee
- Implementation of Enterprise Risk Management – quarterly Risk Management assessment, Risk Management Policy and Risk Management Framework
- Disclosure of the Statement on Risk Management and Internal Control and Corporate Governance Overview Statement in the Company's Annual Report and Corporate Governance Report
- The Employee Handbook

Sustainability Statement

MSM 2: QUALITY AND INNOVATION

Integrated Management System

Since the certification of Integrated Management System ("IMS") by SIRIM in 2012, E&C Division is currently moving towards IMS Certification Scheme ("ICS") implementation by incorporating 3 reference standards, MS ISO 9001:2015 Quality Management System Standard, MS ISO 14001:2015 Environmental Management System Standards, and OHSAS 18001:2007 Occupational Health and Safety Management Systems. The objectives of ICS are to assess the level of understanding and implementation of IMS in the organisation and also to identify the continual improvement needed. The integration of these reference standards demonstrates our commitment to quality, health, safety and environment, through established objectives and targets as follows:

Quality Management System ("QMS")	Health, Safety and Environment Management System ("HSEMS")
• To meet the client's requirement • Promote quality within AZSB's subcontractors, suppliers and consultants • Continuously improve our processes in order to meet MS ISO 9001:2015 Quality Management System • Doing things right first time, every time	• To reduce the safety and health risk to employee and public • To fully comply to legal and other requirements • To minimise the negative impact of environmental aspects at project site • To promote HSE within AZRB/AZSB • To conduct Emergency Drill

Table 6: QMS and HSEMS Objectives

Customer Satisfaction

Meeting our customer expectation is vital for us as this would lead to improving loyalty level, reducing costs and retaining our customers. With that in mind, the E&C Division prepares a Project Quality Plan ("PQP") prior to the start of any projects in order to ensure the timely delivery of projects in meeting our client expectations. The PQP sets out the objective, description, schedule, contract information and responsibility for a project.

In an effort to track our achievement in customer satisfaction and gaining valuable feedback, we have conducted customer satisfaction survey with the aim to achieve an overall rating of at least 75% for all projects in E&C Division and 70% for O&G Division.

Sustainability Statement

MSM 2: QUALITY AND INNOVATION (CONT'D)

Customer Satisfaction (Cont'd)

- *Contract Management and Procurement*
- *Quality Management*
- *Project Management and Operation*
- *Safety and Health Management*
- *Technical and Design Quality*
- *Environmental Management*

Figure 5: List of Customer Satisfaction Survey Criteria

In this reporting period, we are proud to highlight that we achieved a customer satisfaction score of more than 75% for most of our projects.

Quality

In measuring our project quality performance systematically and to standardise good practices across all projects, we have developed AZRB Internal Quality Assessment ("AIQA"). Our existing AIQA was developed based on the Construction Industry Standard issued by CIDB, CIS 19:2011 (QLASSIC for Road Works), CIS 7:2006 (QLASSIC for Building Construction Works) and AZRB IMS. Three main criteria are assessed thoroughly in this assessment – workmanship, records and non-conformance. In this reporting period 5 projects achieved an average score of 80% in AIQA assessment.

Innovation Features and Technology

As a progressive business entity, AZRB consistently keeps up with the latest innovation features and new technology to be integrated into our operations in order to enhance safety, quality, and project monitoring as well as to reduce environmental impacts and to optimise cost. Below is the list of prominent innovation features being implemented at our projects:

- ***Building Information Modelling (BIM)***
- ***Industrialised Building System (IBS)***
- ***System Scaffolding***
- ***Drones***
- ***Vessels' Communication***
- ***Continuous Steriliser***

BIM: Improving Coordination

At AZRB, we strive to provide high quality services to our clients and in pursuit of that, we have implemented BIM across our E&C projects. With BIM, our interfacing team managed to coordinate complex construction activities with a high degree of accuracy, thus improving quality of the end products. The MRT projects, for instance, involve intensive coordination internally and between contractors due to the nature of the project and BIM has made the processes become seamless.

Sustainability Statement

IBS: Revolutionising the Industry

As Malaysia moves towards greater efficiency, productivity, quality and safety in construction, IBS holds the master key to success. Construction Industry Development Board ("CIDB") classifies IBS components into precast concrete system, metal framing system, formwork system, timber framing system and blockwork system. At AZRB, we are committed to responding to CIDB's efforts to revolutionise Malaysia's construction industry by integrating IBS into our projects. For instance, formwork system is being implemented at our projects in order to reduce construction waste, optimise manpower and improve quality of workmanship.

1. **Precast Concrete System**	– Precast concrete is being used at certain projects such as UDA, MRT V202, KLORR and TGLK
2. **Metal Framing System**	– Integration of metal framing system for UTP2 project
3. **Formwork System**	– PERI formwork system is being implemented at UDA and BBCC projects – DOKA formwork is being implemented at PNB project
4. **Blockwork System**	– AAC blockwork is being used at MRT S206 and UDA projects

Application of formwork system and blockwork system at our project

System Scaffolding: Promoting Efficiency

System scaffolding which is also known as modular scaffolding promotes greater efficiency through its flexibility and adaptability. The flexible components of this type of scaffolding can be adjusted to fit the needs of various tasks at the jobsite which makes it cost-effective. On top of that, modular scaffolding is also very easy to set up, store and transport as they can be stacked on top of each other. At AZRB, we use Crab 60 modular scaffolding at MRT S206, MRT V202, UTP2, BBCC and UDA projects which has proven to be functional in optimising manpower and cost as well as accelerating progress.

Drones: Enhancing Project Monitoring

Utilisation of Unmanned Aerial Vehicles ("UAVs") or drones helps in monitoring construction progress as well as tracking workers, equipment and material on the jobsite. On top of that, it is also efficient and cost-effective to use drones for inspection in remote areas where it is impossible or hazardous for humans to enter such as on top of a tall structure, on and under bridges and along busy highways. At AZRB, we use drones to improve monitoring at our MRT S206, MRT V202 and KLORR projects.

Sustainability Statement

MSM 2: QUALITY AND INNOVATION (CONT'D)

Vessels' Communication at TBSB

At TBSB, safety of the supply base remains our top priority. The installation of Automatic Identification System ("AIS") detection, for instance, enables us to avoid potential vessel collision near the supply base. Additionally, in providing accurate navigation for the vessels to the supply base, we have also installed satellite at TBSB. Considering the location of our supply base at the mouth of Semerak River, TBSB has deployed buoy as barricade to mark shallow areas at jetty areas. This is to avoid vessels from being stranded while approaching TBSB navigation channel.

Continuous Steriliser at PTIGP

Identified as one of the key processes in palm oil production, sterilisation process at our mill in PTIGP is conducted by using continuous sterilisation ("CS") technology. Compared to the conventional technology i.e. cylindrical pressure vessels or vertical position, CS is an environmentally friendly technology since no blowdown silencer during the steam release from boiling unit is required. CS also requires less energy usage with minimal maintenance and is able to produce higher Oil Extraction Rate ("OER") at an affordable cost, making our mill processing at PTIGP more cost effective.

MSM 3: SUPPLY CHAIN MANAGEMENT

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

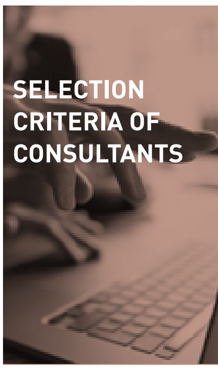
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Procurement Practices

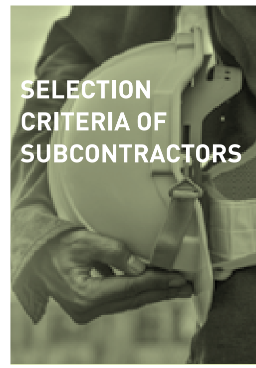
As a responsible business entity with a diversified business portfolio, we are committed to ensuring that our procurement process across our business segments conform to the Quality Management Systems ("QMS") in accordance with the MS ISO 9001:2015 standards. Collaboration between relevant departments has been our main procurement practice in securing qualified subcontractors, suppliers, and vendors.

Sustainability Statement

For E&C Division, we have developed a few internal procedures pertaining to procurement of consultancy services and subcontractors as follows:



1. Good track record of past projects
2. Experience in similar projects within the specified range value
3. Registered with professional bodies
4. Willing to participate on success basis (no formal engagement until successful)
5. Registered with Ministry of Finance
6. Any other criteria required and/or agreed by the Client



1. Price quoted is fair and reasonable
2. Sufficient and available resources/facilities
3. Confirmed and agreed to follow our work programme schedule
4. Past experience and performance with E&C
5. Others – terms of payment and contract requirement

Figure 6: Selection Criteria of Consultants and Subcontractors

To achieve our objective in promoting quality within E&C Division, we conducted Subcontractors, Suppliers and Consultants performance evaluation exercise on an annual basis.

Local Supplier

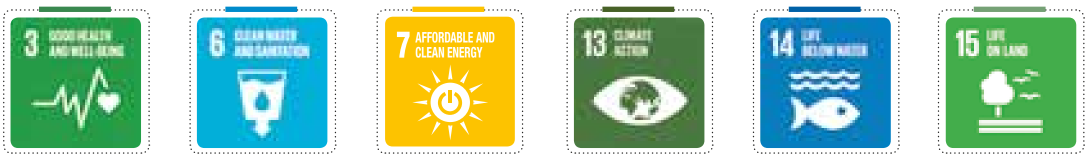
We seek to support local suppliers whenever possible depending on the nature of the projects and subject to clients' requirements. This resembles our commitment to boost the local economy through creation and application of green products and sustainable building materials among our suppliers. We also encourage the usage of regional materials to reduce environmental impacts caused by freight transportation in our supply chain. The construction materials like concrete, reinforcement bar and common clay brick are 100% locally-sourced.

JD Edwards ERP System

In optimising the amassed financial information in each business segment, AZRB and selected subsidiaries have adopted e-Business Management Solution as our new Enterprise Resources Planning ("ERP"). Through JD Edwards, this ERP System enables AZRB to share information between all components of the organisation, avoid redundancy of records or playback operations, enhance reliability of information accuracy and improve our overall performance.

Sustainability Statement

MSM 4: HEALTH, SAFETY AND ENVIRONMENT



HSE Policy and Certifications

At AZRB, Health, Safety and Environment ("HSE") is one of our most important MSMs due to the nature of our business. For E&C Division, our HSE Policy is implemented through defined objectives and targets in achieving and sustaining:

- The safe and healthy working environment;
- The prevention and elimination of work-related injuries and illness;
- The prevention of pollution to the environment from our activities; and
- The compliance with legal and other requirements related to health, safety and environment

The Group's strong commitment towards HSE is supported through the maintenance of our OHSAS 18001:2007 and MS ISO 14001:2015 accredited certification by SIRIM QAS International. The Group is now upgrading from OHSAS 18001:2007 to MS ISO 45001:2015, which is targeted to be implemented by the end of 2020.

At our O&G Division, as required by the authorities, both TBSB and ICSB have established Drug & Alcohol Policy to help maintain a safe and healthy working environment through strict prohibition of use and abuse of drugs and alcoholic beverages. The HIV & AIDS Policy and Smoking Policy are also established at TBSB.

HSE Committee

In an effort to address our HSE concerns, at AZRB we have established our HSE management system to govern and align our objectives towards ensuring a safe and healthy working environment. As illustrated in Figure 7, the HSE Committee is established at Menara AZRB and replicated at all project sites. Meanwhile at O&G Division, an Emergency Response Team ("ERT") is also established, which comprises 4 units, namely oil spill, rescue team, first aider and firefighting – which react and manage any incidents at our operations. For Plantation Division, HSE Department is also established to monitor the safety aspects of the working environment and to carry out investigations in case of any accidents occurred at our estates or mill.

Sustainability Statement

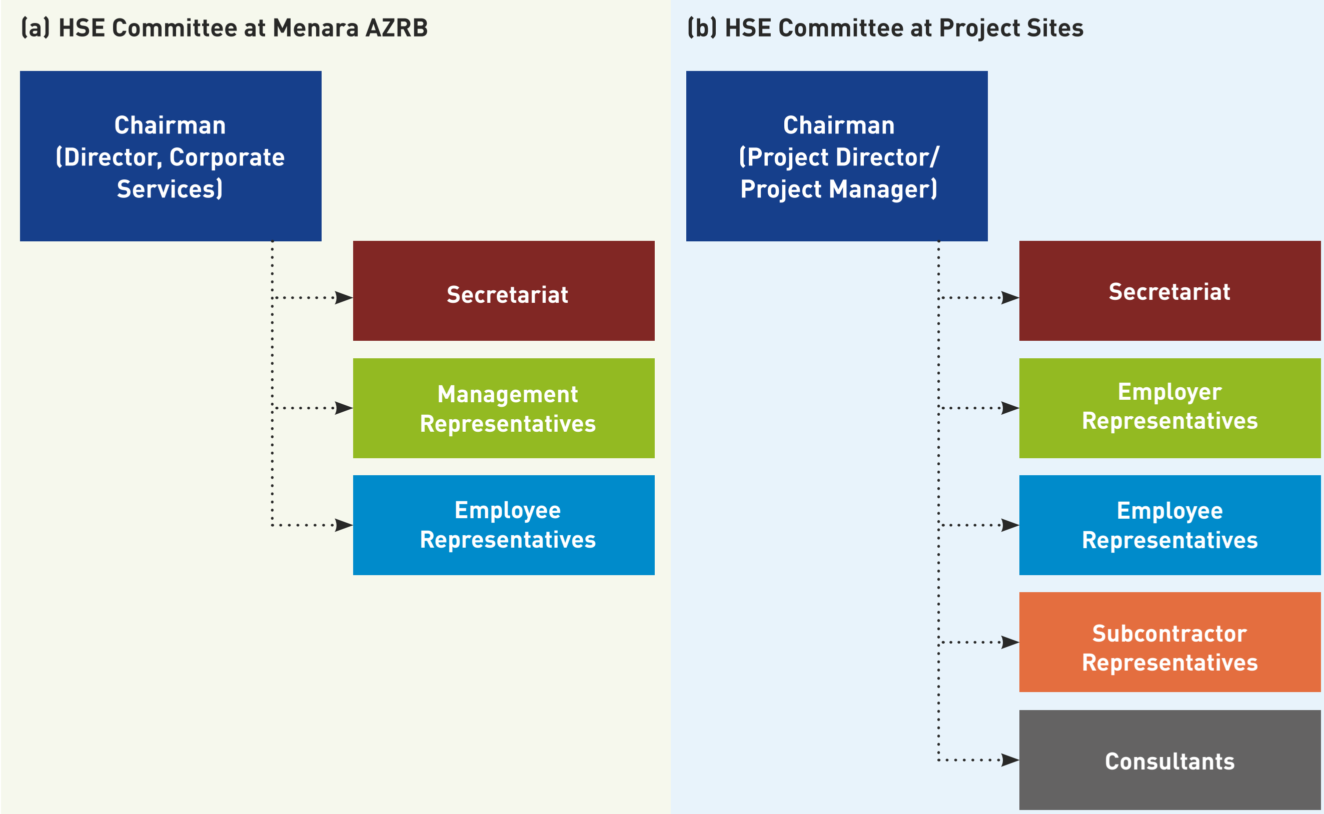


Figure 7: HSE Committee at (a) Menara AZRB and (b) Project Site

Compliance Registry

Our compliance towards rules and regulations is the highest, through regular checking and monitoring by our HSE team. At E&C Division, we periodically evaluate the conformance and performance of our projects with respect to the IMS, QHSE objectives and targets, legal registry and other relevant requirements, including applicable permits and licenses. Evaluation reports are generated through site investigations, site inspections, reviewing records and conducting audits and interviews with the person working on the organisation's behalf.

What We Adhere To?	
1. Factories and Machinery Act 1967	7. Local Government Act 1976
2. Occupational Safety and Health Act 1994	8. Electricity Supply Act 1990
3. Road Transportation Act 1987	9. Customs Act 1967
4. Street, Drainage and Building Act 1974	10. Merchant Shipping Ordinance 1952
5. Uniform Building By Laws 1984	11. Solid Waste and Public Cleansing Management Act 2007
6. Environmental Quality Act 1974	

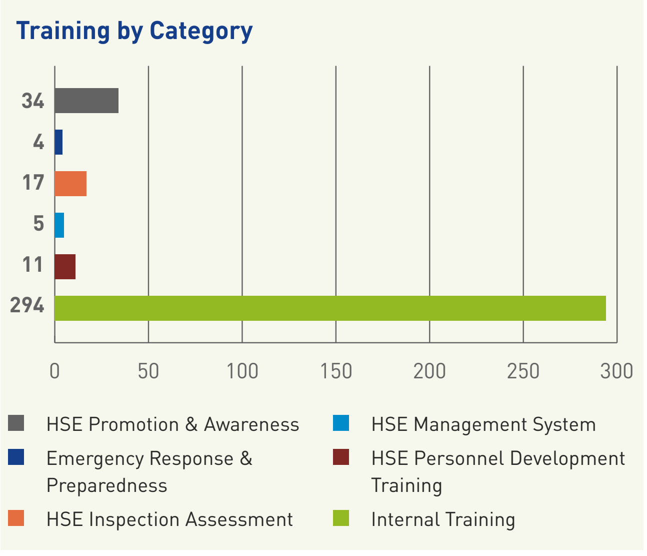
Table 7: List of Compliance Registry

Sustainability Statement

MSM 4: HEALTH, SAFETY AND ENVIRONMENT (CONT'D)

HSE Training and Competency

Throughout the reporting period, we conducted a total of 365 HSE training for the E&C Division. These trainings comprised a wide range of HSE training requirement, divided into several categories, as shown in Figure 8, i.e. Internal Training, Personnel Development Training, Management System, Inspection & Awareness, Emergency Response & Preparedness and Promotion & Awareness. For E&C Division, we sent 66.18% of staff for at least 1 training, exceeding our target – to send 60% of employees for training, annually.



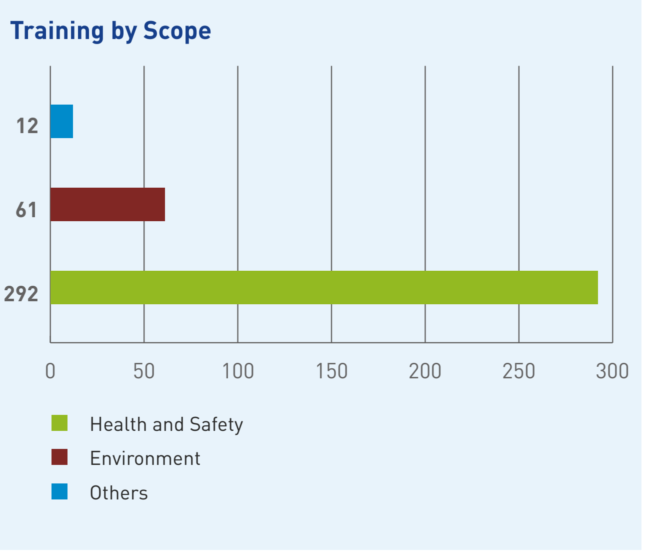


Figure 8: HSE Training at E&C Division

Emergency drill and HSE trainings conducted at our construction project sites

Sustainability Statement

The competency of our employees remains assured, for them to execute the tasks with quality in a safe working environment. The competencies of our employees are listed as follows:

1. Green and Yellow Book Holder
2. Competent Scaffolder
3. Certified Environmental Professional in Scheduled Waste Management
4. Certified Erosion, Sediment and Storm Water Inspector
5. Certified Inspector Sediment & Erosion Control
6. Authorised Gas Tester
7. Authorised Entrant and Standby Person for Confined Space
8. Green RE Manager/Facilitator

Health and Safety Matters

Performance

In this reporting period, we are proud to announce that we achieved no Loss Time Injury ("LTI") at most of our construction projects.

One of the challenges that we faced in completing our construction projects is property damage. We managed the reported incidents by taking corrective action such as ensuring the catch net and catch platform are in good condition, clearing all loose materials from edge building and ensuring tower crane swing is within the construction boundaries. In the meantime, the team also conducted close engagement with the affected property owners and residents to reduce the impact of raised issues in the future.

Pertaining to incidents at project sites, there were a few cases recorded during the period. Nevertheless, as a responsible company, we have conducted several measures which include revision of Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and relevant procedures, inspection of machinery, revision of operator competency, re-induction of workers and frequent toolbox briefing.

Initiatives

Among the Health and Safety initiatives practised at E&C Division include site walks by the Management on a periodic basis; Behavioural Based Safety ("BBS") Programme; providing feedback or complaint box for suggestion or complaint; and Carrot and Stick Programme – a program which motivates staff by creating actionable goals and rewards for employees who are able to alter their behavior and performance.

Sustainability Statement

MSM 4: HEALTH, SAFETY AND ENVIRONMENT (CONT'D)

Initiatives (Cont'd)

Meanwhile, in preventing and controlling the spread of dengue fever at our project sites, regular fogging exercise and on-site inspection with Ministry of Health ("MOH") officers are conducted at all sites. As part of our Risk Management assessment exercise, we also conducted health and safety related risk assessment throughout our existing and potential projects.

At O&G Division, one of the Health and Safety initiatives is the establishment of You See You Act ("UCUA") campaign. Through this initiative, our employees and workers report unsafe conditions and unsafe acts. This initiative is able to resolve a lot of safety and hazardous issues, whereby the programme report is prepared to our client accordingly.

The COVID-19 pandemic has severely impacted our operation at sites, particularly in handling a safe working environment. Adjusting to the new norm, AZRB has outlined comprehensive safety procedures as part of our compliance towards the regulations set by the authorities. The practices include health screening prior to entering any premises, swab test for workers at sites, usage of face mask and the practice of physical distancing at all times.

During the MCO, physical distancing and wearing of face mask are practised at Menara AZRB and project sites

Environmental Matters

Performance

AZRB is committed to controlling and preventing environmental pollution within our operations to preserve a healthy ecosystem. Our E&C Division has established the Environmental Management Plan to ensure that we are strictly in compliance with the laws, standards and guidelines:

- Malaysia's Environment Quality Act 1974
- New Malaysian Ambient Air Quality Standard
- Guidelines for Environmental Noise Limits and Control (2019), 3rd Edition, by DOE
- National Water Quality Standards for Malaysia
- Standard Methods for the Examination of Water and Wastewater (2005), 21st Edition by APHA, AWWA and WEF

Sustainability Statement

We monitor air, noise and water quality levels at project sites on a periodic basis to ensure compliance with the Environmental Quality Act 1974. As listed in one of our HSEMS objectives, i.e. to minimise the environmental aspects at project sites, we set the target to improve the quality of air, water and noise by 20% in comparison with the previous year that exceed the DOE and/or baseline limits (whichever is higher). As of December 2019, we recorded air quality improvement by 20% at all construction projects. Meanwhile, the water quality at most of our construction projects also improved by 20%. In addition, we also prohibit open burning within our project sites to prevent emission of hazardous gases, smoke and particles to the surrounding environment.

Initiatives

AZRB is continuously reviewing and improving our construction methods, tools and materials to perform our best in delivering quality construction work and services with minor negative impact possible to the environment. Throughout our projects, we adhere to the best practices of construction activities, such as implementation of Erosion and Sedimentation Control Plan ("ESCP"), implementation of stormwater management plan, weekly inspection on site and submission of ESCP.

Based on the incident statistic recorded, the highest incident cases arising from our construction activities are from environment aspect. At one of our construction projects, namely KLORR, the issues that we faced are Ampang Intake shutdown, high turbidity and overflow issues. Responding to that, we have conducted investigations on the source of pollution and put more efforts on ESCP i.e. maintaining the clogged drain and silt fences.

Figure 9: Environmental Initiatives at Project Site

At O&G Division, we are fully aware of the probability of chemical and oil spillage during operation, bunkering and warehouse activities. As the chemical and oil spillage will damage the marine ecosystem, we strictly ensure that any spillage incident is managed in accordance to the procedures. We also provide oil spill equipment (Tier 1) to mitigate oil spillage at the jetty area. In the event of spillage, our ERT will act as the first respondent, prior to informing the PSC.

At Plantation Division, we also strive to combat air pollution due to open burning. One of the challenges that we faced is the open burning within the estates area, whereby additional monitoring towers are constructed at strategic points to detect and control open burning within our estates.

Sustainability Statement

MSM 4: HEALTH, SAFETY AND ENVIRONMENT (CONT'D)

Green Building Projects

In meeting the demands of stakeholders who always seek for sustainable projects, we have participated in constructing green building projects. Engaging with various clients and meeting all technical requirements, we managed to further upscale our capabilities and expertise in green building projects. In the past decade, we have proven excellent track records in completion and construction of green building nationwide, as follows:

No	Project	Green Rating	Status
1	Menara Kementerian Kerja Raya, Kuala Lumpur	GBI Platinum	Completed 2015
2	IIUM Medical Centre, Kuantan, Pahang	Energy Efficiency Building	Completed 2016
3	Residensi UTMKL, Kuala Lumpur	GBI Silver – Retail GBI Certified – Residence Tower	Completed 2017
4	PJHZ, Precinct 1, Putrajaya	GBI Certified	In progress
5	PNB, Jalan Sultan Ismail, Kuala Lumpur	GBI Platinum & Certified	In progress
6	UDA, Kampung Baru, Kuala Lumpur	GBI Gold	In progress
7	POC, Kerteh, Terengganu	GBI Gold	In progress

Table 8: List of Green Building Projects

Sustainable Office Challenge

It is yet another exciting year for AZRB as we diversified our environmental-based initiatives. Following our successful Waste to Wealth ("W2W") initiative in 2017 and 2018, in 2019 we expanded W2W into a larger scope and new branding – namely, Sustainable Office Challenge ("SOC"). Coordinated by the Sustainability Department, SOC is an initiative to encourage our employees to practise a sustainable working lifestyle at the workplace particularly towards energy saving, water saving and waste management.

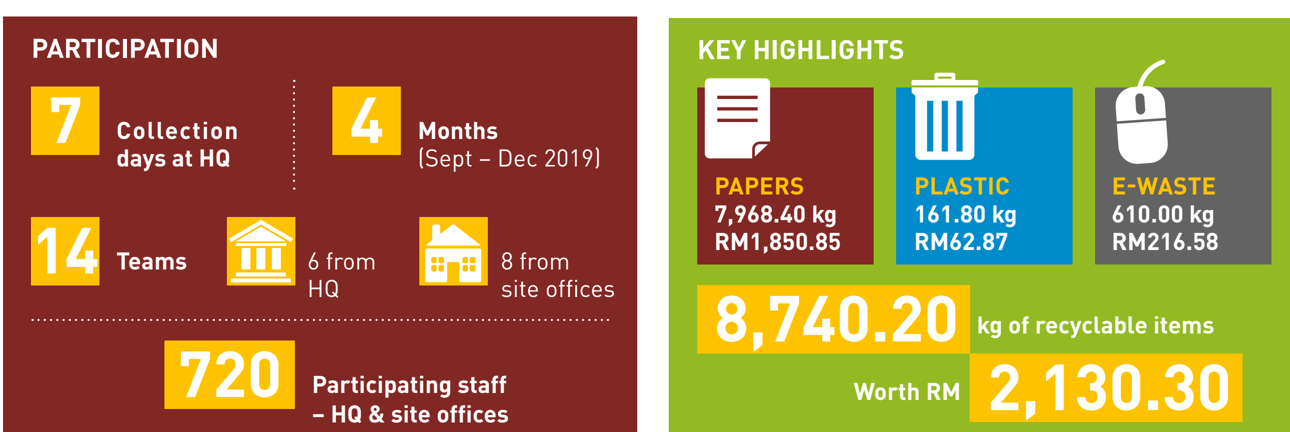


Figure 10: Summary of SOC Achievement

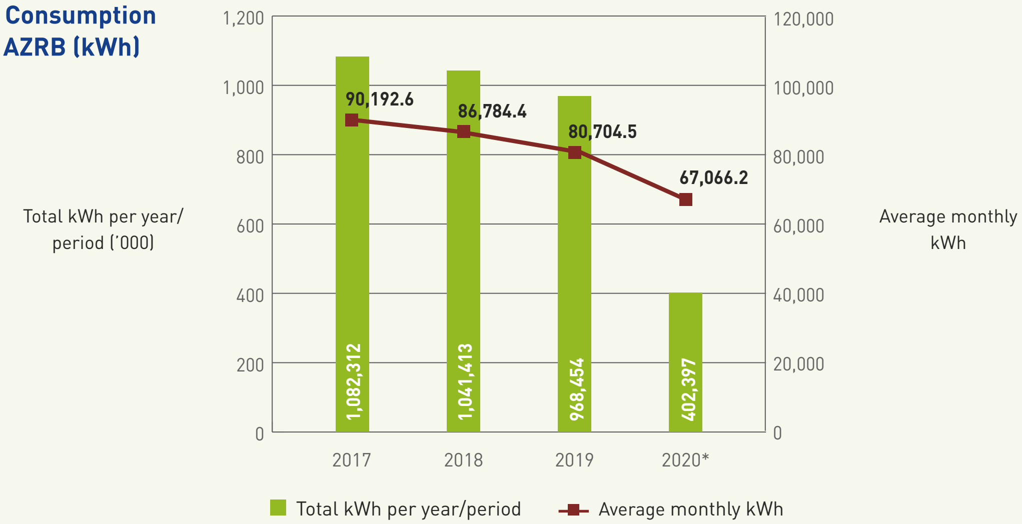
Sustainability Statement

Placement of recycle bin set and energy saving awareness stickers at Menara AZRB

During the SOC programme, we placed energy saving and water saving stickers at the common areas of Menara AZRB. These stickers provide a quick reminder for the staff to save water and save energy. Meanwhile, to promote the recycling lifestyle at the workplace, we have placed a set of recycle bins at Menara AZRB Café for everyone's convenience.

During the 18-month period under review, AZRB consumed 1,370,851 kWh amounting to RM792,835.68 of electricity. The electricity consumption at Menara AZRB has decreased significantly over the past 3 years due to energy saving practices observed at the workplace by turning off the air conditioners during lunch hour and 30 minutes earlier before end of the working hours. At the common areas, the air conditioners are set at the most optimal temperature i.e. 24° Celsius. The comparison of total and average consumption of electricity at Menara AZRB is depicted in the following graph:

Figure 11: Electricity Consumption at Menara AZRB (kWh)



* For 6 months ended 30 June 2020

Sustainability Statement

MSM 4: HEALTH, SAFETY AND ENVIRONMENT (CONT'D)

Security and Assets

Back in 2018, we established the AZRB Security Policy, which is handled by the Security Department. The Security Department is responsible to identify, secure, prevent and investigate all security matters across AZRB Group. The Policy covers multiple security matters such as physical security, assets security and information technology security. This Policy shows our commitment in providing security to our employees and assets. It is also our practice to log and report all incidents, loss and security issues to the Security Department on a monthly basis, where investigations are conducted accordingly.

At O&G Division, we conducted a control mechanism of asset loss/damage by tagging our assets, providing assets insurance and vehicle inspection in and out from the supply base at the main gate by our Auxiliary Police.

MSM 5: DIVERSITY, INCLUSIVITY AND SOCIAL JUSTICE

People are the backbone of the organisation. We believe that creating a conducive working environment for our people will ultimately boost our productivity in all aspects.

Employee Distribution

The Group views our people as one of the most valuable and crucial assets. Our people have a diverse background and experience, which play an important role in ensuring the Group's growth. We strive to cultivate a harmonious working environment that allows equal opportunities for all, ensuring that our people are treated with dignity and respect regardless of culture, gender, age and ethnicity. The distribution of our employees at the head office payroll is illustrated as follows:

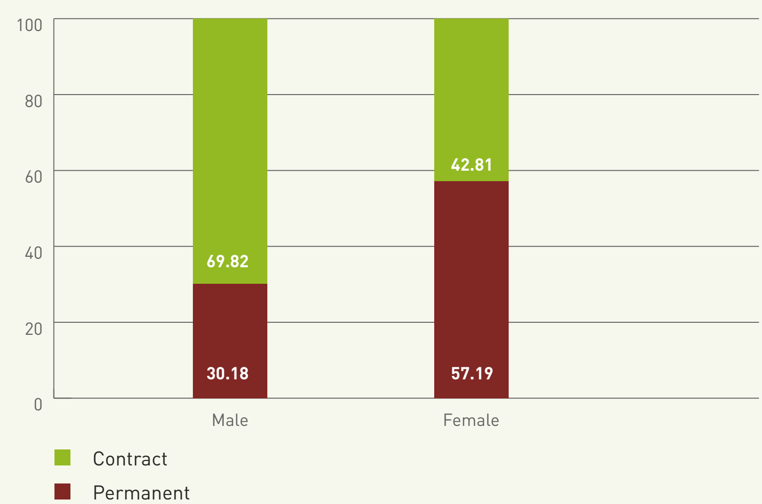
Designation	Gender				Age Group						Total
	Male		Female		<30		30-50		>50		
	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.
Executive	417	58.82	226	72.20	145	46.62	422	70.45	76	67.86	643
Non-Executive	292	41.18	87	27.80	166	53.38	177	29.55	36	32.14	379
Total	**709**	**69.37**	**313**	**30.63**	**311**	**30.43**	**599**	**58.61**	**112**	**10.96**	**1,022**

Sustainability Statement

Designation	Ethnicity								Total
	Malay		Chinese		Indian		Others		
	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.
Executive	622	62.51	12	92.31	5	55.56	4	80.00	643
Non-Executive	373	37.49	1	7.69	4	44.44	1	20.00	379
Total	**995**	**97.36**	**13**	**1.27**	**9**	**0.88**	**5**	**0.49**	**1,022**

Table 9: Employee Distribution

Figure 12: Type of Employment by Gender (%)



Staff Welfare

The welfare of our employees remains our top priority. Our employees enjoy various benefits which range from medical benefits (insurance and health care), facilities for disabled employees (parking & toilets), parental leave, library facilities and free van shuttle services for LRT commuters.

Meanwhile, at the site projects, the workers are not left behind. We provide sufficient drinking water and wash area, adequate number of toilet and urinals, rest area and first aid equipment including Automated External Defibrillator ("AED").

Sustainability Statement

MSM 5: DIVERSITY, INCLUSIVITY AND SOCIAL JUSTICE (CONT'D)

Staff Welfare (Cont'd)

Some of the facilities provided at our construction project sites

At our Plantation Division, our staff and workers are provided with a wide range of benefits to cater to their basic living requirement and needs such as allowances (office, transportation, meal, telephone, fuel and retirement) and health insurance. We also coordinated multiple programmes for our staff and workers such as Career Planning Programme, Motorcycle Ownership Program, HR Development and Training Program, Family Gathering and performance-based awards.

Human Rights

At AZRB, we adhere to all applicable laws and regulations related to human rights. As set out in AZRB Employee Handbook, part of the initiatives we have taken to safeguard the human rights of individuals are as listed below:

- Comply with all applicable laws related to employee compensation including minimum wage and legally mandated benefits;
- Comply with laws regarding working hours;
- Prohibit discrimination in hiring and employment practices including gender, race, religion, age, disabilities and nationalities;
- Prohibit physical abuse and harassment;
- Prohibit forced labour and child labour; and
- Prompt action on matters related to grievance and whistleblowing procedures.

It is our priority to ensure good working and living conditions for our employees including foreign workers. At our Centralised Labour Quarters ("CLQs") in Sungai Buloh and Dengkil, Selangor, we provide a secure accommodation for our workers with several health and safety necessities.

We also tightened our controls by enforcing regular checks at CLQs and at project sites. We understand that non-compliance to legislation will disrupt our work progress as the authorities will impose stop work orders. Therefore, it is our practice to conduct regular engagement with our subcontractors through briefings and by imposing strict penalties for non-compliance.

Sustainability Statement

COVID-19 – Managing our Operation and Foreign Workers

1. All project sites were closed from 18 March 2020 as our compliance towards the announced Movement Control Order ("MCO") by the Government
2. From 29 April 2020 (MCO-3), the Ministry of International Trade and Industry ("MITI") allowed all our 13 projects to resume operations with all conditions, Standard Operating Procedures ("SOP") and guidelines to be strictly adhered to
3. A total of 3,700 screening tests for all our foreign workers have been conducted and no COVID-19 positive cases were reported among our foreign workers


COVID-19 swab test among the employees and workers


COVID-19 prevention measures at sites: temperature checking at entrance and physical distancing practice

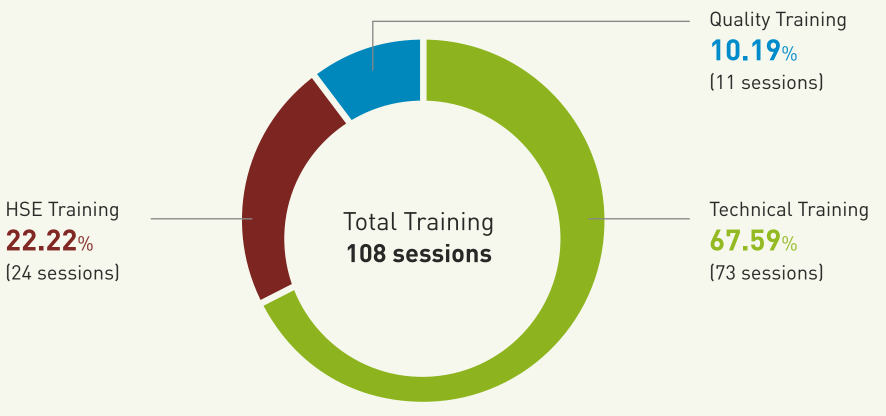
Sustainability Statement

MSM 5: DIVERSITY, INCLUSIVITY AND SOCIAL JUSTICE (CONT'D)

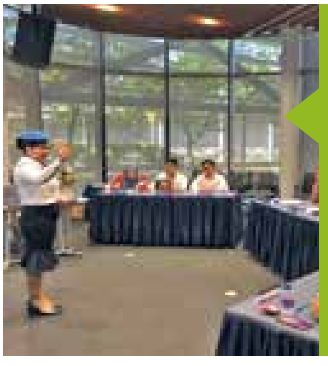
Training and Career Development

Our employees are our valuable assets. As such, we are committed to providing and equipping our employees with the necessary skill sets in enhancing their potential to deliver their tasks. Within the reporting period, AZRB Training and Development invested RM133,832.86 for a total of 108 capacity building and training sessions. The breakdown of the training scope attended by our employees are depicted below:

Figure 13: Categories of Training



In nurturing our future talents, we offer career development programs for fresh graduates to be part of our Company. During this reporting period, we hired 3 Professional Training & Education for Growing Entrepreneurs ("Protégé") and 6 GenNext. Both programs are aimed at increasing the graduates' employability for placing themselves in this sector. With a diversified background (i.e. civil engineering, construction management and quantity surveying), all GenNext are on a 3-month rotation basis across multiple Divisions for 2 years period. Upon completion of the GenNext programme, they are absorbed as permanent staff at the respective department or project.



A series of training sessions conducted to upscale general and technical skills of our employees. In 2019, AZRB formed its own Toastmasters Club, in collaboration with Fusion Inspired Toastmasters Club

Sustainability Statement

KSR Activities

In promoting a work-life balance among our employees, weekly activities have been conducted by Kelab Sukan dan Rekreasi AZRB ("KSR"), which range from sports activities (futsal, badminton, zumba and tabata) and recreation activities (hiking and white-water rafting). KSR also held annual events such as Piala Dato' Sri Wan Zakariah Futsal Tournament and KSR AZRB Bowling Tournament 2020.

Our employees benefiting from sports and recreation activities, organised by KSR AZRB

Aside from sport and recreational activities, KSR has also conducted a series of talks that aimed at providing knowledge and exposure to our employees in a leisure and casual way. These talks series were conducted during lunch hour covering various topics i.e. mental health, grooming, spiritual and finance, which were delivered by experienced external speakers. All KSR activities have received very warm support and active participation from our employees – at both HQ and site offices.

Sustainability Statement

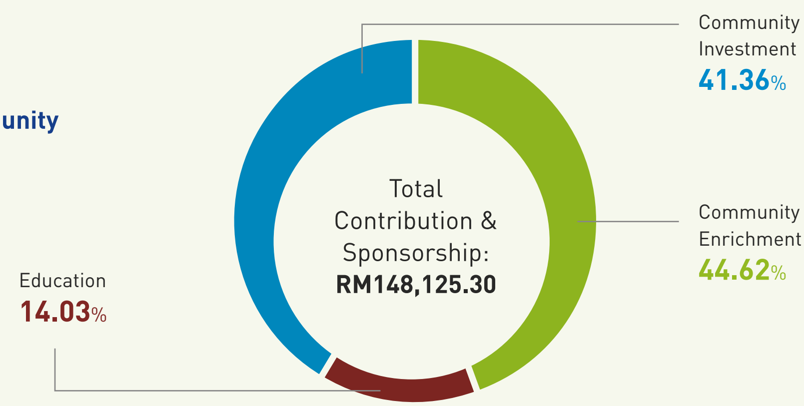
MSM 5: DIVERSITY, INCLUSIVITY AND SOCIAL JUSTICE (CONT'D)

Community Outreach Programmes

During the reporting period, we continued to engage our internal and external stakeholders that surround the vicinity of our business and operation sites across all Divisions. Through our community projects, we strive to positively contribute to both social and economic wellbeing of the communities. At AZRB, we divided our community projects into three categories:

- Community Enrichment – contributions for festive seasons such as 'Hari Raya Aidilfitri', 'Hari Raya Aidiladha', and 'gotong-royong'
- Community Investment – contributions for zakat, during COVID-19 and for underprivileged groups
- Education – awards for excellent students and "Back to School" programmes

Figure 14: Our Contribution & Sponsorship to the Surrounding Community



Among Community Engagement Programmes organised by AZRB – Best Student Awards, Hari Raya Open House and contributions for zakat wakalah and ibadah qurban

FINANCIAL STATEMENTS

110 Directors' Report
119 Independent Auditors Report
125 Statements of Profit or Loss and Other Comprehensive Income
127 Statements of Financial Position
129 Statements of Changes in Equity
135 Statements of Cash Flows
141 Notes to the Financial Statements
256 Statements by Directors
257 Declaration by the officer primarily responsible for the financial management of the Company

Directors' Report

The Directors of **AHMAD ZAKI RESOURCES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period from 1 January 2019 to 30 June 2020.

CHANGE OF FINANCIAL YEAR END

During the financial period, the Group and the Company have changed their financial year end from 31 December to 30 June. Accordingly, the financial statements of the Group and the Company for current financial period are drawn up for a period of eighteen (18) months from 1 January 2019 to 30 June 2020 and that the subsequent financial year shall end on 30 June annually.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, providing management services and as contractor of civil and structural works.

The information on the name, principal activities, country of incorporation and proportion of ownership interest and voting power held by the Company in each subsidiary and associate is disclosed in Note 19 and Note 20 to the financial statements respectively.

RESULTS OF OPERATIONS

	Group RM'000	Company RM'000
Loss for the period attributable to:		
Owners of the Company	(98,321)	(3,419)
Non-controlling interests	(12,907)	-
	(111,228)	(3,419)

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial period except as disclosed in the financial statements.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up share capital of the Company during the financial period.

There were no debentures issued during the financial period.

WARRANTS

The warrants are constituted by a Deed Poll dated 18 March 2014. Each warrant entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 14 May 2014 until 13 May 2024 at an adjusted exercise price of RM0.63 per share for every warrant held in accordance with the provisions in the Deed Poll. Any warrants not exercised at the date of maturity will lapse and cease to be valid for any purpose.

As at 30 June 2020, the total numbers of warrants that remain unexercised were 116,201,952.

EMPLOYEES' SHARE SCHEME

At an extraordinary general meeting ("EGM") held on 17 March 2014, the Company's shareholders approved the establishment of an Employees' Share Scheme ("ESS") of up to 15% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of the Company and its subsidiaries which are not dormant at any point in time. The ESS was implemented on 18 August 2014 ("Effective Date") for a period of 5 years which expired on 17 August 2019. The ESS has been extended for a further period of 5 years expiring on 17 August 2024.

The salient features of the ESS are, inter alia, as follows:

(i) Eligible employees are those full time employees whose employment with the Group have been confirmed while eligible Directors are those Directors including non-executive and/or independent Directors of the Group. The maximum allocation of ESS Shares Award and ESS Options ("Awards") to the Directors has been approved by the shareholders of the Company at the EGM.

(ii) The aggregate maximum new number of shares to be issued under the ESS shall not exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares) at any time throughout the duration of the ESS.

The ESS shall be valid for a period of 5 years and may be further extended for a maximum period of 5 years and such extension shall not in aggregate exceed the duration of 10 years from the Effective Date.

(iii) Following the implementation of the Companies Act, 2016, the exercise price of each share comprised in the ESS Options shall be at a discount (as determined by the ESS Committee) of not more than 10% to the 5 market days' volume weighted average market price of the underlying shares preceding the award date of the ESS Options or the par value of the Company's shares, whichever is higher.

Directors' Report

EMPLOYEES' SHARE SCHEME (CONT'D)

(iv) The allocation of ESS Options to any individual eligible employee or Director who either singly or collectively through persons connected with them, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares), shall not exceed ten percent (10%) of the new shares of the Company to be issued pursuant to the ESS.

(v) The actual number of shares which may be awarded under the ESS Shares Award shall be at the discretion of the ESS Committee. The ESS Committee may stipulate any terms and conditions it deems appropriate in an ESS Shares Award and the terms and conditions may differ.

(vi) If the ESS Shares Award is not accepted in the manner as set out in the By-law, the ESS Shares Award shall automatically lapse upon the expiry and be null and void.

(vii) The ESS Committee shall, as and when it deems practicable and necessary, reviews and determines at its own discretion the vesting conditions in respect of an ESS Shares Award which includes, amongst others, the following:

(a) the grantee must remain an employee as at the vesting date;

(b) the performance conditions are fully and duly satisfied; and/or

(c) any other conditions which are determined by the ESS Committee.

(viii) The new shares to be allotted and issued under the ESS shall rank pari passu in all respects with the then existing shares of the Company except that the new shares shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of the allotment of the new shares.

The movements in ESS Options and ESS Shares Award are disclosed in Note 40 to the financial statements.

TREASURY SHARES

There was no repurchase of the Company's shares during the financial period under review.

As at 30 June 2020, the Company held a total of 1,662,862 ordinary shares as treasury shares out of its issued and paid-up share capital of 598,097,678 ordinary shares. Such treasury shares are held at carrying amount of RM1,025,787 and further relevant details are disclosed in Note 31 to the financial statements.

Directors' Report

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial period.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial period from 1 January 2019 to 30 June 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

Directors' Report

DIRECTORS

The Directors of the Company in office during the financial period and during the period from the end of the financial period to the date of this report are:

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda
Dato' Sri Wan Zakariah bin Haji Wan Muda
Dato' W Zulkifli bin Haji W Muda
Dato' Roslan bin Tan Sri Jaffar
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng
Datuk (Prof.) A Rahman @ Omar bin Abdullah
Dato' Sr. Abdull Manaf bin Hj Hashim
Datuk Wira Azhar bin Abdul Hamid (appointed on 20 October 2020)
Dato' Haji Mustaffa bin Mohamad (resigned on 16 October 2020)

The names of the Directors of the Company's subsidiaries in office during the financial period up to the date of this report (not including those directors listed above) are:

K.D.Y.M.M. Sultan Abdullah Ibni Sultan Haji Ahmad Shah
Y.A.M. Tengku Baderul Zaman Ibni Sultan Mahmud
Y.B.M. Tengku Tan Sri Dato' Haji Mohamad Rizam bin Tengku Abdul Aziz
Y.A.M. Tengku Norhana binti Sultan Mahmud
Y.B.M. Dato' Tengku Rozanna Petri binti Tengku Mohamed Nasrun
Tan Sri Dato' Ir Zaini bin Omar
Dato' Sri DiRaja Haji Adnan bin Haji Yaakob
Dato' Sri Haji Adnan bin Wan Mamat
Dato' Ir Dr Ashaari bin Mohamad
Dato' Haji Bahari bin Johari
Dato' Haji Zakaria bin Awang
Dr Hjh Wan Maimun binti Wan Abdullah
Mohammad Fauzi bin Haji Ahmad
Mohd Zaki bin Mohd Noor
Wan Shariman bin Wan Mohamed
Wan Azwan Shah bin Tan Sri Dato' Sri Haji Wan Zaki
Wan Ramzi bin Haji Wan Muda
Hamkamarul Bahrin bin Mohamad
Azmi bin Mat Ali
Mohd Zulkifli bin Yusof
Erwannyzam bin Abdull Rahman
Hj Md Suhaimi bin Husain
Wan Razali bin W Zulkifli
Dato' Haji Rozi bin Mamat (appointed on 13 September 2019)
Dato' Haji Nik Dir bin Nik Wan Ku (appointed on 13 September 2019)
Dato' Haji Din bin Adam (appointed on 13 September 2019)
Dato' Khairul Yusni bin Md Yusof (appointed on 1 August 2020)
Annuarfaei bin Mustapa (appointed on 20 November 2019)

Directors' Report

Nur Adlan Taib (appointed on 31 December 2019)
Haida Shenny binti Hazri (appointed on 7 August 2019)
Hayati binti Tamzir (appointed on 1 November 2019)
Iskandar Sham bin Abd Rasap (appointed on 28 February 2020)
Aubrey Michael Shepherdson (appointed on 4 July 2020)
Wan Amir Hisyam bin Wan Zakariah (appointed on 28 February 2020)
Dato' Haji Ismail bin Sulong (resigned on 30 June 2020)
Dato' Haji Muhammad Pehimi bin Yusof (resigned on 13 September 2019)
Dato' Ir Jamaludin bin Osman (resigned on 1 August 2020)
Dato' Haji Basir bin Ismail (resigned on 13 September 2019)
Dato' Haji Wan Zakaria bin Abd Rahman (resigned on 4 July 2019)
Dato' Roszali bin Othman (resigned on 20 November 2019)
Dato' Azman bin Marzuki (resigned on 15 October 2019)
Abdul Halim bin Ashari (resigned on 18 August 2020)
Radzillah binti Mahmood (resigned on 14 June 2019)
Mohammad Ashraf bin Md Radzi (resigned on 31 January 2020)
Abd Kadir bin Sahlan (resigned on 20 November 2019)
Shankar Ray Shi-Wan (resigned on 1 June 2019)
Zawawi bin Wahab (resigned on 3 June 2019)
Anuwar bin Mohd (resigned on 13 September 2019)

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares, warrants and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial period end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Ordinary Shares			
	At 1.1.2019	Bought	Sold	At 30.6.2020
Direct interest in the Company				
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	200,000	-	**200,000**
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4,747,471	209,900	(200,000)	**4,757,371**
Dato' Sri Wan Zakariah bin Haji Wan Muda	4,966,220	300,000	-	**5,266,220**
Dato' W Zulkifli bin Haji W Muda	9,003,789	-	-	**9,003,789**
Dato' Roslan bin Tan Sri Jaffar	891,562	169,700	-	**1,061,262**
Dato' Haji Mustaffa bin Mohamad	2,812,510	-	(200,000)	**2,612,510**
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	-	900,000	-	**900,000**
Datuk (Prof.) A Rahman @ Omar bin Abdullah	3,011,249	671,800	-	**3,683,049**
Dato' Sr. Abdull Manaf bin Hj Hashim	157,500	15,000	(7,500)	**165,000**

Directors' Report

DIRECTORS' INTERESTS (CONT'D)

	Ordinary Shares			
	At 1.1.2019	Bought	Sold	At 30.6.2020
Indirect interest in the Company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	321,927,959	169,700	(115,000)	**321,982,659**
Dato' W Zulkifli bin Haji W Muda*	263,125	-	-	**263,125**
Dato' Roslan bin Tan Sri Jaffar*	492,187	-	-	**492,187**
Dato' Haji Mustaffa bin Mohamad*	1,499,512	1,000	-	**1,500,512**

	Warrants 2014/2024			
	At 1.1.2019	Bought	Sold	At 30.6.2020
Direct interest in the Company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	985,676	-	-	**985,676**
Dato' Sri Wan Zakariah bin Haji Wan Muda	429,368	-	-	**429,368**
Dato' W Zulkifli bin Haji W Muda	225,153	-	-	**225,153**
Dato' Roslan bin Tan Sri Jaffar	139,218	-	-	**139,218**
Indirect interest in the Company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	63,622,038	-	-	**63,622,038**
Dato' Roslan bin Tan Sri Jaffar*	105,468	-	-	**105,468**
Dato' Haji Mustaffa bin Mohamad*	56	-	-	**56**

	Number of Options over Ordinary Shares			
	At 1.1.2019	Granted	Exercised	At 30.6.2020
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	230,000	-	-	**230,000**
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	247,500	-	-	**247,500**
Dato' Sri Wan Zakariah bin Haji Wan Muda	180,000	-	-	**180,000**
Dato' W Zulkifli bin Haji W Muda	180,000	-	-	**180,000**
Dato' Roslan bin Tan Sri Jaffar	180,000	-	-	**180,000**
Dato' Haji Mustaffa bin Mohamad	180,000	-	-	**180,000**
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	230,000	-	-	**230,000**
Datuk (Prof.) A Rahman @ Omar bin Abdullah	153,334	-	-	**153,334**

Directors' Report

	Ordinary Shares			
	At 1.1.2019	Bought	Sold	At 30.6.2020
Direct interest in the ultimate holding company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	3,000,001	-	-	3,000,001
Dato' Sri Wan Zakariah bin Haji Wan Muda	1,250,000	-	-	1,250,000
Dato' W Zulkifli bin Haji W Muda	1,250,000	-	-	1,250,000
Indirect interest in the ultimate holding company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda*	2,500,001	-	-	2,500,001

* Deemed interest in securities held through persons connected with the Director.

By virtue of the Directors' interests in the shares of the ultimate holding company, the above mentioned Directors are also deemed interested in the shares of the Company and of its subsidiaries during the financial period to the extent that the Company has an interest.

None of the other Directors holding office at 30 June 2020 had any interest in the ordinary shares, warrants and options of the Company and of its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 9 to the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 44 to the financial statements.

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the ESS Options and ESS Shares Award granted to certain Directors pursuant to the Company's ESS as disclosed above.

SIGNIFICANT EVENTS DURING THE PERIOD

Significant events during the period is disclosed in Note 47 to the financial statements.

Directors' Report

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The Company maintains Directors' liability insurance for purposes of Section 289 of the Companies Act, 2016 throughout the period, which provides appropriate insurance cover for the Directors of the Company. The amount of insurance premium paid during the period amounted to RM53,010.

There was no indemnity given to or insurance effected for the auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

HOLDING COMPANY

The Directors regard Zaki Holdings (M) Sdn Bhd, a company incorporated and domiciled in Malaysia, as the ultimate holding company of the Company.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial period from 1 January 2019 to 30 June 2020 is as disclosed in Note 8 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors,

**RAJA TAN SRI DATO' SERI AMAN BIN
RAJA HAJI AHMAD**

**DATO' SRI WAN ZAKARIAH
BIN HAJI WAN MUDA**

Kuala Lumpur,
28 October 2020

Independent Auditors' Report
to the Members of Ahmad Zaki Resources Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AHMAD ZAKI RESOURCES BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 30 June 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period from 1 January 2019 to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 125 to 255.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the period from 1 January 2019 to 30 June 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, we have determined that there is no key audit matter in respect of audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report

Key Audit Matters (Cont'd)

Key Audit Matters	Our audit performed and responses thereon
1) Revenue Recognition on Construction Contracts	
For the financial period from 1 January 2019 to 30 June 2020, the Group recognised revenue on construction contracts of RM1,228,672,000 which contributed to 84% of the Group's total revenue. Revenue from construction contracts is recognised progressively over time based on the percentage of completion by using the cost-to-cost method ("input method"), based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The revenue recognition on construction contracts is considered to be a key audit matter as significant judgement is exercised in determining the estimated total contract revenue and budgeted costs, the extent of the construction costs incurred, variation of scope of work, percentage of completion, as well as the profitability of the construction contracts in estimating foreseeable losses. Refer to "critical accounting judgements" in Note 3.25(i)(b) to the financial statements and construction contract revenue and construction contract cost recognised in profit or loss in Notes 4 and 5 to the financial statements, respectively.	Our audit procedures included, among others, the following: • Obtained understanding of the revenue recognition process, including the accuracy and timing of revenue recognition towards satisfaction of performance obligation, and tested the associated relevant controls surrounding revenue recognition. • Reviewed the agreements (including variation orders) for construction contracts. Tested the reasonableness of the management's computation for the progress of construction projects towards the complete satisfaction of performance obligation taking into account the construction costs recognised during the financial period and the budgeted cost by testing a sample of costs incurred to date to the relevant supporting documentation. • Reviewed the management prepared budgets and discussed with the project team to ascertain that project budgets are reasonable. • Evaluated the reasonableness of the estimates made and assessed whether or not these estimates showed any evidence of management bias, based on historical accuracy of management's estimates in prior years. • Performed site-visits for individually significant on-going projects and discussed with the site team to arrive at an overall assessment as to whether percentage of progress towards complete satisfaction of performance obligation determined on a cost-to-cost basis was reasonable.

Independent Auditors' Report

Key Audit Matters	Our audit performed and responses thereon
2) Impairment assessment of goodwill and intangible assets	
As at 30 June 2020, the Group has goodwill and intangible assets of RM35,623,000 and RM18,317,000 respectively, relating to the Malaysian supply base operation which arose as a result of acquisition of Matrix Reservoir Sdn Bhd and its subsidiaries on 30 December 2016. Determining whether the goodwill and intangible assets are impaired requires management estimation of the recoverable amount, which is determined based on an estimation of the present value of future cash flows expected to be generated. The key assumptions used in the estimation of the recoverable amount involves a significant degree of management judgement. Refer to key assumptions used as disclosed in Note 18 to the financial statements.	Our audit procedures included, among others, the following: • Obtained understanding of management processes and controls for testing impairment of goodwill related to Malaysian supply base operation. • Reviewed the impairment assessment of goodwill and intangible assets prepared by management, and challenged the reasonableness of the key assumptions used in cash flows projections. • Involved our internal valuation specialist in reviewing the appropriateness of the valuation methodology and discount rate adopted by management in the determination of recoverable amount. • Evaluated the work of our internal valuation specialist including the relevance and reasonableness of that specialist's findings or conclusions. • Assessed for impairment by comparing the recoverable amount determined from an estimation of the present value of future cash flows expected to be generated from the Malaysian supply base operation of the Group to its carrying amount. • Performed sensitivity analysis on management's key assumptions to assess if any reasonably possible downside changes in these assumptions can lead to impairment loss. • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Independent Auditors' Report

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of the Group and of the Company.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2021 J
Chartered Accountant

28 October 2020
Kuala Lumpur

Statements of Profit or Loss and other Comprehensive Income

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Revenue	4	**1,462,761**	1,228,590	**84,197**	103,350
Cost of sales	5	**(1,365,767)**	(1,075,269)	**(27,428)**	(44,988)
Gross profit		**96,994**	153,321	**56,769**	58,362
Other operating income		**6,010**	1,818	**24,351**	2,525
Administrative expenses		**(160,397)**	(101,784)	**(47,969)**	(29,544)
Other operating expenses		**(19,469)**	(29,379)	**(15,533)**	(1,419)
(Loss)/Profit from operating activities		**(76,862)**	23,976	**17,618**	29,924
Finance income	6	**87,020**	62,761	**730**	3,094
Finance costs	7	**(85,945)**	(61,920)	**(21,749)**	(12,758)
Net finance income/(costs)		**1,075**	841	**(21,019)**	(9,664)
Share of loss of associates, net of tax	20	**(3)**	-	**-**	-
(Loss)/Profit before tax	8	**(75,790)**	24,817	**(3,401)**	20,260
Income tax expenses	10	**(35,438)**	(16,229)	**(18)**	(1,478)
(Loss)/Profit for the period/year		**(111,228)**	8,588	**(3,419)**	18,782

Statements of Profit or Loss and other Comprehensive Income

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**(7,185)**	5,622	**435**	484
Item that will not be reclassified subsequently to profit or loss					
Actuarial gain from employee benefits	34	**407**	66	**-**	-
Total other comprehensive (loss)/income for the period/year		**(6,778)**	5,688	**435**	484
Total comprehensive (loss)/income for the period/year		**(118,006)**	14,276	**(2,984)**	19,266
(Loss)/Profit attributable to:					
Owners of the Company		**(98,321)**	14,232	**(3,419)**	18,782
Non-controlling interests	19	**(12,907)**	(5,644)	**-**	-
(Loss)/Profit for the period/year		**(111,228)**	8,588	**(3,419)**	18,782
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(105,558)**	19,696	**(2,984)**	19,266
Non-controlling interests		**(12,448)**	(5,420)	**-**	-
Total comprehensive (loss)/income for the period/year		**(118,006)**	14,276	**(2,984)**	19,266
(Loss)/Earnings per ordinary share (sen)	11				
Basic		**(16.48)**	2.39		
Diluted		**(16.48)**	2.39		

The accompanying Notes form an integral part of the financial statements.

Statements of Financial Position
As at 30 June 2020

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000	Company 30.6.2020 RM'000	Company 31.12.2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**592,750**	570,113	**2,253**	3,065
Right-of-use assets	13	**8,648**	-	**70,309**	-
Prepaid lease payments	14	**21,704**	22,577	**-**	-
Land held for development	15	**57,970**	56,995	**-**	-
Intangible assets	16	**18,609**	20,955	**-**	-
Concession service assets	17	**1,625,946**	1,238,196	**-**	-
Goodwill	18	**38,887**	41,781	**-**	-
Investment in subsidiaries	19	**-**	-	**949,042**	521,245
Investments in associates	20	**2,802**	2,805	**2,640**	2,640
Interests in joint ventures	21	**-**	34	**-**	34
Investments in financial assets	22	**116**	116	**68**	68
Deferred tax assets	23	**27,585**	35,474	**235**	235
Trade and other receivables	24(a)	**593,419**	607,015	**2,163**	2,262
Total Non-Current Assets		**2,988,436**	2,596,061	**1,026,710**	529,549
Current Assets					
Biological assets	25	**31**	77	**-**	-
Inventories	26	**17,516**	19,393	**-**	-
Property development costs	27	**20,621**	17,480	**-**	-
Tax recoverable		**5,727**	11,339	**2,693**	2,965
Construction contract assets	24(b)	**201,998**	368,115	**2,475**	5,621
Trade and other receivables	24(a)	**522,784**	640,992	**402,011**	152,987
Financial assets at fair value through profit or loss	28	**323,821**	164,338	**-**	-
Cash and deposits	29	**425,292**	622,896	**60,457**	14,936
Total Current Assets		**1,517,790**	1,844,630	**467,636**	176,509
Total Assets		**4,506,226**	4,440,691	**1,494,346**	706,058

Statements of Financial Position

As at 30 June 2020

	Note	Group		Company	
		30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	30	**197,536**	197,536	**197,536**	197,536
Reserves	31	**157,562**	263,945	**38,266**	42,075
Equity attributable to owners of the Company		**355,098**	461,481	**235,802**	239,611
Non-controlling interests	19	**5,438**	11,521	**-**	-
Total Equity		**360,536**	473,002	**235,802**	239,611
Non-Current and Deferred Liabilities					
Loans and borrowings	32	**2,612,678**	2,308,904	**160,523**	175,609
Lease liabilities	33	**5,183**	-	**71,082**	-
Employee benefits	34	**4,935**	3,373	**-**	-
Deferred tax liabilities	23	**95,973**	82,488	**-**	-
Trade and other payables	35	**206,957**	138,339	**-**	2,253
Total Non-Current and Deferred Liabilities		**2,925,726**	2,533,104	**231,605**	177,862
Current Liabilities					
Loans and borrowings	32	**371,822**	317,491	**14,872**	25,414
Lease liabilities	33	**3,646**	-	**599**	-
Trade and other payables	35	**834,174**	1,098,072	**1,011,468**	263,171
Tax liabilities		**10,322**	19,022	**-**	-
Total Current Liabilities		**1,219,964**	1,434,585	**1,026,939**	288,585
Total Liabilities		**4,145,690**	3,967,689	**1,258,544**	466,447
Total Equity and Liabilities		**4,506,226**	4,440,691	**1,494,346**	706,058

The accompanying Notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000	Other reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 January 2019	197,536	872	27,889	16,123	2,331	(1,026)	217,756	461,481	11,521	473,002
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 other comprehensive income/(loss) for the period	-	722	-	(6,827)	-	-	(1,132)	(7,237)	459	(6,778)
Loss for the period	-	-	-	-	-	-	(98,321)	(98,321)	(12,907)	(111,228)
Total comprehensive income/(loss) for the period	-	722	-	(6,827)	-	-	(99,453)	(105,558)	(12,448)	(118,006)

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000	Other reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Adjustment of share options granted under Employees' Share Scheme ("ESS")	-	-	-	-	(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

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000	Other reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 January 2018	197,478	-	27,889	11,531	1,000	(1,026)	208,826	445,698	16,941	462,639
Foreign currency translation differences for foreign operations	-	-	-	5,395	-	-	-	5,395	227	5,622
Reclassification	-	803	-	(803)	-	-	-	-	-	-
Actuarial gain/(loss) from employee benefits	-	69	-	-	-	-	-	69	(3)	66
Total other comprehensive income for the year	-	872	-	4,592	-	-	-	5,464	224	5,688
Profit/(Loss) for the year	-	-	-	-	-	-	14,232	14,232	(5,644)	8,588
Total comprehensive income/(loss) for the year	-	872	-	4,592	-	-	14,232	19,696	(5,420)	14,276

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

		Attributable to owners of the Company									
		Non-distributable						Distributable			
	Note	Share capital RM'000	Other reserve RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Dividends to owners of the Company	36	-	-	-	-	-	-	(5,302)	(5,302)	-	(5,302)
Adjustment of share options granted under Employees' Share Scheme ("ESS")		-	-	-	-	1,331	-	-	1,331	-	1,331
Issuance of ordinary shares, net of issuance costs	30	58	-	-	-	-	-	-	58	-	58
Total distribution to owners of the Company		58	-	-	-	1,331	-	(5,302)	(3,913)	-	(3,913)
At 31 December 2018		197,536	872	27,889	16,123	2,331	(1,026)	217,756	461,481	11,521	473,002

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Attributable to owners of the Company						
	Non-distributable					Distributable	
	Share capital RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
Company							
At 1 January 2019	197,536	27,889	2,862	2,331	(1,026)	10,019	239,611
Foreign currency translation differences for foreign operations	-	-	435	-	-	-	435
Total other comprehensive income for period	-	-	435	-	-	-	435
Loss for the period	-	-	-	-	-	(3,419)	(3,419)
Total comprehensive income/ (loss) for the period	-	-	435	-	-	(3,419)	(2,984)
Adjustment of share options granted under Employees' Share Scheme ("ESS")	-	-	-	(825)	-	-	(825)
Total distribution to owners of the Company	-	-	-	(825)	-	-	(825)
At 30 June 2020	197,536	27,889	3,297	1,506	(1,026)	6,600	235,802

Statements of Changes in Equity

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

		Attributable to owners of the Company						
		Non-distributable					Distributable	
	Note	Share capital RM'000	Warrant reserve RM'000	Foreign exchange translation reserve RM'000	Employees' Share Scheme RM'000	Treasury shares RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Company								
At 1 January 2018		197,478	27,889	2,378	1,000	(1,026)	(3,461)	224,258
Foreign currency translation differences for foreign operations		-	-	484	-	-	-	484
Total other comprehensive income for year		-	-	484	-	-	-	484
Profit for the year		-	-	-	-	-	18,782	18,782
Total comprehensive income for the year		-	-	484	-	-	18,782	19,266
Dividends to owners of the Company	36	-	-	-	-	-	(5,302)	(5,302)
Adjustment of share options granted under Employees' Share Scheme ("ESS")		-	-	-	1,331	-	-	1,331
Issuance of ordinary shares, net of issuance costs	30	58	-	-	-	-	-	58
Total distribution to owners of the Company		58	-	-	1,331	-	(5,302)	(3,913)
At 31 December 2018		197,536	27,889	2,862	2,331	(1,026)	10,019	239,611

The accompanying Notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
(Loss)/Profit before tax		**(75,790)**	24,817	**(3,401)**	20,260
Adjustments for:					
Accretion of fair value on non-current receivables	6	**(84,131)**	(59,892)	**-**	(2,721)
Interest income	6	**(2,889)**	(2,869)	**(730)**	(373)
Interest expense	7	**83,753**	60,425	**17,305**	12,758
Finance costs on lease liabilities	7	**480**	-	**4,444**	-
Employees' share scheme (gain)/expenses	8	**(825)**	1,331	**(825)**	1,331
Allowance for doubtful debt	8	**678**	-	**1,519**	-
Bad debt written-off	8	**505**	-	**92**	-
Loss/(Gain) on foreign exchange - unrealised	8	**8,767**	18,700	**-**	(1,048)
Amortisation of transaction costs	7	**1,712**	1,495	**-**	-
Loss on liquidation of interest in joint ventures	8	**16**	-	**16**	-
Depreciation of property, plant and equipment	12	**53,212**	27,521	**813**	549
Depreciation of right-of-use assets	13	**8,019**	-	**2,486**	-
Amortisation of prepaid lease payments	14	**1,589**	1,024	**-**	-
Amortisation of intangible assets	16	**2,534**	1,690	**-**	-
Impairment of goodwill	18	**2,894**	-	**-**	-
Gain on redemption of redeemable convertible preference shares ("RCPS")	19 (iv)	**-**	-	**(21,902)**	-
Impairment of investments in subsidiaries	19	**-**	-	**4,000**	-
Share of loss of associates	20	**3**	-	**-**	-
Inventories written-down	26	**595**	-	**-**	-
Employee retirement benefits provision	34	**1,810**	963	**-**	-

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Gain on disposal of property, plant and equipment – net	8	**(360)**	(354)	**-**	(69)
Dividend received from subsidiary companies	4	**-**	-	**(24,387)**	(36,000)
Fair value loss arising from biological assets	25	**46**	125	**-**	-
Operating profit/(loss) before working capital changes		**2,618**	74,976	**(20,570)**	(5,313)
Changes in working capital:					
Decrease in inventories		**8,182**	5,701	**-**	-
Decrease/(Increase) in construction contract assets		**202,523**	(96,181)	**3,146**	(313)
Increase/(Decrease) in property development costs		**(10,477)**	(4,338)	**-**	-
Increase in concession service assets		**(298,900)**	(349,094)	**-**	-
Decrease/(Increase) in trade and other receivables		**299,267**	(31,026)	**(250,536)**	77,580
(Decrease)/Increase in trade and other payables		**(283,608)**	289,034	**746,477**	(25,448)
Decrease in advance billings from property development		**-**	(1,668)	**-**	-
Cash (Used In)/Generated From Operations		**(80,395)**	(112,596)	**478,517**	46,506
Interest received		**2,889**	2,869	**730**	373
Retirement benefits paid		**(167)**	(153)	**-**	-
Income tax paid - net		**(16,641)**	(19,835)	**254**	(934)
Net Cash (Used In)/From Operating Activities		**(94,314)**	(129,715)	**479,501**	45,945

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Addition of land held for development	15	**(539)**	(8,719)	**-**	-
Purchase of leasehold land	14	**-**	(401)	**-**	-
RCPS subscription, net of discount	19(iv)	**-**	-	**(344,005)**	-
Proceeds from redemption of RCPS	19(iv)	**-**	-	**61,350**	-
Increase in investments in subsidiaries	19	**-**	-	**(127,240)**	(98,113)
Impact of changes in ownership of interest in subsidiary	19	**6,748**	-	**-**	-
Increase in investments in associates	20	**-**	(2,640)	**-**	(2,640)
(Addition)/Withdrawal of financial assets at fair value through profit or loss		**(159,483)**	535,172	**-**	-
Proceeds from disposal of property, plant and equipment		**14,258**	410	**-**	86
Purchase of property, plant and equipment	(i)	**(60,318)**	(86,614)	**-**	(2,051)
Proceeds from liquidation of interest in joint ventures		**18**	-	**18**	-
Dividend received from subsidiary companies	4	**-**	-	**24,387**	36,000
Acquisition of intangible assets	16	**(184)**	(27)	**-**	-
Net Cash (Used In)/From Investing Activities		**(199,500)**	437,181	**(385,490)**	(66,718)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Decrease/(Increase) in pledged cash and deposits		**7,404**	(11,641)	**10,160**	(5,160)
Interest paid		**(211,631)**	(144,123)	**(17,305)**	(12,758)
Dividend paid		**(383)**	(5,302)	**-**	(5,302)
Repayments of lease liabilities		**(7,838)**	-	**(5,558)**	-
Repayments of finance lease liabilities (net)		**(17,623)**	(389)	**(627)**	(274)
Proceeds from drawdown of loans and borrowings		**258,641**	531,555	**-**	44,080
Repayments of loans and borrowings		**(466,537)**	(351,230)	**(25,000)**	(180)

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Increase in share capital, net of issuance cost		**-**	58	**-**	58
Proceeds from issuance of Sukuk		**535,000**	-	**-**	-
Net Cash From/(Used In) Financing Activities		**97,033**	18,928	**(38,330)**	20,464
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(196,781)**	326,394	**55,681**	(309)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**497,838**	171,444	**4,776**	5,085
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(ii)	**301,057**	497,838	**60,457**	4,776

(i) ***Acquisition of property, plant and equipment***

During the financial period, the Group and the Company acquired property, plant and equipment with aggregate costs of RM75,332,000 (2018: RM102,915,000) and RMNil (2018: RM2,051,000) respectively, which were satisfied as follows:

	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Finance lease liabilities	**9,059**	12,714	**-**	-
Capitalisation of finance costs	**5,955**	3,587	**-**	-
Cash payments	**60,318**	86,614	**-**	2,051
	75,332	102,915	**-**	2,051

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

(ii) ***Cash and cash equivalents***

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

Cash and cash equivalents

		Group		Company	
	Note	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Deposits placed with licensed banks		**128,723**	63,791	**53,439**	13,468
Cash and bank balances		**296,569**	559,105	**7,018**	1,468
	29	**425,292**	622,896	**60,457**	14,936
Less: Bank overdrafts	32	**(38,673)**	(32,092)	**-**	-
Pledged deposits	29	**(85,562)**	(92,966)	**-**	(10,160)
		301,057	497,838	**60,457**	4,776

(iii) ***Reconciliation of movement of liabilities to cash flows arising from financing activities***

The movement of loan and borrowings in the statements of cash flows is as follows:

	Group				
	At 1 January 2019/2018 RM'000	Net changes from financing cash flows RM'000	Effect of movements in foreign exchange RM'000	Other non-cash changes RM'000	At 30 June 2020/ 31 December 2018 RM'000
2020					
Lease liabilities	**-**	**(7,838)**	**-**	**16,667**	**8,829**
Finance lease liabilities	**34,980**	**(17,623)**	**-**	**9,059**	**26,416**
Loan and borrowings	**2,559,323**	**327,104**	**22,505**	**10,479**	**2,919,411**
Total liabilities from financing activities	**2,594,303**	**301,643**	**22,505**	**36,205**	**2,954,656**
2018					
Finance lease liabilities	35,369	(389)	-	-	34,980
Loan and borrowings	2,364,789	180,325	14,209	-	2,559,323
Total liabilities from financing activities	2,400,158	179,936	14,209	-	2,594,303

Statements of Cash Flows

For the financial period from 1 January 2019 to 30 June 2020

(With comparative figures for the year from 1 January 2018 to 31 December 2018)

	Company				
	At 1 January 2019/2018 RM'000	Net changes from financing cash flows RM'000	Effect of movements in foreign exchange RM'000	Other non-cash changes RM'000	At 30 June 2020/ 31 December 2018 RM'000
2020					
Lease liabilities	**-**	**(1,114)**	**-**	**72,795**	**71,681**
Finance lease liabilities	**1,023**	**(628)**	**-**	**-**	**395**
Loan and borrowings	**200,000**	**(25,000)**	**-**	**-**	**175,000**
Total liabilities from financing activities	**201,023**	**(26,742)**	**-**	**72,795**	**247,076**
2018					
Finance lease liabilities	1,297	(274)	-	-	1,023
Loan and borrowings	156,100	43,900	-	-	200,000
Total liabilities from financing activities	157,397	43,626	-	-	201,023

The accompanying Notes form an integral part of the financial statements.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

1. **GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements of the Company as at and for the financial period from 1 January 2019 to 30 June 2020 comprise financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial period from 1 January 2019 to 30 June 2020 do not include other entities.

The Company is principally engaged in investment holding, providing management services and as contractor of civil and structural works.

The information on the name, principal activities, country of incorporation and proportion of ownership interest and voting power held by the Company in each subsidiary and associate is disclosed in Note 19 and Note 20 respectively.

During the financial period, the Group and the Company have changed their financial year end from 31 December to 30 June to avoid the peak financial reporting period in December. Accordingly, the financial statements of the Group and the Company for the current financial period are drawn up for a period of eighteen (18) months from 1 January 2019 to 30 June 2020, whereas comparative amounts are presented for a period of 12 months from 1 January 2018 to 31 December 2018. Therefore, the amounts presented in Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows are not comparable with the amounts presented for comparative year.

The Company's registered office and principal place of business is located at Menara AZRB, No. 71, Persiaran Gurney, 54000 Kuala Lumpur.

These financial statements were authorised for issue by the Board of Directors on 28 October 2020.

2. **BASIS OF PREPARATION**

2.1 **Basis of Preparation of the Financial Statements**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of New MFRSs, Amendments to MFRSs, and Issues Committee Interpretations ("IC Interpretations")

In the current financial period, the Group and the Company adopted all the new MFRSs, amendments to MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2019:

MFRS 16	Leases
Amendments to:	
MFRS 9	Prepayment Features with Negative Compensation
MFRS 119	Plan Amendment, Curtailment or Settlement
MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

The adoption of these new MFRSs, Amendments to MFRSs, and IC Interpretation did not result in significant changes to the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as disclosed in Note 46.

2.3 New MFRSs and Amendments to MFRSs in issue but not yet effective

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

MFRS 17	Insurance Contracts[4]
Amendments to:	
MFRS 3	Definition of a Business[1]
MFRS 3	Reference to Conceptual Framework[3]
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[4]
MFRS 101 and MFRS 108	Definition of Material[1]
MFRS 116	Property, Plant and equipment - Proceeds before Intended Use[3]
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[3]
Annual Improvements to MFRSs 2018 - 2020 Cycle[3]	
Amendments to References to the Conceptual Framework in MFRS Standards[1]	

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

2. **BASIS OF PREPARATION (CONT'D)**

2.3 **New MFRSs and Amendments to MFRSs in issue but not yet effective (Cont'd)**

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 2022, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
5 Effective date deferred to a date to be determined and announced by 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 and of the Company 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 and of the Company in the period of initial application, except for the Amendments to MFRS 16 on COVID-19 related rent concessions.

The Group and the Company have 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 and the Company. 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 and the Company complete 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 and the Company are currently assessing the impact to the financial statements on the change in accounting policy pursuant to the IFRIC Agenda Decision.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1 **Basis of accounting**

The financial statements of the Group and the Company have been prepared under the historical cost convention, except as stated in the accounting policies explained below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of accounting (Cont'd)

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

3.3 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is defined as follows:

- Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- Potential voting rights are considered when assessing control only when such rights are substantive.
- The Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Basis of consolidation (Cont'd)**

(ii) **Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus of deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iii) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Basis of consolidation (Cont'd)**

(iii) **Associates (Cont'd)**

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of the investments includes transaction costs.

(iv) **Joint arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of their share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Basis of consolidation (Cont'd)**

(v) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the period/year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4 **Foreign currency**

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value that are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Foreign currency (Cont'd)**

(i) **Foreign currency transactions (Cont'd)**

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign exchange translation reserve ("FETR") in equity.

(ii) **Operations denominated in functional currencies other than Ringgit Malaysia ("RM")**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FETR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FETR related to that foreign operation is reclassified to profit or loss as part of profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.5 **Financial instruments**

(i) **Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 **Financial instruments (Cont'd)**

(ii) **Financial instrument categories and subsequent measurement**

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) ***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objectives is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) ***Fair value through other comprehensive income ("FVTOCI")***

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) ***Fair value through profit or loss ("FVTPL")***

All financial assets not measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminate or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised at FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 **Financial instruments (Cont'd)**

(ii) **Financial instrument categories and subsequent measurement (Cont'd)**

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is any liability with contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(a) ***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when financial liabilities are either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) ***Financial liabilities measured subsequently at amortised cost***

Financial liabilities that are not held for trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group's and the Company's significant financial liabilities include trade and other payables, loans and borrowings and lease liabilities which are initially measured at fair value and subsequently measured at amortised cost.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 **Financial instruments (Cont'd)**

(ii) **Financial instrument categories and subsequent measurement (Cont'd)**

Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 **Property, plant and equipment**

(i) **Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Freehold land is not depreciated.

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce. The bearer plants that are available for use are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting such as seedling and planting costs, capitalisation of interest expense on loans and advances utilised to finance on-going planting costs. All costs directly related to bearer plants are capitalised until such time as the bearer plants reach maturity, at which point all further costs and interests are expensed and depreciation commences. Upon maturity, these expenditures are depreciated based on estimated annual yield over 25 years.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

• Buildings	2%
• Renovation	20%
• Machinery and equipment	10% - 33.3%
• Motor vehicles	20% - 33.3%
• Furniture, fittings and equipment	6.7% - 20%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Leased assets**

Accounting policies applied from 1 January 2019

As disclosed in Note 46, the Group and the Company have applied MFRS16 using cumulative catch-up approach as allowed under MFRS16, therefore, the Comparative information presented for 2018 have not been restated.

(i) **As Lessee**

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Leased assets (Cont'd)**

Accounting policies applied from 1 January 2019 (Cont'd)

(i) **As Lessee (Cont'd)**

The Group and the Company remeasure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, to the extent that the costs relate to a right-of-use asset. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 13.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Leased assets (Cont'd)**

Accounting policies applied from 1 January 2019 (Cont'd)

(ii) **As Lessor**

Leases for which the Group or the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group or the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amount due from lessees under finance leases are recognised as receivables at the amount of the Group's or the Company's net investment in the leases. Finance lease income is allocated to financial period so as to reflect a constant periodic rate of return on the Group's or the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

(i) **Finance lease**

As lessee

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Leased assets (Cont'd)**

Accounting policies applied until 31 December 2018 (Cont'd)

(i) **Finance lease (Cont'd)**

As lessor

The Group shall recognise assets held under a finance lease in its statements of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

Initial direct costs are often incurred by the Group and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. These costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

(ii) **Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3.8 **Land held for development**

Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Land held for development (Cont'd)**

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

3.9 **Biological assets**

The biological assets of the Group comprised produce growing on bearer plants, which are fresh fruit bunches ("FFB") prior to harvest. Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell.

Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flow is estimated using expected output method and the estimated market price of the produce growing on bearer plants. Cost to sell consists of harvesting costs at the point of harvest.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the end of the reporting period.

At the time of harvest, produces are measured at fair value less costs to sell and transferred to inventories.

3.10 **Intangible assets**

(i) **Concession asset**

Concession asset comprising highway concession is stated at cost less any accumulated amortisation and any impairment losses.

Highway concession cost include expenditure that is directly incurred in the design and construction of the East Klang Valley Expressway. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial period in which they are incurred.

The highway concession cost will be amortised when the highway is ready for its intended use or when toll collection starts whichever is earlier.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the highway concession is assessed and written down immediately to its recoverable amount.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 **Intangible assets (Cont'd)**

(i) **Concession asset (Cont'd)**

In accordance with IC Interpretation 12 *Service Concession Arrangements*, revenue associated with construction works under the Concession Agreement shall be recognised and measured in accordance with MFRS 15 *Revenue from Contracts with Customers* when or as a performance obligation in the contract is satisfied. Revenue generated by construction work rendered by the Group is measured at fair value of the consideration received or receivable.

In order to determine the construction revenue to be recognised, the Directors have estimated and recognised a construction margin in the construction of the infrastructure asset. The estimated margin is based on relative comparison with general industry trend although actual margins may differ.

(ii) **Other Intangible Assets**

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of intangible assets is assessed and written down immediately to its recoverable amount.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Intangible assets (Cont'd)

(iii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

3.11 Inventories

(i) Marine fuels and lubricants

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(ii) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportion of common costs attributable to developing the properties to completion.

3.12 Contract assets and contract liabilities

Contract asset is the right to consideration in exchange for goods or services transferred to the customers. The Group's and the Company's contract asset is the excess of cumulative revenue earned over the billings to-date.

Where there is an objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers. The Group's and the Company's contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group and the Company perform their obligation under the contract.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.13 Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

3.14 Statements of cash flows and cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of statements of cash flows.

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.15 Impairment

(i) **Financial assets**

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on all trade and other receivables and contract assets. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company recognise lifetime ECL for trade receivables and construction contract assets. The expected credit losses on these financial assets are estimated based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Impairment (Cont'd)**

(i) **Financial assets (Cont'd)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and included forward-looking information, where available.

At the end of each reporting period, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

(ii) **Goodwill and intangible assets**

Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment and at least annually, and whenever there is an indication that the asset may be impaired.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Impairment (Cont'd)**

(ii) **Goodwill and intangible assets (Cont'd)**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

(iii) **Other assets**

The carrying amounts of other tangible assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Impairment (Cont'd)**

(iii) **Other assets (Cont'd)**

Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

3.16 **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs. Ordinary shares and warrants are equity instruments.

(i) ***Ordinary Shares***

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period which they are declared.

(ii) ***Warrants***

Warrants are classified as equity instruments. The issuance of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for a consideration equivalent to the exercise price of the warrants.

(iii) ***Repurchase, disposal and reissue of share capital (treasury shares)***

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.17 **Employee benefits**

(i) **Short-term employee benefits**

Short-term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **State plans**

The Group's contributions to statutory pension funds are charged to profit or loss in the financial period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) **Defined benefit plans**

The Group's net obligation in respect of defined benefit plan of a foreign subsidiary is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments, if any.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Employee benefits (Cont'd)

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(v) Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 40.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.18 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Performance guarantees and bonds

Provisions for performance guarantees and bonds are recognised when crystallisation is probable. When crystallisation is possible, the performance guarantees and bonds are disclosed as contingent liabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group and the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and the Company recognise any impairment loss on the assets associated with that contract.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Revenue and other income recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group performs;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

(i) **Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. Under the terms of the contracts, the Group and the Company has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and the Company and that the construction services performed does not create an asset with an alternative use to the Group and the Company.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Revenue and other income recognition**

(i) **Construction contracts (Cont'd)**

Revenue from construction contracts is recognised progressively over time based on the percentage of completion by using the cost-to-cost method ("input method"), based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under MFRS 15. Full provision is made for any foreseeable losses which is offset against revenue. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the percentage of completion and the milestone payment is generally less than one year.

(ii) **Property development**

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

(iii) **Sales of completed properties**

Revenue from sales of completed properties is recognised upon delivery of properties where the control of the properties has been passed to the buyers.

(iv) **Goods sold and services rendered**

Revenue from sales of goods in the course of ordinary activities is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of sales and goods and service taxes and discounts.

Revenue from services is recognised when services are rendered. The Group recognises revenue from logistic management services and vessel related services over time, using an input method to measure the progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Revenue and other income recognition (Cont'd)**

(v) **Other income**

Revenue from other sources are recognised as follows:

(a) interest income is recognised on an accrual basis using the effective interest method;

(b) dividend income is recognised when the right to receive payment is established;

(c) management fee income is recognised on an accrual basis, by reference to the agreements entered into; and

(d) rental income is recognised on a straight-line basis over the tenure of the lease.

3.20 **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.21 **Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.21 **Income tax (Cont'd)**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and when they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.22 **Earnings per ordinary share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise of warrants and options.

3.23 **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.24 **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.25 **Critical accounting judgements and key sources of estimation uncertainty**

(i) **Critical judgements in applying the Group's and the Company's accounting policies**

The management is of the opinion that there are no instances of application of critical judgement in applying the Group's and the Company's accounting policies which are expected to have a significant effect on the amounts recognised in the financial statements other than as follows:

(a) **Revenue from service concession arrangement**

The Group recognises revenue and costs in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs. Judgements are required in determining the construction margin in the construction of the infrastructure asset. The estimated margin is based on relative comparison with general industry trend although actual margins may differ.

(b) **Revenue recognition on construction contracts**

As revenue from on-going construction contracts are recognised over time, the amount of revenue recognised at the end of the reporting period depends on the extent to which the performance obligation has been satisfied. This is done by determining the stage of completion. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total revenue and total costs and the recoverability of the construction project and contract cost. In making these judgements, management relies on past experience and, if necessary, the work of specialists.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.25 **Critical accounting judgements and key sources of estimation uncertainty (Cont'd)**

(ii) **Key sources of estimation uncertainty**

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, except as discussed below:

(a) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) **Recognition of deferred tax assets**

Deferred tax assets are recognised for the tax effects of deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) **Impairment for expected credit losses ("ECLs") of trade receivables and construction contract assets**

Significant estimate is required in determining the impairment of trade receivables and construction contract assets. Impairment loss measured based on expected credit loss model is based on assumptions on risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past collection records, existing market conditions as well as forward looking estimates as at the end of the reporting period.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.25 **Critical accounting judgements and key sources of estimation uncertainty (Cont'd)**

(ii) **Key sources of estimation uncertainty (Cont'd)**

(d) **Defined benefit plans**

The Group's net obligation in respect of defined benefit plan of a foreign subsidiary is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(e) **Fair value of biological assets**

As per MFRS 141 *Agriculture*, a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. The Group determines the fair value of unharvested FFB based on the present value of the expected sale to be generated from the FFB which requires estimation on the quantity. The value of biological assets was estimated to be the estimated market price of the produce growing on bearer plants.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

4. **REVENUE**

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Dividend income	**-**	-	**24,387**	36,000
Attributable contract revenue	**1,228,672**	1,019,869	**28,872**	47,358
Sale of fresh fruit bunches, crude palm oil and kernel	**46,827**	106,507	**-**	-
Sale of goods/Rendering of services	**162,424**	88,006	**-**	-
Income from hotel operation, and food and beverages	**4,853**	5,147	**-**	-
Property development revenue	**5,808**	4,290	**-**	-
Sale of completed properties	**14,177**	4,771	**-**	-
Management fees	**-**	-	**30,938**	19,992
	1,462,761	1,228,590	**84,197**	103,350

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Timing of revenue recognition:				
At a point in time	**133,071**	153,068	**55,325**	55,992
Over time	**1,329,690**	1,075,522	**28,872**	47,358
	1,462,761	1,228,590	**84,197**	103,350

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

4. **REVENUE (CONT'D)**

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Revenue from:				
Engineering and constructions	**1,645,699**	3,026,601	**19,251**	48,123
Property	**10,573**	15,280	**-**	-
	1,656,272	3,041,881	**19,251**	48,123

The Group and the Company expects revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	1.1.2019 to 30.6.2020 (18 months)	
	Group RM'000	Company RM'000
Financial years ending 30 June:		
2021	**1,459,651**	**19,251**
2022	**196,621**	**-**
	1,656,272	**19,251**

	1.1.2018 to 31.12.2018 (12 months)	
	Group RM'000	Company RM'000
Financial years ending 31 December:		
2019	910,154	48,123
2020	921,293	-
2021	1,134,123	-
2022	76,311	-
	3,041,881	48,123

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

5. COST OF SALES

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Attributable contract costs	**1,234,840**	946,003	**27,428**	44,988
Direct operating costs of plantation	**47,993**	89,683	**-**	-
Cost of goods sold/services	**69,541**	35,094	**-**	-
Costs of developed properties	**4,681**	3,053	**-**	-
Cost of sales of completed property units	**7,423**	-	**-**	-
Cost of operating hotel, and food and beverages	**1,289**	1,436	**-**	-
	1,365,767	1,075,269	**27,428**	44,988

6. FINANCE INCOME

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Accretion of fair value on non-current receivables	**84,131**	59,892	**-**	2,721
Interest income	**2,889**	2,869	**730**	373
	87,020	62,761	**730**	3,094

Accretion of fair value on non-current receivables represents fair value impact on concession receivables from Government of Malaysia as explained in Note 24(a).

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

7. **FINANCE COSTS**

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:					
- Sukuk		**103,005**	59,229	**-**	-
- Term loans		**94,707**	72,419	**15,794**	11,328
- Bank overdrafts		**4,771**	2,431	**-**	-
- Finance lease		**2,681**	2,340	**47**	52
- Lease liabilities		**480**	-	**4,444**	-
- Revolving credits and bankers' acceptance		**9,800**	7,704	**1,464**	1,378
		215,444	144,123	**21,749**	12,758
Less: Capitalisation of interest					
- Term loans	12, 24(b)	**(42,361)**	(24,469)	**-**	-
- Sukuk	17	**(88,850)**	(59,229)	**-**	-
		(131,211)	(83,698)	**-**	-
		84,233	60,425	**21,749**	12,758
Amortisation of transaction costs		**1,712**	1,495	**-**	-
		85,945	61,920	**21,749**	12,758

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

8. **(LOSS)/PROFIT BEFORE TAX**

(Loss)/Profit before tax is arrived at after charging/(crediting):

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Auditors' remuneration:					
Audit fees:					
- Auditors of the Company		**585**	564	**165**	165
- Other auditors		**85**	34	**-**	-
Non-audit fees:					
- Auditors of the Company		**19**	12	**5**	12
Depreciation of property, plant and equipment	12	**53,212**	27,521	**813**	549
Gain on disposal of property, plant and equipment - net		**(360)**	(354)	**-**	(69)
Depreciation of right-of-use assets	13	**8,019**	-	**2,486**	-
Amortisation of prepaid lease payments	14	**1,589**	1,024	**-**	-
Amortisation of intangible assets	16	**2,534**	1,690	**-**	-
Impairment of goodwill	18	**2,894**	-	**-**	-
Impairment of investments in subsidiaries	19	**-**	-	**4,000**	-
Expenses relating to short-term and low value asset leases:					
Rental of motor vehicles		**167**	94	**-**	1
Rental of land and premises		**469**	4,948	**-**	3,648
Rental of machinery and equipment		**186**	75	**3**	5
		822	5,117	**3**	3,654

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

8. (LOSS)/PROFIT BEFORE TAX (CONT'D)

(Loss)/Profit before tax is arrived at after charging/(crediting): (Cont'd)

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Loss on liquidation of interest in joint ventures	8	**16**	-	**16**	-
Gain on redemption of redeemable convertible preference shares	19	**-**	-	**(21,902)**	-
Allowance for doubtful debt	24(a)	**678**	-	**1,519**	-
Bad debts written-off		**505**	-	**92**	-
Fair value loss arising from biological assets	25	**46**	125	**-**	-
Inventories written-down	26	**595**	-	**-**	-
Employee benefits expense		**59,606**	58,504	**23,755**	20,518
Loss/(Gain) on foreign exchange:					
Realised		**1,825**	300	**1,550**	12
Unrealised		**8,767**	18,700	**-**	(1,048)

Included in employee benefits expense is:

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Contributions to defined contribution plan		**6,903**	6,713	**1,996**	2,443
Employees' share scheme (gain)/expense - net		**(825)**	1,331	**(825)**	1,331
Retirement benefits	34	**1,810**	963	**-**	-
		7,888	9,007	**1,171**	3,774

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM9,690,000 (2018: RM7,795,000) and RM6,081,000 (2018: RM4,934,000) respectively as further disclosed in Note 9.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

9. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000	1.1.2019 to 30.6.2020 (18 months) RM'000	1.1.2018 to 31.12.2018 (12 months) RM'000
Executive Directors				
- fees	**122**	85	**-**	-
- emoluments	**9,568**	7,710	**6,081**	4,934
Total remuneration (excluding benefit-in-kind)	**9,690**	7,795	**6,081**	4,934
Estimated monetary value of benefit-in-kind	**350**	465	**186**	220
	10,040	8,260	**6,267**	5,154
Non-Executive Directors				
- fees	**1,317**	900	**938**	630
- emoluments	**388**	354	**64**	109
Total remuneration (excluding benefit-in-kind)	**1,705**	1,254	**1,002**	739
Estimated monetary value of benefit-in-kind	**291**	182	**106**	98
	1,996	1,436	**1,108**	837
Total remuneration (executive and non-executive)	**12,036**	9,696	**7,375**	5,991

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

10. **INCOME TAX EXPENSE**

	Note	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
Estimated tax payable:					
- current period/year		**14,767**	19,913	**-**	61
- (over)/underprovision in prior years		**(1,214)**	(559)	**18**	-
		13,553	19,354	**18**	61
Deferred tax:	23				
- origination and reversal of temporary differences		**16,659**	(3,797)	**-**	379
- underprovision in prior years		**5,226**	672	**-**	1,038
		21,885	(3,125)	**-**	1,417
Total income tax expense		**35,438**	16,229	**18**	1,478

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group 1.1.2019 to 30.6.2020 (18 months) RM'000	Group 1.1.2018 to 31.12.2018 (12 months) RM'000	Company 1.1.2019 to 30.6.2020 (18 months) RM'000	Company 1.1.2018 to 31.12.2018 (12 months) RM'000
(Loss)/Profit before tax	**(75,790)**	24,817	**(3,401)**	20,260
Income tax (credit)/expense calculated using Malaysian tax rate of 24% (2018: 24%)	**(18,190)**	5,956	**(816)**	4,862
Tax effects of:				
Non-deductible expenses	**126,825**	96,246	**7,871**	4,871
Non-taxable income	**(95,533)**	(86,082)	**(7,563)**	(9,293)
(Over)/underprovision of tax payable in prior years	**(1,214)**	(559)	**18**	-
Under provision of deferred tax in prior years	**5,226**	672	**-**	1,038
Impact of change in tax rate in other tax jurisdiction	**(746)**	(294)	**-**	-
Deferred tax assets not recognised	**19,070**	290	**508**	-
Total income tax expense	**35,438**	16,229	**18**	1,478

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

11. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2020 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding during the period.

	Group	
	1.1.2019 to 30.6.2020	**1.1.2018 to 31.12.2018**
Basic (loss)/earnings per ordinary share		
Net (loss)/profit attributable to owners of the Company (RM'000)	**(98,321)**	14,232

	Group	
	30.6.2020	**31.12.2018**
Number of shares in issue as at beginning of the financial period ('000)	**596,435**	530,070
Effect of issuance of shares ('000)	**-**	74
Effect of Bonus Issue ('000)	**-**	66,270
Weighted average number of ordinary shares in issue ('000)	**596,435**	596,414
Basic (loss)/earnings per ordinary share (sen)	**(16.48)**	2.39

	Group	
	1.1.2019 to 30.6.2020	**1.1.2018 to 31.12.2018**
Diluted (loss)/earnings per ordinary share		
Net (loss)/profit attributable to owners of the Company (RM'000)	**(98,321)**	14,232

	Group	
	30.6.2020	**31.12.2018**
Weighted average number of ordinary shares in issue ('000)	**596,435**	596,414
Effects of warrants ('000)	**-***	-*
Effects of dilution of ESS ('000)	**-***	-*
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	**596,435**	596,414
Diluted (loss)/earnings per ordinary share (sen)	**(16.48)**	2.39

* The effect of potential ordinary shares ongoing from the exercise of warrants and dilution of ESS was anti-dilutive and accordingly was excluded from the diluted earnings per share computation above.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Bearer plants RM'000	Buildings and renovation RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Asset under construction RM'000	Total RM'000
Cost								
At 1 January 2018	23,002	237,079	159,283	116,342	46,746	8,075	48,939	639,466
Additions	1,961	45,721	1,048	7,335	3,590	5,969	37,291	102,915
Disposals	-	-	-	(340)	(2,550)	-	-	(2,890)
Reclassifications	-	-	723	-	-	-	(723)	-
Writen off	-	-	-	-	(77)	-	-	(77)
Effects of movements in exchange rates	-	(8,523)	(1,134)	(1,729)	(226)	(51)	-	(11,663)
At 31 December 2018/ 1 January 2019	24,963	274,277	159,920	121,608	47,483	13,993	85,507	727,751
Additions	-	39,685	11,984	9,347	820	877	12,619	75,332
Disposals	-	-	(11,947)	(1,311)	(3,239)	(72)	(1,566)	(18,135)
Reclassifications	-	-	94,426	73	-	(73)	(94,426)	-
Effects of movements in exchange rates	-	13,290	1,376	2,073	260	66	-	17,065
At 30 June 2020	24,963	327,252	255,759	131,790	45,324	14,791	2,134	802,013

Included in the asset under construction is the finance cost capitalised during the period/year amounting to RM5,955,000 (31.12.2018: RM3,587,000).

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group	Freehold land RM'000	Bearer plants RM'000	Buildings and renovation RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Asset under construction RM'000	Total RM'000
Accumulated Depreciation								
At 1 January 2018	-	38,414	12,844	50,297	27,946	4,976	-	134,477
Depreciation for the year	-	5,641	5,643	8,789	6,139	1,309	-	27,521
Disposals	-	-	-	(340)	(2,494)	-	-	(2,834)
Written off	-	-	-	-	(77)	-	-	(77)
Effects of movements in exchange rates	-	(986)	(144)	(152)	(134)	(33)	-	(1,449)
At 31 December 2018/ 1 January 2019	-	43,069	18,343	58,594	31,380	6,252	-	157,638
Depreciation for the period	-	12,839	14,201	14,530	8,793	2,849	-	53,212
Disposals	-	-	-	(1,311)	(2,854)	(72)	-	(4,237)
Effects of movements in exchange rates	-	1,781	298	330	194	47	-	2,650
At 30 June 2020	-	57,689	32,842	72,143	37,513	9,076	-	209,263
Carrying Amounts								
At 31 December 2018	24,963	231,208	141,577	63,014	16,103	7,741	85,507	570,113
At 30 June 2020	24,963	269,563	222,917	59,647	7,811	5,715	2,134	592,750

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Company	Freehold land RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost					
At 1 January 2018	-	53	4,903	367	5,323
Additions	1,750	-	301	-	2,051
Disposals	-	-	(396)	-	(396)
Effects of movements in exchange rates	-	(5)	-	(4)	(9)
At 31 December 2018/1 January 2019	1,750	48	4,808	363	6,969
Effects of movements in exchange rates	-	(2)	-	(1)	(3)
At 30 June 2020	1,750	46	4,808	362	6,966
Accumulated Depreciation					
At 1 January 2018	-	52	3,324	367	3,743
Depreciation for the year	-	1	548	-	549
Disposals	-	-	(378)	-	(378)
Effects of movements in exchange rates	-	(6)	-	(4)	(10)
At 31 December 2018/1 January 2019	-	47	3,494	363	3,904
Depreciation for the period	-	-	813	-	813
Effects of movements in exchange rates	-	(3)	-	(1)	(4)
At 30 June 2020	-	44	4,307	362	4,713
Carrying Amounts					
At 31 December 2018	1,750	1	1,314	-	3,065
At 30 June 2020	1,750	2	501	-	2,253

In previous financial year, the Group and the Company entered into a sales and purchase agreement with its ultimate holding company for an acquisition of a piece of freehold land with cost of RM1,750,000. The acquisition is disclosed as a related party transaction in Note 44. As at 30 June 2020 the land title of this freehold land has yet to be transferred to the Group and the Company.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Included in property, plant and equipment are:

(i) the cost and the net carrying amount of property, plant and equipment under finance lease arrangements as follows:

Group	Machinery and equipment RM'000	Motor vehicles RM'000	Total RM'000
30 June 2020			
Cost	**54,429**	**17,282**	**71,711**
Carrying amounts	**9,126**	**8,084**	**17,210**
31 December 2018			
Cost	**45,370**	**19,064**	**64,434**
Carrying amounts	**18,722**	**11,738**	**30,460**
Company			
30 June 2020			
Cost	**46**	**4,808**	**4,854**
Carrying amounts	**2**	**501**	**503**
31 December 2018			
Cost	48	4,808	4,856
Carrying amounts	1	1,314	1,315

(ii) Freehold land and buildings of the Group with total net carrying amounts of RM50,412,000 (31.12.2018: RM51,171,000) are charged to financial institutions as securities for banking facilities granted to its subsidiaries as disclosed in Note 32(a)(vii) and Note 32(d).

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

13. RIGHT-OF-USE ASSETS

The Group and the Company lease several properties, machinery and equipment, bunkering facilities and office equipment. The lease terms are ranging from 2 years to 33 years averaging approximately 17 years and 12 years respectively.

Group	Note	Leasehold land RM'000	Buildings RM'000	Machinery and equipment RM'000	Bunkering facilities RM'000	Office equipment RM'000	Total RM'000
Cost							
At 1 January 2019		-	-	-	-	-	-
Effect on adoption of MFRS 16	46	2,798	2,769	3,093	7,565	139	16,364
Additions	33	-	303	-	-	-	303
At 30 June 2020		**2,798**	**3,072**	**3,093**	**7,565**	**139**	**16,667**
Accumulated depreciation							
At 1 January 2019		-	-	-	-	-	-
Depreciation for the period	8	1,222	1,989	2,543	2,225	40	8,019
At 30 June 2020		**1,222**	**1,989**	**2,543**	**2,225**	**40**	**8,019**
Carrying amounts							
At 30 June 2020		**1,576**	**1,083**	**550**	**5,340**	**99**	**8,648**

Company	Note	Buildings RM'000	Total RM'000
Cost			
At 1 January 2019		**-**	**-**
Effect on adoption of MFRS 16*	46	**72,795**	**72,795**
At 30 June 2020		**72,795**	**72,795**
Accumulated depreciation			
At 1 January 2019		**-**	**-**
Depreciation for the period	8	**2,486**	**2,486**
At 30 June 2020		**2,486**	**2,486**
Carrying amounts			
At 30 June 2020		**70,309**	**70,309**

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

13. **RIGHT-OF-USE ASSETS (CONT'D)**

The additions to right-of-use assets of RM303,000 and RMNil for the Group and the Company respectively during the financial period were made to replace expired contracts either by new leases for identical underlying assets or extended through exercising the extension options.

* This represents lease of building from the subsidiary which have been eliminated at the group level.

In the current financial period, amounts recognised in profit and loss are as below:

	Note	Group RM'000	Company RM'000
Amounts recognised in profit and loss			
Depreciation of right-of-use assets	8	8,109	2,486
Interest expense on lease liabilities	7	480	4,444
Expenses relating to short-term leases and low-value assets	8	822	3

During the period, the total cash outflow for leases for the Group and the Company amounted to RM8,318,000 and RM5,558,000 respectively (Note 33).

14. **PREPAID LEASE PAYMENTS**

	Note	Group	
		30.6.2020 RM'000	31.12.2018 RM'000
Cost			
At 1 January 2019/1 January 2018		**30,182**	30,532
Additions		**-**	401
Effect of movements in exchange rates		**921**	(751)
At 30 June 2020/31 December 2018		**31,103**	30,182

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

14. PREPAID LEASE PAYMENTS (CONT'D)

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Accumulated Amortisation			
At 1 January 2019/1 January 2018		**7,605**	6,663
Amortisation during the period/year	8	**1,589**	1,024
Effect of movements in exchange rates		**205**	(82)
At 30 June 2020/31 December 2018		**9,399**	7,605
Carrying Amount			
At 30 June 2020/31 December 2018		**21,704**	22,577

The leasehold land of the Group has an unexpired lease period of less than 50 years.

15. LAND HELD FOR DEVELOPMENT

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Cost			
At 1 January 2019/1 January 2018		**56,995**	36,130
Additions		**539**	8,719
Transfer from property development costs	27	**436**	14,867
Transfer to property development costs	27	**-**	(3,221)
Transfer from deposits paid		**-**	500
At 30 June 2020/31 December 2018		**57,970**	56,995
Freehold land		**53,691**	52,716
Leasehold land		**4,279**	4,279
		57,970	56,995

The land held for development represents land that are earmarked for future commercial development. Freehold land with carrying amount of RM8,958,000 (31.12.2018: RM8,958,000) is pledged to a bank for the term loan facility granted to the Group as disclosed in Note 32(a)(v).

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

16. **INTANGIBLE ASSETS**

Group	Note	Contractual customer relationship RM'000	Lease agreement RM'000	Software RM'000	Total RM'000
Costs					
At 1 January 2018		8,209	16,022	79	24,310
Additions		-	-	27	27
Effects of movements in exchange rates		-	-	(2)	(2)
At 31 December 2018/1 January 2019		8,209	16,022	104	24,335
Additions		-	-	184	184
Effects of movements in exchange rates		-	-	4	4
At 30 June 2020		8,209	16,022	292	24,523
Accumulated Amortisation					
At 1 January 2018		1,173	517	-	1,690
Amortisation for the year	8	1,173	517	-	1,690
At 31 December 2018/1 January 2019		2,346	1,034	-	3,380
Amortisation for the period	8	1,759	775	-	2,534
At 30 June 2020		4,105	1,809	-	5,914
Carrying Amounts					
31 December 2018		5,863	14,988	104	20,955
30 June 2020		4,104	14,213	292	18,609

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

17. CONCESSION SERVICE ASSETS

	Group	
	30.6.2020 RM'000	**31.12.2018 RM'000**
Highway Concession:		
At 1 January 2019/1 January 2018	**1,238,196**	829,873
Additions	**387,750**	408,323
At 30 June 2020/31 December 2018	**1,625,946**	1,238,196

Concession service assets represent the project costs incurred on the construction of a highway undertaken by the Group pursuant to a concession agreement with the Government of Malaysia signed on 13 February 2013. The concession agreement gives right to the Group for collection of toll over a concession period of 50 years from the Government of Malaysia in exchange for services to be rendered in connection with the design, construction, completion, operation, management and maintenance of the East Klang Valley Expressway ("EKVE").

Net interest cost capitalised in concession service assets during the financial period is RM88,850,000 (31.12.2018: RM59,229,000) (Note 7).

18. GOODWILL

		Group	
	Note	**30.6.2020 RM'000**	**31.12.2018 RM'000**
At 1 January 2019/1 January 2018		**41,781**	41,781
Impairment of goodwill during the period/year	18(ii)	**(2,894)**	-
At 30 June 2020/31 December 2018		**38,887**	41,781

For the purpose of impairment testing, goodwill is allocated to the cash-generating units, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

18. **GOODWILL (CONT'D)**

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Malaysian supply base operation	(i)	**35,623**	35,623
Malaysian quarry business unit	(ii)	**-**	2,894
Malaysian hotel operator unit	(iii)	**2,410**	2,410
Multiple business units without significant goodwill		**854**	854
		38,887	41,781

(i) Malaysian supply base operation

The recoverable amount is determined based on value-in-use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a 5 year period with terminal value computation with a pre-tax discount rate of 10% (31.12.2018: 10.5%) per annum. The key assumptions for the value-in-use calculation include management's expectation on the growth in the number of vessels berthed per day. The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 2.5% (31.12.2018: 5.2%) applied to steady-state estimate earnings at the end of the projected period.

(ii) Malaysian quarry business unit

During the period, the Group has fully impaired the goodwill related to Malaysian quarry business unit. The impairment of goodwill arose as the quarry business unit had not started operations to-date, amidst the uncertainty surrounding this particular sector.

(iii) Malaysian hotel operator unit

The recoverable amount is determined based on value-in-use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a 5 year period with terminal value computation with a pre-tax discount rate of 5.0% (31.12.2018: 7.0%) per annum. The key assumptions for the value-in-use calculation include management's expectation of the rooms' occupancy. The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 1.5% (31.12.2018: 3.0%) applied to steady-state estimate earnings at the end of the projected period.

The Directors believe that any reasonable possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. **INVESTMENTS IN SUBSIDIARIES**

	Company	
	30.6.2020 RM'000	31.12.2018 RM'000
Unquoted shares, at cost		
At 1 January 2019/1 January 2018	**533,280**	435,167
Additions of equity in subsidiaries	**471,245**	98,113
At 30 June 2020/31 December 2018, at cost	**1,004,525**	533,280
Less:		
Redemption of redeemable convertible preference shares	**(39,448)**	-
Allowance for impairment loss	**(16,035)**	(12,035)
	(55,483)	(12,035)
Net	**949,042**	521,245

The additions of equity in subsidiaries are as follows:

	30.6.2020 RM'000	31.12.2018 RM'000
Ordinary shares in:		
EKVE Sdn Bhd	**5,188**	98,113
Ahmad Zaki Sdn Bhd	**114,500**	-
Matrix Reservoir Sdn Bhd	**7,552**	-
AZRB Capital Sdn Bhd#	**-**	-
Preference shares in Peninsular Medical Sdn Bhd	**344,005**	-
	471,245	98,113

Additional investment in an existing subsidiary companies:

(i) Ahmad Zaki Sdn Bhd ("AZSB")

On 31 March 2020, the Company acquired 114,499,988 ordinary shares of AZSB, for a total consideration of RM114,499,988. The effective equity interest remains at 100%.

(ii) EKVE Sdn Bhd ("EKVE")

On 27 August 2019, the Company acquired 5,188,507 ordinary shares of EKVE, for a total consideration of RM5,188,507. The effective equity interest remains at 100%. In the previous financial year, the Company acquired additional 98,113,000 ordinary shares of EKVE, for a total consideration of RM98,113,000. The effective equity interest remains at 100%.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

19. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Additional investment in an existing subsidiary companies: (Cont'd)

(iii) Matrix Reservoir Sdn Bhd ("MRSB")

On 23 April 2019, the Company acquired 7,293,000 ordinary shares of MRSB, for a total consideration of RM7,293,000. On 4 July 2019, the Company acquired another 259,035 ordinary shares of MRSB, for a total consideration of RM259,035. The effective equity interest increased by 2% to 53% as at the end of the reporting period.

(iv) Peninsular Medical Sdn Bhd ("PMSB")

On 26 December 2019, the Company acquired 535,000,000 redeemable convertible preference shares of PMSB, at RM0.643 per share for a total consideration of RM344,005,000. The effective equity interest remains at 100%. During current financial period, the Company has redeemed 61,350,342 redeemable convertible preference shares for a total redemption price of RM61,350,342 resulting in a gain of RM21,902,000 on redemption.

Additional investment in a new subsidiary company:

\# AZRB Capital Sdn Bhd ("ACSB")

On 8 July 2019, the Company subscribed for 100% of the issued and paid-up share capital of ACSB, a company incorporated in Malaysia, for a total consideration of RM1.

Impairment losses

The Directors have reviewed the Company's investments in subsidiaries for indications of impairment and concluded that the allowance for impairment loss amounting to RM16,035,000 (31.12.2018: RM12,035,000) as at the end of the reporting period is deemed adequate in respect of investments in subsidiaries. Impairment of investments in subsidiaries of the Company arose from a subsidiary incorporated in Malaysia which had not started operations, which resulted in the carrying amount being impaired by RM4,000,000 during the financial period.

Movements in the accumulated impairment losses of investment in subsidiaries are as follows:

	1.1.2019 to 30.6.2020 RM'000	1.1.2018 to 31.12.2018 RM'000
At beginning of period/year	**12,035**	12,035
Impairment loss recognised during the period/year	**4,000**	-
At the end of period/year	**16,035**	12,035

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held by the Group 30.6.2020 %	31.12.2018 %
Ahmad Zaki Sdn Bhd	Contractors of civil and structural construction works	Malaysia	100	100
Inter-Century Sdn Bhd	Dealer of marine fuels	Malaysia	100	100
Tadok Granite Manufacturing Sdn Bhd	Dormant	Malaysia	100	100
AZRB International Ventures Sdn Bhd	Investment holding	Malaysia	100	100
Trend Vista Development Sdn Bhd	Real property and housing development	Malaysia	100	100
P.T. Ichtiar Gusti Pudi*	Oil palm cultivation and processing of palm oil	Republic of Indonesia	95	95
Ahmad Zaki Saudi Arabia Co. Ltd.#@	Contractors of civil and structural works	Kingdom of Saudi Arabia	95	95
Peninsular Medical Sdn Bhd	Carry out maintenance services of a teaching hospital via concession and assets management agreements	Malaysia	100	100
AZ Land & Properties Sdn Bhd	Property development	Malaysia	100	100
EKVE Sdn Bhd	Engaged in the business of construction, establishment, operation, maintenance and management of a highway	Malaysia	100	100
Unggul Energy & Construction Sdn Bhd	Dormant	Malaysia	100	100

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held by the Group 30.6.2020 %	31.12.2018 %
Temala Development Sdn Bhd	Property development	Malaysia	70	70
Betanaz Properties Sdn Bhd	Property development	Malaysia	51	51
Peninsular Prokonsult Sdn Bhd	Project management services	Malaysia	100	100
Residence Inn & Motels Sdn Bhd	Hotel operators and hotel project consultants	Malaysia	100	100
Betanaz Mills Sdn Bhd	Operation of palm oil mill	Malaysia	67	67
Sambungan Lebuhraya Timur Sdn Bhd#	Dormant	Malaysia	60	60
Matrix Reservoir Sdn Bhd	Investment holding	Malaysia	53	51
AZRB Capital Sdn Bhd	A special purpose vehicle established solely for the purpose of issuance of sukuk, in compliance with shariah principles	Malaysia	100	-
Held through Betanaz Mills Sdn Bhd				
Peak Crops Sdn Bhd	Dormant	Malaysia	40	40
Held through Ahmad Zaki Sdn Bhd				
Peninsular Precast Sdn Bhd	Fabricating and marketing of Industrial Building Products and System ("IBS")	Malaysia	100	100
AZSB Machineries Sdn Bhd	Rental of machineries and equipment and to carry on all or any of the business of transport operators	Malaysia	100	100

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held by the Group 30.6.2020 %	31.12.2018 %
Held through Ahmad Zaki Sdn Bhd (Cont'd)				
Kemaman Technology & Industrial Park Sdn Bhd	Property development	Malaysia	60	60
Held through AZRB International Ventures Sdn Bhd				
Ahmad Zaki Saudi Arabia Co. Ltd.#@	Contractors of civil and structural works	Kingdom of Saudi Arabia	5	5
Held through Matrix Reservoir Sdn Bhd				
TB Realty Sdn Bhd	Leasing of land and building	Malaysia	53	51
TB Supply Base Sdn Bhd	Logistic management services and vessel related services	Malaysia	53	51
TB Terminals Sdn Bhd	Dormant	Malaysia	53	51
Astral Far East Sdn Bhd	Dealer of lubricants, petroleum-based products and selling of potable water	Malaysia	53	51

* *Audited by other firm of auditors*
@ *Wholly-owned subsidiary of the Group*
\# *The financial statements are audited for the purpose of consolidation*

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Non-controlling interests

Details of non-wholly owned subsidiaries that have non-controlling interests ("NCI"):

Name of subsidiaries	NCI percentage of ownership interest and voting power %	(Loss)/Profit allocated to non-controlling interests RM'000	Accumulated non-controlling interests RM'000
30 June 2020			
Matrix Reservoir Sdn Bhd and its subsidiaries ("MRSB Group")	**47**	**(8,544)**	**11,910** *
Kemaman Technology & Industrial Park Sdn Bhd ("KTIP")	**40**	**135**	**8,285** **
P.T. Ichtiar Gusti Pudi ("PTIGP")	**5**	**(2,840)**	**(10,608)** ***
Other individually immaterial subsidiaries		**(1,658)**	**(4,149)**
		(12,907)	**5,438**

* This include impact of RM6,748,000 of change in ownership interest in the subsidiary during the financial period.
** This include dividend of RM383,000 paid/payable to non-controlling interest during the financial period.
*** This include impact of foreign currency translation reserves of RM440,000.

Name of subsidiaries	NCI percentage of ownership interest and voting power %	(Loss)/Profit allocated to non-controlling interests RM'000	Accumulated non-controlling interests RM'000
31 December 2018			
MRSB Group	49	(3,904)	13,706
KTIP	40	53	8,533
PTIGP	5	(1,184)	(8,208)
Other individually immaterial subsidiaries		(609)	(2,510)
		(5,644)	11,521

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

19. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests (in terms of percentage) are set out below. The summarised financial information below represents amounts before intragroup eliminations.

	30.6.2020		31.12.2018	
	MRSB Group RM'000	KTIP RM'000	MRSB Group RM'000	KTIP RM'000
Statements of financial position				
Non-current assets	**180,079**	**7,371**	172,375	6,571
Current assets	**25,560**	**18,500**	21,276	22,916
Total assets	**205,639**	**25,871**	193,651	29,487
Non-current liabilities	**72,625**	**-**	100,493	-
Current liabilities	**127,540**	**8,503**	83,805	12,455
Total liabilities	**200,165**	**8,503**	184,298	12,455
Total equity	**5,474**	**17,368**	9,353	17,032
Statements of profit or loss and other comprehensive income				
Revenue	**34,358**	**15,002**	9,894	3,946
(Loss)/Profit before tax	**(18,156)**	**583**	(9,645)	(809)
(Loss)/Profit after tax	**(18,179)**	**336**	(8,320)	(797)
Other comprehensive income	**-**	**-**	-	-

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

20. **INVESTMENTS IN ASSOCIATES**

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Unquoted shares, at cost:				
At 1 January 2019/1 January 2018	**2,750**	110	**2,640**	-
Acquisition of shares	**-**	2,640	**-**	2,640
At 30 June 2020/31 December 2018	**2,750**	2,750	**2,640**	2,640
Share of post-acquisition reserves				
At 1 January 2019/1 January 2018	**55**	55	**-**	-
Share of loss of associates, net of tax	**(3)**	-	**-**	-
At 30 June 2020/ 31 December 2018	**52**	55	**-**	-
Total	**2,802**	2,805	**2,640**	2,640

In the previous financial year, the Company entered into a Share Sale Agreement on 21 December 2018 to acquire 50% equity interest in Palmacorp Sdn Bhd from its ultimate holding company and a director of the Company for a total purchase consideration of RM2,640,000. Following the acquisition, Palmacorp Sdn Bhd became an associate of the Company.

Goodwill included within the Group's carrying amount of investments in associates is as follows:

	Group	
	30.6.2020 RM'000	31.12.2018 RM'000
Goodwill on acquisition	**2,058**	2,058

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

20. **INVESTMENTS IN ASSOCIATES (CONT'D)**

The details of the associate, which is incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Proportion of ownership interest and voting power held by the Group 30.6.2020 %	31.12.2018 %
Palmacorp Sdn Bhd*	Dormant	**50**	50
Held through Ahmad Zaki Sdn Bhd			
Fasatimur Sdn Bhd*	Dormant	**50**	50

* *Audited by other firm of auditors*

Summarised financial information of associates, not adjusted for the percentage ownership held by the Group:

	Effective ownership interest	Revenue (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
30 June 2020					
Palmacorp Sdn Bhd	**50%**	**-**	**(6)**	**1,477**	**(304)**
Fasatimur Sdn Bhd	**50%**	**-**	**-**	**589**	**(296)**
31 December 2018					
Palmacorp Sdn Bhd	50%	-	-	1,473	(294)
Fasatimur Sdn Bhd	50%	-	-	589	(296)

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

21. INTERESTS IN JOINT VENTURES

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Investment cost:				
At 1 January 2019/1 January 2018	**64**	64	**34**	34
Liquidation of interest in joint venture @	**(34)**	-	**(34)**	-
At 30 June 2020/31 December 2018	**30**	64	**-**	34
Share of post-acquisition results in joint ventures	**(30)**	(30)	**-**	-
Total	**-**	34	**-**	34

The details of the joint ventures, all incorporated in Malaysia, are as follows:

	Name	Project or Principal activities	Proportion of ownership interest and voting power held by the Group 30.6.2020 %	31.12.2018 %
(i)	BumiHiway - Ahmad Zaki Joint Venture*	Realignment of the route from Putrajaya to Cyberjaya, Selangor	50	50
(ii)	Ahmad Zaki - JasaBakti Joint Venture*	Design and building of "Sekolah Menengah Sains Hulu Terengganu" in Terengganu	70	70
(iii)	Peninsular IFM Sdn Bhd@	Integrated facilities management services	34	34

* *Audited by other firm of auditors*
@ *Struck off pursuant to Section 550 of the Companies Act, 2016 on 22 May 2020*

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

22. INVESTMENTS IN FINANCIAL ASSETS

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
At fair value through profit or loss:				
Unquoted shares in Malaysia	**48**	48	**-**	-
Club membership	**68**	68	**68**	68
Total	**116**	116	**68**	68

The club membership is in respect of a transferable golf club corporate membership. Included in the fair value through profit or loss investments of the Group is the investment in Salcon MMCB AZSB JV Sdn Bhd with equity interest of 30%.

The Directors are of the opinion that the carrying amounts of these financial assets approximate its fair value.

23. DEFERRED TAX LIABILITIES/(ASSETS)

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Deferred tax liabilities	**95,973**	82,488	**-**	-
Deferred tax assets	**(27,585)**	(35,474)	**(235)**	(235)
	68,388	47,014	**(235)**	(235)

Movement on the deferred tax is as follows:

	Note	Group		Company	
		30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
At 1 January 2019/1 January 2018		**47,014**	49,820	**(235)**	(1,652)
Recognised in profit or loss:	10				
Origination and reversal of temporary differences		**16,659**	(3,797)	**-**	379
Underprovision in prior years		**5,226**	672	**-**	1,038
		21,885	(3,125)	**-**	1,417
Effect of movements in exchange rates		**(511)**	319	**-**	-
At 30 June 2020/31 December 2018		**68,388**	47,014	**(235)**	(235)

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

23. **DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)**

Recognised deferred tax liabilities/(assets)

	Assets		Liabilities		Net	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Group						
Unused tax losses	**(29,109)**	(17,030)	**-**	-	**(29,109)**	(17,030)
Taxable temporary differences	**-**	-	**96,382**	90,475	**96,382**	90,475
Property, plant and equipment	**(5,062)**	(27,847)	**6,495**	3,338	**1,433**	(24,509)
Employee benefits	**-**	-	**6**	843	**6**	843
Other items	**(324)**	(2,765)	**-**	-	**(324)**	(2,765)
Deferred tax (assets)/ liabilities	**(34,495)**	(47,642)	**102,883**	94,656	**68,388**	47,014
Set off of deferred tax	**6,910**	12,168	**(6,910)**	(12,168)	**-**	-
Net deferred tax (assets)/ liabilities	**(27,585)**	(35,474)	**95,973**	82,488	**68,388**	47,014
Company						
Property, plant and equipment	**-**	-	**28**	28	**28**	28
Unused tax losses	**(263)**	(263)	**-**	-	**(263)**	(263)
Deferred tax (assets)/ liabilities	**(263)**	(263)	**28**	28	**(235)**	(235)
Set off of deferred tax	**28**	28	**(28)**	(28)	**-**	-
Net deferred tax (assets)/ liabilities	**(235)**	(235)	**-**	-	**(235)**	(235)

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

23. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets were not recognised in respect of the following items:

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Unused tax losses	**83,748**	5,269	**2,117**	-
Unutilised capital allowances	**3,986**	3,007	**-**	-
	87,734	8,276	**2,117**	2,117

Deferred tax assets were not recognised in respect of those items because it was not probable that sufficient future taxable profit would be available against which certain subsidiaries could utilise the benefits there from. The unused tax losses and unutilised capital allowances are subject to agreement with the tax authorities.

The availability of unused tax losses and unutilised capital allowances will expire latest by year 2027 or when there is substantial change in shareholders (of 50% or more), whichever earlier, under current tax legislation. The unutilised capital allowances do not expire under the current tax legislation. If there is substantial change in shareholders, unused tax losses and unutilised capital allowances as stated above will not be available to the Group.

24(a). TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Non-current					
Other receivables	f	**16,313**	9,040	**2,163**	2,262
Concession service receivable	b	**577,106**	597,975	**-**	-
		593,419	607,015	**2,163**	2,262

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

24(a). **TRADE AND OTHER RECEIVABLES (CONT'D)**

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000	Company 30.6.2020 RM'000	Company 31.12.2018 RM'000
Current					
Trade					
External parties	a	**347,374**	362,538	**-**	-
Concession service receivable	b	**70,000**	68,333	**-**	-
Amount due from a joint venture	c	**47**	47	**-**	-
		417,421	430,918	**-**	-
Non-trade					
Amount due from:					
Ultimate holding company	d	**1,968**	1,376	**301**	295
Subsidiaries	d	**-**	-	**394,009**	79,391
Associate	d	**20**	20	**-**	-
Affiliates	e	**3,393**	-	**165**	84
Less: Allowance for doubtful debt	8	**-**	-	**(1,519)**	-
		5,381	1,396	**392,956**	79,770
Other receivables	g	**90,469**	180,115	**8,390**	55,817
Less: Allowance for doubtful debt	8	**(678)**	-	**-**	-
		89,791	180,115	**8,390**	55,817
Deposits		**6,780**	9,953	**243**	48
Prepayments		**3,411**	18,610	**422**	17,352
		105,363	210,074	**402,011**	152,987
		522,784	640,992	**402,011**	152,987

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

24(a). TRADE AND OTHER RECEIVABLES (CONT'D)

Movements in the allowance for doubtful debt of non-trade receivables are as follows:

	Note	Group 1.1.2019 to 30.6.2020 RM'000	Group 1.1.2018 to 31.12.2018 RM'000	Company 1.1.2019 to 30.6.2020 RM'000	Company 1.1.2018 to 31.12.2018 RM'000
At beginning of period/year		**-**	-	**-**	-
Impairment loss recognised during the period/year	8	**678**	-	**1,519**	-
At the end of period/year		**678**	-	**1,519**	-

Note a

The Group's and the Company's normal credit term granted to customers' ranges from 60 to 90 days (31.12.2018: 60 to 90 days).

Included in trade receivables from external parties at 30 June 2020 are retention sums of the Group amounting to RM146,446,000 (31.12.2018: RM98,859,000) relating to construction work-in-progress.

Retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle of the Group as analysed below:

	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Within 1 year	**42,349**	48,373
1 - 2 years	**97,904**	21,496
2 - 3 years	**6,193**	17,519
3 - 4 years	**-**	7,060
More than 5 years	**-**	4,411
	146,446	98,859

Note b

Concession service receivable of the Group represents fair value of long term receivable from the Government of Malaysia over a concession period of 21.5 years upon completion of the International Islamic University Malaysia Medical Centre in 2016 under the Private Financing Initiative which granted the Group to undertake the design, build, lease and maintenance of the teaching hospital.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

24(a). **TRADE AND OTHER RECEIVABLES (CONT'D)**

Note c

The amount is trade in nature, unsecured, interest-free and repayable on demand.

Note d

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

Note e

Affiliates are companies, which have common directors and shareholders as that of the Company. The amount is unsecured, interest-free and repayable on demand.

Note f

The amount is trade in nature, unsecured, interest-free and repayable on demand.

Note g

Included in other receivables of the Group and of the Company as at 31 December 2018 were an amount of RM93,427,000 and RM49,295,000 respectively, which was classified as current receivables, in view of these amounts were expected to be recovered within the next twelve months from the end of the reporting period.

These amounts consisted of the award issued by the sole arbitrator of the International Court of Arbitration under the International Chamber of Commerce ("ICC") in 2013 pertaining to the arbitration initiated by the Group in year 2011 against a particular contract customer in respect of the development of a university campus in Saudi Arabia. The Group and the Company, through their external legal counsels in Saudi Arabia, had filed the arbitrator award with the local Saudi court on 2 February 2014 in order to obtain an enforcement order. The external legal counsels on 5 September 2018 further confirmed that the 22nd Circuit of the Riyadh Enforcement Court already ordered the Saudi Arabian Monetary Agency, which acts as the central bank for the Kingdom of Saudi Arabia to transfer the amount corresponding to the aforesaid final judgment and award from the account of the King Faisal Foundation to the account of the 22nd Circuit of the Riyadh Enforcement Court.

On 10 June 2019, AZRB was informed that the Appeal Judge (8th Appeal Circuit) has ordered for the case to be transferred from the 21st Circuit to the 11th Circuit of the Riyadh Enforcement Court. The 21st Circuit of the Riyadh Enforcement Court has then transferred the enforcement petition file to the President of the Riyadh Enforcement Court. The said President has assigned the enforcement petition to the Riyadh Enforcement Court. To-date, the ICC Award has been fully enforced by the Riyadh Enforcement Court and therefore, there will be no further action to be taken by both parties. The financial impact of the ICC Award has been taken into account and reflected in the financial results of the Group for the period from 1 January 2019 to 30 June 2020.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

24(b). **CONSTRUCTION CONTRACT ASSETS**

	Group		Company	
	30.6.2020	31.12.2018	30.6.2020	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Contract assets	**201,998**	368,115	**2,475**	5,621
Contract liabilities	**-**	-	**-**	-
Net	**201,998**	368,115	**2,475**	5,621
At beginning of the period/year	**368,115**	251,052	**5,621**	5,308
Revenue recognised during the period/year	**1,233,141**	1,029,599	**28,872**	47,358
Progress billing during the period/year	**(1,399,258)**	(912,536)	**(32,018)**	(47,045)
At the end of the period/year	**201,998**	368,115	**2,475**	5,621

Amount relating to construction contracts are balances due from customers under construction contracts that arise when the Group and the Company receive payments from customers via progress billings. The Group or the Company will previously have recognised amount due from contract customers for any work performed. Any amount previously recognised as an amount due from contract customers is reclassified to trade receivables at the point at which it is invoiced to the customer.

The Group and the Company apply an ECL rate, which is computed based on the historical time value loss rate from the timing of repayment of trade receivables, adjusted by forward-looking information that is available without undue cost or effort, to calculate the loss allowances for amount due from contract customers. At the end of each reporting period, the Group and the Company review the ECL rate and re-measure the loss allowance amount.

Included in additions to aggregate costs incurred to-date are the following amounts charged during the period:

		Group		Company	
	Note	1.1.2019 to 30.6.2020	1.1.2018 to 31.12.2018	1.1.2019 to 30.6.2020	1.1.2018 to 31.12.2018
		RM'000	RM'000	RM'000	RM'000
Interest/finance costs capitalised	7	**36,406**	20,882	**-**	-
Staff costs		**69,384**	47,286	**19,188**	16,649
Rental of premises and land		**5,933**	5,393	**3,648**	3,648
Running cost of machinery		**1,004**	912	**-**	-
Rental of motor vehicles		**7**	4	**-**	-

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

25. BIOLOGICAL ASSETS

	Note	Group	
		30.6.2020	31.12.2018
		RM'000	RM'000
At 1 January 2019/1 January 2018		**77**	202
Loss from changes in fair value	8	**(46)**	(125)
At 30 June 2020/31 December 2018		**31**	77

As at 30 June 2020, the unharvested fresh fruit bunches ("FFB") used in estimating fair value were 1,381 MT (31.12.2018: 2,459 MT).

Management has considered FFB less than 15 days before harvesting in the valuation of fair value. FFB more than 15 days before harvesting are excluded from the valuation as their fair values are considered negligible. Costs to sell include harvesting costs at the point of harvest.

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. A reasonable change in the key assumptions would not result in a material impact to the financial statements.

26. INVENTORIES

	Group	
	30.6.2020	31.12.2018
	RM'000	RM'000
At cost:		
Completed properties	**11,704**	11,371
Marine fuels and lubricants	**3,704**	4,586
Consumable goods	**2,108**	3,436
	17,516	19,393

In current financial period, inventories recognised as cost of sales in profit or loss amounted to RM31,340,000 (31.12.2018: RM24,004,000). The cost of inventories recognised includes RM595,000 (31.12.2018: RMNil) in respect of write-downs of inventory to net realisable value.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

27. PROPERTY DEVELOPMENT COSTS

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
At 1 January 2019/1 January 2018		**20,578**	30,665
Additions during the period/year		**15,158**	7,391
Cumulative costs recognised as an expense in profit or loss:			
Previous years		**(3,098)**	(13,154)
Current period/year		**(4,681)**	(3,053)
Closed out due to completion of projects		**6,957**	13,109
		(822)	(3,098)
Costs closed out during the period/year due to completion of projects		**(6,957)**	(13,109)
Transfer from land held for property development	15	**-**	3,221
Transfer to land held for property development	15	**(436)**	(14,867)
Transfer from other receivables		**-**	13,131
Transfer to inventories		**(6,900)**	(5,854)
At 30 June 2020/31 December 2018		**20,621**	17,480

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Current		
Financial assets at fair value through profit or loss		
- Unquoted unit trusts in Malaysia	**323,821**	164,338

Unit trusts are funds invested mainly in money market and fixed income instruments and are managed by investment management companies. During the financial period, the Group has capitalised into the concession service assets the fair value gain and dividend income from these financial assets amounting to RM22,013,000 (31.12.2018: RM231,000) and RM20,804,000 (31.12.2018: RM19,358,000) respectively.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

29. CASH AND DEPOSITS

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Deposits placed with licensed banks	**128,723**	63,791	**53,439**	13,468
Cash and bank balances	**296,569**	559,105	**7,018**	1,468
	425,292	622,896	**60,457**	14,936

Included in deposits placed with licensed banks of the Group are deposits of RM49,364,000 (31.12.2018: RM55,469,000) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the Group as disclosed in Note 32 and deposits of RM36,198,000 (31.12.2018: RM37,497,000) which represent the sinking fund created pursuant to Concession Agreement for purposes of future assets replacement at the teaching hospital.

Also included in deposits placed with licensed banks of the Company are deposits of RMNil (31.12.2018: RM10,160,000) which have been pledged to financial institutions as securities for the overdraft facility granted to its subsidiary as disclosed in Note 32(d).

The deposits placed with licensed banks of the Group and of the Company bear interest at effective interest rates ranging from 1.55% to 4.24% (31.12.2018: 2.55% to 4.15%) and 1.55% to 2.50% (31.12.2018: 2.55% to 3.20%) per annum, respectively.

30. SHARE CAPITAL

	Amount 30.6.2020 RM'000	Number of shares 30.6.2020 RM'000	Amount 31.12.2018 RM'000	Number of shares 31.12.2018 RM'000
Issued and fully paid up:				
Ordinary shares:				
At 1 January 2019/1 January 2018	**197,536**	598,098	**197,478**	531,548
New ordinary shares, net of issuance costs	**-**	-	**58**	95
Effect of Bonus Issue	**-**	-	**-**	66,455
At 30 June 2020/31 December 2018	**197,536**	598,098	**197,536**	598,098

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

30. SHARE CAPITAL (CONT'D)

During the previous financial year, the issued and paid-up share capital of the Company was increased by RM57,688 from RM197,478,058 to RM197,535,746 by way of issuance of 94,571 ordinary shares pursuant to the exercise of options under the Employees' Share Scheme at an exercise price of RM0.61 per ordinary share for cash.

On 30 August 2018, the Company proposed to undertake a bonus issue of up to 79,840,322 ordinary shares to be credited as fully paid-up on the basis of 1 new ordinary shares for every 8 existing shares of the Company ("Bonus Issue"). The Bonus Issue has been completed following the listing of 66,454,852 new Bonus Shares (including 184,762 treasury shares) pursuant to the Bonus Issue.

31. RESERVES

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Non-distributable:				
Warrant reserve	**27,889**	27,889	**27,889**	27,889
Foreign exchange translation reserve	**9,296**	16,123	**3,297**	2,862
Employees' share scheme ("ESS")	**1,506**	2,331	**1,506**	2,331
Other reserve	**1,594**	872	**-**	-
	40,285	47,215	**32,692**	33,082
Treasury shares	**(1,026)**	(1,026)	**(1,026)**	(1,026)
Distributable:				
Retained earnings	**118,303**	217,756	**6,600**	10,019
	157,562	263,945	**38,266**	42,075

The movements in each category of the reserves are disclosed in the statements of changes in equity.

Warrant reserve

Warrant reserve relates to the fair value of warrants in relation to the right shares issued in 2014. In financial year 2014, the Company issued 103,299,033 new detachable warrants ("Warrants") pursuant to the rights shares issued in 2014.

As at 30 June 2020, the total numbers of Warrants that remain unexercised were 116,201,952.

The fair value of the Warrants have been determined based on its quoted price at the issuance date.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

31. **RESERVES (CONT'D)**

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Employees' Share Scheme ("ESS")

The ESS reserve represents the equity settled share options granted to eligible directors and employees. This reserve is made up of the cumulative value of services received from eligible directors and employees recorded on the grant date of share options. Details of ESS granted to eligible directors and employees are disclosed in Note 40.

Other reserve

Other reserve mainly represents the statutory reserve in accordance with Saudi Arabian Companies Law & Company's Article of Association, which 10% of the annual net income is required to be transferred to statutory reserve until this reserve equals to 50% of the capital. This reserve is not available for dividend distribution.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

There was no repurchase of the Company's shares during the financial period.

Of the total 598,097,678 (31.12.2018: 598,097,678) issued and fully paid-up ordinary shares as at 30 June 2020, 1,662,862 (31.12.2018: 1,662,862) shares are held as treasury shares by the Company. As at 30 June 2020, the number of outstanding ordinary shares in issue after the set off is therefore 596,434,816 (31.12.2018: 596,434,816) ordinary shares.

Retained earnings

Distributable reserves are those available for distribution as cash dividends.

The retained earnings of the Group and of the Company are available for appropriation as dividends to the shareholders of the Group and of the Company under the single tier tax system.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

32. LOANS AND BORROWINGS

	Note	Group		Company	
		30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Non-current					
Term loans	a	**1,047,635**	1,281,809	**160,400**	175,000
Finance lease liabilities	b	**15,833**	27,095	**123**	609
Sukuk	c	**1,549,210**	1,000,000	**-**	-
		2,612,678	2,308,904	**160,523**	175,609
Current					
Term loans	a	**89,560**	78,556	**14,600**	-
Finance lease liabilities	b	**10,583**	7,885	**272**	414
Sukuk	c	**-**	17,053	**-**	-
Bank overdrafts	d	**38,673**	32,092	**-**	-
Trust receipts	e	**6,403**	7,050	**-**	-
Revolving credit and Murabahah facilities	f	**214,799**	138,078	**-**	25,000
Bankers' acceptance	g	**8,944**	36,777	**-**	-
Invoice financing	h	**2,860**	-	**-**	-
		371,822	317,491	**14,872**	25,414
		2,984,500	2,626,395	**175,395**	201,023

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

32. **LOANS AND BORROWINGS (CONT'D)**

Note a

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000	Company 30.6.2020 RM'000	Company 31.12.2018 RM'000
Term loan - I	(i)	**304,649**	341,321	**-**	-
Term loan - II	(ii)	**-**	15,206	**-**	-
Term loan - III	(iii)	**-**	326,493	**-**	-
Term loan - IV	(iv)	**-**	39,500	**-**	-
Term loan - V	(v)	**7,794**	8,900	**-**	-
Term loan - VI	(vi)	**-**	148	**-**	-
Term loan - VII	(vii)	**19,024**	30,354	**-**	-
Term loan - VIII	(viii)	**483,248**	291,172	**-**	-
Term loan - IX	(ix)	**175,000**	175,000	**175,000**	175,000
Term loan - X	(x)	**3,999**	8,499	**-**	-
Term loan - XI	(xi)	**5,855**	7,686	**-**	-
Term loan - XII	(xii)	**85,000**	91,467	**-**	-
Term loan - XIII	(xiii)	**12,958**	4,619	**-**	-
Term loan – XIV	(xiv)	**14,668**	20,000	**-**	-
Term loan - XV	(xv)	**25,000**	-	**-**	-
		1,137,195	1,360,365	**175,000**	175,000

The term loans of the Group comprise the followings:

(i) **Term loan I** is denominated in IDR and USD and bears interest at 11.25% and 5.78% (31.12.2018: 11.25% and 5.78%) per annum respectively. The term loan is repayable within a period of 108 months upon full disbursement and is secured by a corporate guarantee from the Company. In June 2020, the bank has approved 6 months moratorium for principal payment which will continue to recommence in December 2020. The existing profit payment shall continue to be paid during the moratorium period.

(ii) **Term loan II** bears interest at rates ranging from 5.11% to 5.17% (31.12.2018: 5.11% to 5.17%) per annum. The term loan was repayable in equal quarterly instalments over 9 years which commenced from September 2011 and was secured and supported by:

(a) a corporate guarantee from the Company; and
(b) a memorandum of charge on the shares of a subsidiary.

The term loan has been fully settled during the period.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

32. **LOANS AND BORROWINGS (CONT'D)**

Note a (Cont'd)

The term loans of the Group comprise the followings: (Cont'd)

(iii) **Term loan III** bears interest at rates ranging from 5.80% to 6.30% (31.12.2018: 5.80% to 6.30%) per annum and was repayable on quarterly basis by 44 instalments commencing on the 51st month from the first date of loan disbursement in July 2012. The term loan has been fully settled during the period.

(iv) **Term loan IV** bears interest at rates ranging from 5.77% to 6.06% (31.12.2018: 5.77% to 6.06%) per annum and was repayable on lump sum basis either on the 60th month from the first date of loan disbursement in July 2012 or upon receipt of reimbursable cost from a contract customer, whichever is earlier. The tenure for term loan Tranche 2 was 5 years. The term loan has been fully settled during the period.

(v) **Term loan V** bears interest at 5.11% (31.12.2018: 5.54%) per annum. The term loan is repayable on monthly basis by up to 85 instalments commencing from June 2015.

The above term loan is secured by way of:

(a) a first party legal charge over the land held for development as disclosed in Note 15;
(b) a legal assignment of rights in rental proceeds to be derived from the future commercial development on the land; and
(c) a corporate guarantee from the Company.

In May 2020, the Bank has approved 6 months moratorium for principal payments which will continue to recommence in November 2020. The existing interest payment shall continue to be paid during the moratorium period.

(vi) **Term loan VI** was interest free and repayable by 60 monthly instalments commencing from July 2016.

The above term loan was secured by way of:

(a) a debenture on a subsidiary's current and future fixed and floating assets;
(b) deposit placed with a financial institution of a subsidiary; and
(c) personal guarantee from the directors of a subsidiary.

The term loan has been fully settled during the period.

(vii) **Term loan VII** bears interest at rates ranging from 3.32% to 5.94% (31.12.2018: 4.54% to 6.04%) per annum and repayable over 45 months instalments commencing April 2016. The term loan is secured and supported by freehold land and building as disclosed in Note 12 and corporate guarantee by the Company. In May 2020, the bank agreed to restructure and reschedule the loan to 82 months from the instalment commencement date with a lower monthly repayment.

In May 2020, the bank has approved 6 months moratorium for principal payment which will continue to recommence in November 2020. The existing profit payment shall continue to be paid during the moratorium period.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

32. **LOANS AND BORROWINGS (CONT'D)**

Note a (Cont'd)

The term loans of the Group comprise the followings: (Cont'd)

(viii) **Term loan VIII** is a Government Support Loan which bears fixed interest at 4% (31.12.2018: 4%) per annum. The term loan is repayable over 35 years commencing in March 2021 and is secured and supported by a corporate guarantee by the Company. It is not applicable for moratorium as it is currently under the grace period.

(ix) **Term loan IX** bears interest at rates ranging from 6.39% to 9.14% (31.12.2018: 6.41% to 6.66%) per annum. The term loan is repayable over 6 years commencing August 2020 and secured by the shares held by the Company over its subsidiary. In May 2020, the bank has approved 6 months moratorium for both profit and principal payment which will continue to recommence in November 2020 and February 2021 respectively.

(x) **Term loan X** bears interest at 5.39% (31.12.2018: 5.79%) per annum. The term loan is repayable over 7 years commencing January 2020 and is secured and supported by a corporate guarantee by the Company. In April 2020, the bank has approved 6 months moratorium for both interest and principal payment which will continue to recommence in October 2020.

(xi) **Term loan XI** bears interest at 5.20% (31.12.2018: 5.14%) per annum. The term loan is secured and supported by a corporate guarantee by the Company. The term loan is repayable over 8 years commencing January 2018. In September 2020, the bank agreed to restructure and reschedule the loan by extending the loan tenure by 11 months. The principal payment will recommence in July 2021 whilst the existing interest payment shall continue to be paid during the extension period.

In September 2020, the bank has approved moratorium for principal payment which will continue to recommence in July 2021. The existing profit payment shall continue to be paid during the moratorium period.

(xii) **Term loan XII** bears interest at rates ranging from 6.65% to 6.75% (31.12.2018: 2.25% to 6.35%) per annum. The term loan is repayable in half-yearly instalments over 7 years commencing from August 2018 and is secured by a corporate guarantee by the Company.

In August 2020, the bank agreed to restructure and reschedule the loan by extending the loan tenure by 4 years with lower monthly principal and interest payments. The principal payment will recommence in July 2022 whilst the existing interest payment shall continue to be paid during the extension period.

(xiii) **Term loan XIII** bears interest at rates ranging from 2.5% to 6.8% (31.12.2018: 2.5% to 6.8%) per annum. The term loan is repayable in instalments over 2.5 years commencing from March 2018 and is secured by a corporate guarantee by the Company. In April 2020, the bank has approved 6 months moratorium for principal payment which will continue to recommence in October 2020. The existing profit payment shall continue to be paid during the moratorium period.

(xiv) **Term loan XIV** bears interest at rates ranging from 5.35% to 5.74% (31.12.2018: 5.65% to 5.94%) per annum and was repayable on monthly basis over 30 monthly instalments commencing on the 31st month from the first disbursement. It has been fully settled in August 2020.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

32. **LOANS AND BORROWINGS (CONT'D)**

Note a (Cont'd)

The term loans of the Group comprise the followings: (Cont'd)

(xv) **Term loan XV** represents bankers' acceptance and invoice financing being converted into a short-term loan to be repaid over a period of 8 months. It bears an interest rate of 6.70% per annum and is secured by a corporate guarantee from the Company.

Note b

Finance lease liabilities are payable as follows:

	Future minimum lease payments 30.6.2020 RM'000	Interest in suspense 30.6.2020 RM'000	Present value of minimum lease payments 30.6.2020 RM'000	Future minimum lease payments 31.12.2018 RM'000	Interest in suspense 31.12.2018 RM'000	Present value of minimum lease payments 31.12.2018 RM'000
Group						
Less than one year	**11,707**	**(1,124)**	**10,583**	9,120	(1,235)	7,885
Between one and five years	**16,784**	**(951)**	**15,833**	29,126	(2,031)	27,095
	28,491	**(2,075)**	**26,416**	38,246	(3,266)	34,980
Company						
Less than one year	**280**	**(8)**	**272**	450	(36)	414
Between one and five years	**126**	**(3)**	**123**	631	(22)	609
	406	**(11)**	**395**	1,081	(58)	1,023

Note c

The effective profit rate for Sukuk is 5.15% (31.12.2018: 5.90%) per annum. The facility is guaranteed by financial guarantors and supported by a corporate guarantee by the Company and is repayable over 11 years commencing year 2025. It is secured by proceeds of toll collection, income and other revenue arising from the Concession Agreement with the Government of Malaysia. As disclosed in Note 47(d), during the financial period, the Group issued RM535,000,000 Sukuk Murabahah under the Sukuk Murabahah Programme in nominal value based on the Shariah principle of Murabahah. The Sukuk Murabahah has a tenure ranging from 3 to 12 years, at a profit rate of between 4.70% to 5.35% per annum, payable semi-annually and guaranteed by the Company. Proceeds raised from the issuance was advanced to the Company for its Shariah-compliant general working capital requirements and corporate purposes.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

32. **LOANS AND BORROWINGS (CONT'D)**

Note d

The bank overdraft facilities are repayable on demand and bear interest at rates ranging from 6.67% to 8.17% (31.12.2018: 7.81% to 8.06%) per annum. Bank overdraft facilities are secured by deposits placed with licensed banks; freehold land and building as disclosed in Note 12; and a corporate guarantee from the Company.

Note e

The trust receipts are repayable within 120 to 180 days and bear interest at 6.44% to 8.82% (31.12.2018: 7.71% to 9.07%) per annum. These facilities are secured and supported by deposits placed with licensed banks of the Company and corporate guarantee from the Company.

Note f

The revolving credits and Murabahah facilities are repayable on demand and bear profit at rates ranging from 5.06% to 6.75% (31.12.2018: 5.65% to 6.64%) per annum. These facilities are secured by corporate guarantee from the Company and assignment of projects proceeds of a subsidiary.

Note g

Bankers' acceptance facilities are repayable within 120 days and bear rates ranging from 4.40% to 5.38% (31.12.2018: 5.36%) per annum. These facilities are supported by corporate guarantee from the Company.

Note h

Invoice financing facilities are repayable within 120 days and bear interest at 4.55% to 5.87% per annum. These facilities are supported by corporate guarantee from the Company.

33. **LEASE LIABILITIES**

	Group 30.6.2020 RM'000	Company 30.6.2020 RM'000
Present value of lease liabilities analysed as:		
Current	**3,646**	**599**
Non-current	**5,183**	**71,082**
	8,829	**71,681**

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

33. LEASE LIABILITIES (CONT'D)

Set out below are the carrying amount of lease liability and the movements during the financial period:

	Note	Group 30.6.2020 RM'000	Company 30.6.2020 RM'000
At 1 January 2019		-	-
Effect of adoption of MFRS 16	46	16,364	72,795
Addition	13	303	-
Finance cost on lease liabilities	7	480	4,444
Repayment of lease liabilities		(8,318)	(5,558)
At 30 June 2020		8,829	71,681

Maturity analysis of the lease liabilities is as follows:

	Future minimum lease payments 30.6.2020 RM'000	Interest in suspense 30.6.2020 RM'000	Present value of minimum lease payments 30.6.2020 RM'000
Group			
Less than one year	4,017	(371)	3,646
Between one and five years	3,657	(445)	3,212
More than five years	3,074	(1,103)	1,971
	10,748	(1,919)	8,829
Company			
Less than one year	3,705	(3,106)	599
Between one and five years	14,822	(12,147)	2,675
More than five years	138,651	(70,244)	68,407
	157,178	(85,497)	71,681

The Group and the Company applied the incremental borrowing rates to the lease liabilities recognised ranging from 3.00% to 5.05% per annum.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

34. **EMPLOYEE BENEFITS**

Retirement benefits

	Group	
	30.6.2020 RM'000	31.12.2018 RM'000
Net defined benefit liability	**4,935**	3,373

The Group's subsidiary in Indonesia makes provision for non-contributory defined benefit plan that provides pension benefits for employees upon retirement, death, disability and voluntary resignation as required under Labour Law No. 13/2003 of the Republic of Indonesia. The plan entitles an employee to receive payment according to the years of service.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

Movement in net defined benefit obligations

		Group	
	Note	30.6.2020 RM'000	31.12.2018 RM'000
At 1 January 2019/1 January 2018		**3,373**	3,029
Included in profit or loss	8		
Current service cost		**1,172**	761
Interest service cost		**638**	202
		1,810	963
Included in other comprehensive income			
Remeasurement gain:			
Actuarial gain arising from experience adjustments		**(407)**	(66)
Effect of movements in exchange rate		**326**	(400)
Less: Benefit paid		**(167)**	(153)
At 30 June 2020/31 December 2018		**4,935**	3,373

Post-employee benefits obligations are calculated by an independent actuary using the Projected Unit Credit method.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

34. EMPLOYEE BENEFITS (CONT'D)

The key assumptions used are as follows:

	30.6.2020	31.12.2018
Discount rate	7.50% per annum	8.25% per annum
Future salary/wage increment	5.00% per annum	5.00% per annum
Mortality rate	100% of TMI3	100% of TMI3
Morbidity rate	5% of TMI3	5% of TMI3
Executive	5% per year until age 34 then decrease linearly and become 0% at age 55	5% per year until age 34 then decrease linearly and become 0% at age 55
Non-Executive	10% per year until age 34 then decrease linearly and become 0% at age 55	10% per year until age 34 then decrease linearly and become 0% at age 55

	30.6.2020	31.12.2018
Proportion of early retirement take-up	**N/A**	N/A
Proportion of normal retirement take-up	**100%**	100%
Normal retirement age	**55 years**	55 years

35. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Non-current					
Deferred income	e	**206,942**	136,086	**-**	-
Advance payments received	b	**15**	2,253	**-**	2,253
		206,957	138,339	**-**	2,253
Current					
Trade					
External parties	a	**659,489**	810,920	**3,265**	11,767
Advance payments received	b	**12,680**	23,436	**11,661**	16,331
		672,169	834,356	**14,926**	28,098

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

35. **TRADE AND OTHER PAYABLES (CONT'D)**

	Note	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000	Company 30.6.2020 RM'000	Company 31.12.2018 RM'000
Current					
Non-trade					
Amount due to:					
Director	c	**60**	86	**-**	-
Ultimate holding company	c	**358**	-	**-**	-
Affiliates	c	**23,952**	6,561	**-**	-
Subsidiaries	c	**-**	-	**989,011**	222,213
		24,370	6,647	**989,011**	222,213
Deferred income	e	**36,199**	37,497	**-**	-
Accruals and other payables	d	**101,436**	219,572	**7,531**	12,860
		162,005	263,716	**996,542**	235,073
		834,174	1,098,072	**1,011,468**	263,171

Note a

The normal credit term granted by suppliers of the Group and of the Company ranges from 30 to 90 days (31.12.2018: 30 to 90 days).

Included in trade payables of the Group are:

(i) retention sums of RM187,407,000 (31.12.2018: RM143,378,000).

(ii) amount due to affiliates as follows:

	Group 30.6.2020 RM'000	Group 31.12.2018 RM'000
Amount due to subsidiaries of Chuan Huat Resources Berhad, a company in which Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda has a substantial financial interest and is also a director:		
- Chuan Huat Industrial Marketing Sdn Bhd	**18,909**	7,643
- Chuan Huat Steel Sdn Bhd	**922**	332

Affiliates are companies, which have common directors and shareholders of the Company and its subsidiaries. The amount is unsecured, interest-free and subject to normal credit terms.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

35. TRADE AND OTHER PAYABLES (CONT'D)

Note b

Advance payments received are in respect of the Group and the Company's construction contracts. These advances are to be set off against the progress billings on the related contracts.

Note c

These amounts are unsecured, interest-free and repayable on demand.

Note d

Included in accruals and other payables of the Group is interest on borrowings amounting to RM33,008,000 (31.12.2018: RM29,195,000).

Note e

The Group received a loan from the Malaysian Government as per Note 32(a)(viii) at an interest rate lower than the prevailing market rate. Using the prevailing market rate, the loan amount is adjusted to its fair value and the difference is treated as deferred income.

36. DIVIDENDS

Dividends recognised and paid by the Company during the financial period was:

	Sen per share	Amount RM'000	Date of Payment
30 June 2020			
Interim dividend	-	-	-
31 December 2018			
Interim dividend	1.00	5,302	26 October 2018

No final dividend was declared or proposed during the financial period and the Directors do not recommend any final dividend to be paid for the financial period under review.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. **OPERATING SEGMENTS**

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business strategies. For each of the strategic business units, the Group Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(i)	Engineering and Construction	-	civil and structural works
(ii)	Concession	-	concession and assets managements
(iii)	Oil and Gas	-	dealing in marine fuels, lubricants and petroleum based products
(iv)	Plantation	-	production of crude palm oil and kernel
(v)	Property	-	property development, hotel operation and facilities management

Other non-reportable segments comprise investment holding and provision of management services.

Inter-segment transactions, if any, are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation as included in the internal management reports that are reviewed by the Group Managing Director (the chief operating decision maker). Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill and intangible assets) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total liability is used to measure the gearing ratio of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, prepaid land lease, land held for development and intangible assets other than goodwill.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. **OPERATING SEGMENTS (CONT'D)**

Geographical segments

The Group operates in four principal geographical areas of the world:

(i) Malaysia - civil and structural works, concession assets management, dealing in marine fuels, lubricants and petroleum-based products, property development, investment holding and provision of management services
(ii) Republic of Indonesia - oil palm cultivation
(iii) India (Branch office) - civil and structural works
(iv) Kingdom of Saudi Arabia - civil and structural works

	Note	Engineering and Construction RM'000	Concession RM'000	Oil and Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
30 June 2020									
Revenue									
External revenue		1,233,141	76,045	86,244	46,827	20,504	-	-	1,462,761
Inter-segment revenue		515	-	6,637	-	-	30,843	(37,995)	-
Total revenue		1,233,656	76,045	92,881	46,827	20,504	30,843	(37,995)	1,462,761
Results									
Operating results		7,697	99,139	(4,002)	(45,237)	(926)	(49,405)	-	7,266
Interest income		1,578	493	11	-	77	730	-	2,889
Interest expense		(17,681)	(18,728)	(1,794)	(14,188)	(2,094)	(31,460)	-	(85,945)
(Loss)/Profit before tax		(8,406)	80,904	(5,785)	(59,425)	(2,943)	(80,135)		(75,790)
Income tax expense									(35,438)
Loss for the financial period									(111,228)

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. OPERATING SEGMENTS (CONT'D)

	Note	Engineering and Construction RM'000	Concession RM'000	Oil and Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
30 June 2020 (Cont'd)									
Other segment information									
Additions to non-current assets	(i)	3,685	-	24,999	40,025	7,346	-	-	76,055
Other non-cash income/ (expense)	(ii)	360	84,131	-	(10,525)	-	825	-	74,791
Depreciation and amortisation of non-current assets		24,402	4	15,940	23,027	1,157	824	-	65,354

	Engineering and Construction RM'000	Concession RM'000	Oil and Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
30 June 2020								
Assets								
Segment assets	2,587,091	719,700	198,853	389,029	106,613	144,889	-	4,146,175
Investments	322,614	-	-	-	-	4,125	-	326,739
Deferred tax assets	14,631	-	5,435	7,284	-	235	-	27,585
Tax recoverable	-	2,115	810	1	104	2,696	-	5,727
Total assets	2,924,336	721,815	205,098	396,314	106,717	151,946	-	4,506,226
Liabilities								
Segment liabilities	846,089	51,882	25,831	50,824	15,402	64,867	-	1,054,895
Loans and borrowings	1,750,485	-	106,023	394,979	26,594	706,419	-	2,984,500
Deferred tax liabilities	-	87,636	223	-	-	8,114	-	95,973
Tax liabilities	9,447	587	-	-	288	-	-	10,322
Total liabilities	2,606,021	140,105	132,077	445,803	42,284	779,400	-	4,145,690

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. OPERATING SEGMENTS (CONT'D)

	Note	Engineering and Construction RM'000	Concession RM'000	Oil and Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
31 December 2018									
Revenue									
External revenue		1,029,599	36,003	46,561	106,507	9,920	-	-	1,228,590
Inter-segment revenue		1,104	-	3,140	-	-	55,992	(60,236)	-
Total revenue		1,030,703	36,003	49,701	106,507	9,920	55,992	(60,236)	1,228,590
Results									
Operating results		65,137	66,441	(3,597)	(19,681)	(826)	(23,606)	-	83,868
Interest income		2,219	197	23	22	35	373	-	2,869
Interest expense		(13,131)	(22,880)	(2,265)	(9,894)	(991)	(12,759)	-	(61,920)
Profit/(Loss) before tax		54,225	43,758	(5,839)	(29,553)	(1,782)	(35,992)	-	24,817
Income tax expense									(16,229)
Profit for the financial year									8,588
Other segment information									
Additions to non-current assets	(i)	15,024	-	38,443	47,618	8,925	2,052	-	112,062
Other non-cash income/(expense)	(ii)	257	57,171	5	(20,297)	-	1,459	-	38,595
Depreciation and amortisation of non-current assets		12,710	4	3,909	10,821	545	2,246	-	30,235

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. OPERATING SEGMENTS (CONT'D)

	Engineering and Construction RM'000	Concession RM'000	Oil and Gas RM'000	Plantation RM'000	Property RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
31 December 2018								
Assets								
Segment assets	2,667,103	759,470	164,288	358,214	96,650	180,860	-	4,226,585
Investments	163,131	-	-	-	-	4,162	-	167,293
Deferred tax assets	11,795	-	6,653	16,323	469	234	-	35,474
Tax recoverable	156	2,517	3,930	1,618	152	2,966	-	11,339
Total assets	2,842,185	761,987	174,871	376,155	97,271	188,222	-	4,440,691
Liabilities								
Segment liabilities	1,022,656	70,266	23,267	60,143	13,484	49,968	-	1,239,784
Loans and borrowings	1,571,935	365,925	123,390	342,900	21,221	201,024	-	2,626,395
Deferred tax liabilities	1,283	72,852	230	-	10	8,113	-	82,488
Tax liabilities	17,995	187	-	-	-	840	-	19,022
Total liabilities	2,613,869	509,230	146,887	403,043	34,715	259,945	-	3,967,689

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. OPERATING SEGMENTS (CONT'D)

Major segment by geographical area

	Malaysia RM'000	Republic of Indonesia RM'000	India RM'000	Kingdom of Saudi Arabia RM'000	Eliminations RM'000	Consolidated RM'000
30 June 2020						
Total revenue from external customers	**1,415,934**	**46,827**	**-**	**-**	**-**	**1,462,761**
Total assets	**4,026,579**	**396,314**	**11,061**	**72,272**	**-**	**4,506,226**
Total liabilities	**3,682,809**	**445,803**	**5,721**	**11,357**	**-**	**4,145,690**
Net additions to non-current assets	**36,030**	**40,025**	**-**	**-**	**-**	**76,055**
31 December 2018						
Total revenue from external customers	1,122,083	106,507	-	-	-	1,228,590
Total assets	3,983,573	376,153	11,163	69,802	-	4,440,691
Total liabilities	3,537,792	403,043	15,885	10,969	-	3,967,689
Net additions to non-current assets	64,444	47,618	-	-	-	112,062

(i) Additions to non-current assets consist of the following items:

		Group	
	Note	30.6.2020 RM'000	31.12.2018 RM'000
Property, plant and equipment	12	**75,332**	102,915
Prepaid lease payments		**-**	401
Land held for development		**539**	8,719
Intangible assets		**184**	27
		76,055	112,062

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

37. **OPERATING SEGMENTS (CONT'D)**

(ii) Other non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	Group	
	30.6.2020	31.12.2018
	RM'000	RM'000
Fair value loss arising from biological assets	**46**	125
Employees' share scheme expenses	**(825)**	1,331
Amortisation of transaction costs	**1,712**	1,495
Loss on foreign exchange - unrealised	**8,767**	18,700
Accretion of fair value on non-current receivables	**(84,131)**	(59,892)
Gain on disposal of property, plant and equipment	**(360)**	(354)
	(74,791)	(38,595)

38. **FINANCIAL INSTRUMENTS**

38.1 **Classes and categories of financial instruments**

The table below provides an analysis of financial instruments as at end of the reporting period categorised as follows:

(a) Financial assets measured at amortised cost;
(b) Financial assets designated at fair value through profit or loss ("FVTPL");
(c) Financial assets designated at fair value through other comprehensive income ("FVTOCI"); and
(d) Other financial liabilities measured at amortised cost.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 Classes and categories of financial instruments (Cont'd)

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Financial assets				
Financial assets at amortised cost:				
Trade and other receivables, excluding prepayments	**1,112,792**	1,229,397	**403,752**	137,897
Cash and deposits	**425,292**	622,896	**60,457**	14,936
Financial assets at FVTPL:				
Club membership and unquoted shares	**116**	116	**68**	68
Unquoted unit trusts	**323,821**	164,338	**-**	-
Financial liabilities				
Other financial liabilities at amortised cost:				
Loans and borrowings	**2,984,500**	2,626,395	**175,395**	201,023
Lease liabilities	**8,829**	-	**71,681**	-
Trade and other payables, excluding deferred income	**797,990**	1,062,828	**1,011,468**	265,424

38.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables, bank balances and deposits placed with licensed banks, concession service receivable, amount due from joint venture and advances to ultimate holding company, associate and affiliates. The Company's exposure to credit risk arises principally from trade and other receivables, bank balances and deposits placed with licensed banks and advances to ultimate holding company, subsidiaries and affiliates.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

Exposure to credit risk, credit quality and collateral

Generally, trade and other receivables are written off if the Directors deem them uncollectable. As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk arising from trade and other receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. On-going credit evaluation is performed on the financial condition of the trade receivables. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

Impairment losses

The Group applies a simplified approach in calculating loss allowances for trade receivables and construction contract assets at an amount equal to lifetime ECL. The Group estimates the loss allowance on trade receivables and construction contract assets by applying an ECL rate at the end of each reporting period. The calculation of ECL rates were segmented according to potential exposures based on common credit risk characteristics such as nature of business, type of projects undertaking and selection of similar type of customers.

The Group assessed the ECL on trade receivables and construction contract assets individually. The Group writes off a trade receivable and construction contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables and construction contract assets are over three years past due, whichever occurs earlier. None of the trade receivables and construction contract assets that have been written off is subject to enforcement activities.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.3 Credit risk (Cont'd)

In addition, the Group has determined that, based on the assessments undertaken to date on the past default experience and reputation of the debtors, the Group regards the trade receivables and construction contract assets to have low credit risk.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (current and non-current) as at the end of the reporting period was:

		Group	
	Gross RM'000	Individual impairment RM'000	Net RM'000
30 June 2020			
Not past due	**310,958**	**-**	**310,958**
Past due 0 - 30 days	**1,107**	**-**	**1,107**
Past due 31 - 120 days	**8,040**	**-**	**8,040**
Past due more than 120 days	**27,269**	**-**	**27,269**
	347,374	**-**	**347,374**
31 December 2018			
Not past due	331,732	-	331,732
Past due 0 - 30 days	10,508	-	10,508
Past due 31 - 120 days	5,964	-	5,964
Past due more than 120 days	14,334	-	14,334
	362,538	-	362,538

Receivables that are individually determined to be credit impaired at the end of the reporting period relate to debtors who are in significant financial difficulties and had defaulted on payments. As at the end of the reporting period, there is no allowance made for impairment losses of trade receivables and construction contract assets for the Group.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. **FINANCIAL INSTRUMENTS (CONT'D)**

38.3 **Credit risk (Cont'd)**

Financial guarantees (Cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM2,809,105,000 (31.12.2018: RM2,425,372,000), represented by the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

Amounts due from ultimate holding company, associate and affiliates are classified as amortised cost in the Group's and the Company's financial statements because the Group's and the Company's business model is to hold and collect the contractual cash flows and those cash flows are 'solely payments of principal and interest' ("SPPI").

The Company makes payment on behalf of and/or provides advances to its ultimate holding company, subsidiaries, associate, joint ventures and affiliates. The Company monitors the results of the subsidiaries regularly except for the amounts due from ultimate holding company, associate, joint ventures and affiliates which are not material.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as shown in Note 24.

Impairment losses

As at the end of the reporting period, there was no indication that the amounts due from ultimate holding company, subsidiaries, associate, joint venture and affiliates are not recoverable.

Other receivables

As at the end of each reporting period, the Group measure ECLs through loss allowance at amount equal to 12 month-ECL if credit risk on a financial asset or a group of financial assets has not increased significantly since initial recognition. For all other financial assets, a loss allowance at an amount equal to lifetime ECL is required.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations as they fall due. The Group and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
Financial liabilities							
30 June 2020							
Trade and other payables	797,990	-	797,990	797,975	15	-	-
Bank overdrafts	38,673	6.67% - 8.17%	38,673	38,673	-	-	-
Trust receipts, bankers' acceptance and invoice financing	18,207	4.40% - 8.82%	19,338	19,338	-	-	-
Lease liabilities	8,829	3.00% - 5.05%	10,748	4,017	2,647	1,010	3,074
Finance lease liabilities	26,416	1.52% - 10.32%	28,491	11,707	6,498	10,286	-
Revolving credit and Murabahah facilities	214,799	5.06% - 6.75%	214,799	214,799	-	-	-
Term loans and Sukuk	2,686,405	4.20% - 7.35%	5,204,329	240,164	234,145	848,046	3,881,974
	3,791,319		6,314,368	1,326,673	243,305	859,342	3,885,048

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Group	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
31 December 2018							
Trade and other payables	1,062,828	-	1,062,828	1,060,575	2,253	-	-
Bank overdrafts	32,092	7.81% - 8.06%	32,092	32,092	-	-	-
Trust receipts and bankers' acceptance	43,827	5.36% - 9.07%	43,827	43,827	-	-	-
Finance lease liabilities	34,980	1.52% - 10.38%	38,246	9,120	8,605	20,521	-
Revolving credit and Murabahah facilities	138,078	5.65% - 6.64%	138,078	138,078	-	-	-
Term loans and Sukuk	2,377,418	2.25% - 11.25%	6,105,737	174,664	241,946	888,424	4,800,703
	3,689,223		7,420,808	1,458,356	252,804	908,945	4,800,703
Company							
Financial liabilities							
30 June 2020							
Trade and other payables	**1,011,468**	**-**	**1,011,468**	**1,011,468**	**-**	**-**	**-**
Lease liabilities	**71,681**	**4.35%**	**157,178**	**3,705**	**3,705**	**11,117**	**138,651**
Finance lease liabilities	**395**	**1.52% - 2.65%**	**406**	**280**	**126**	**-**	**-**
Term loan	**175,000**	**6.90%**	**222,312**	**26,823**	**42,837**	**106,880**	**45,772**
	1,258,544		**1,391,364**	**1,042,276**	**46,668**	**117,997**	**184,423**
31 December 2018							
Trade and other payables	265,424	-	265,424	263,171	2,253	-	-
Finance lease liabilities	1,023	1.52% - 2.65%	1,081	450	435	196	-
Term loan	175,000	6.90%	223,720	12,075	40,346	108,944	62,355
Revolving credit	25,000	5.52%	25,000	25,000	-	-	-
	466,447		515,225	300,696	43,034	109,140	62,355

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

38.5.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk are primarily US Dollar ("USD") and Saudi Riyal ("SAR").

Risk management objectives, policies and processes for managing the risk

The Group presently does not hedge its foreign currency exposures. Nevertheless, the management regularly monitors its exposure and keep this policy under review.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group	
	30.6.2020	**31.12.2018**
	RM'000	**RM'000**
Saudi Riyal - other receivables	**-**	98,860
US Dollar - loans and borrowings	**(304,649)**	(341,321)
Exposure in the statements of financial position	**(304,649)**	(242,461)

Currency risk sensitivity analysis

A 10% (31.12.2018: 10%) strengthening of RM against the following currency at the end of the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. **FINANCIAL INSTRUMENTS (CONT'D)**

38.5.1 **Currency risk (Cont'd)**

Currency risk sensitivity analysis (Cont'd)

	Group 30.6.2020 Equity RM'000	Group 30.6.2020 Profit or loss RM'000
SAR	**-**	**(98,886)**
USD	**30,465**	**34,132**

A 10% (31.12.2018: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

38.5.2 **Interest rate risk**

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

The Group's excess cash is invested in fixed deposits and other investments with tenure of less than 12 months, hence exposure to risk of change in their fair values due to changes in interest rates is not significant.

Risk management objectives, policies and processes for managing the risk

The Company does not have a formal policy for managing interest rate risk. The exposure to interest rate risk is monitored closely by the management.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.5.2 Interest rate risk (Cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Fixed rate instruments				
Financial assets	**128,723**	63,791	**53,439**	13,468
Financial liabilities	**(2,061,734)**	(1,343,353)	**(395)**	(1,023)
	(1,933,011)	(1,279,562)	**53,044**	12,445
Floating rate instruments				
Financial liabilities	**(922,766)**	(1,283,042)	**(175,000)**	(200,000)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company only has fixed rate deposits placed with licensed banks with tenure of less than 12 months for financial assets. The Group and the Company do not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.5.2 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

	Group			
	Group		Company	
	1% increase RM'000	1% decrease RM'000	1% increase RM'000	1% decrease RM'000
30 June 2020				
Floating rate instruments				
Term loans	**(6,539)**	**6,539**	**(1,750)**	**1,750**
Bank overdrafts	**(387)**	**387**	**-**	**-**
Trust receipts	**(64)**	**64**	**-**	**-**
Revolving credits and Murabahah facilities	**(2,148)**	**2,148**	**-**	**-**
Bankers' acceptance	**(89)**	**89**	**-**	**-**
Cash flow sensitivity (net)	**(9,227)**	**9,227**	**(1,750)**	**1,750**
31 December 2018				
Floating rate instruments				
Term loans	(10,690)	10,690	(1,750)	1,750
Bank overdrafts	(321)	321	-	-
Trust receipts	(71)	71	-	-
Revolving credits and Murabahah facilities	(1,381)	1,381	(250)	250
Bankers' acceptance	(368)	368	-	-
Cash flow sensitivity (net)	(12,831)	12,831	(2,000)	2,000

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.6 Fair value information

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

(i) **Club membership and unquoted shares**

It is not practical to determine the fair value of these unquoted shares and memberships due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

(ii) **Unquoted unit trusts**

Fair value of the investments in unit trust are determined based on the net asset value of the unit trust at the end of the reporting period.

(iii) **Cash and cash equivalents, trade and other receivables and payables**

The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

(iv) **Long-term receivables and payables**

The fair values of long-term receivables and payables are estimated using discounted cash flow analysis based on the weighted average cost of capital of the Group. The Group classifies this at Level 3 in fair value hierarchy.

(v) **Loans and borrowings**

The carrying amounts of bank overdrafts, trust receipts, revolving credit and Murabahah facilities, bankers' acceptance and short-term loans are approximate fair values due to the relatively short-term maturity of these financial liabilities.

The carrying amounts of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near to the end of the reporting period.

The fair value of finance lease liabilities and Sukuk are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.6 Fair value information (Cont'd)

(v) Loans and borrowings (Cont'd)

	Group			
	30.6.2020		31.12.2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Lease liabilities	**8,829**	**8,963**	-	-
Finance lease liabilities	**26,416**	**29,920**	34,980	38,346
Term loan	**483,248**	**491,705**	291,172	429,538
Sukuk	**1,549,210**	**1,607,213**	1,017,053	1,049,025

38.7 Fair value hierarchy

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For loans and borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period (2018: no transfer in either direction).

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

38. FINANCIAL INSTRUMENTS (CONT'D)

38.7 Fair value hierarchy (Cont'd)

Level 3 fair value

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group and the Company manage their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's and the Company's approach to capital management during the period.

The Group and the Company monitor capital using a gearing ratio, which is computed by using total loans and borrowings net of cash and cash equivalents and other investments over shareholder's equity attributable to owners of the Company.

Net Gearing Ratio

The net gearing ratio at the end of the reporting period is as follows:

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Total loans and borrowings	**2,984,500**	2,626,395	**175,395**	201,013
Less: Cash and cash equivalents	**(301,057)**	(497,838)	**(60,457)**	(4,776)
Less: Financial assets at fair value through profit or loss	**(323,821)**	(164,338)	**-**	-
Net debts	**2,359,622**	1,964,219	**114,938**	196,237
Total equity	**355,098**	461,481	**235,802**	239,611
Net debt-to-equity ratio (times)	**6.64**	4.26	**0.49**	0.82

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

40. SHARE-BASED PAYMENTS

The Company has an Employee Share Scheme ("ESS") intended to provide an opportunity for all eligible persons within the Group determined by the ESS Committee to participate in the equity of the Company. The ESS comprises of the following awards:

(i) options which entitle the eligible persons, upon exercise, to obtain the Company's shares at specified future date a pre-determined price ("ESS Options"); and

(ii) the right to have a number of the Company's shares vested at the future date as the ESS Committee may decide ("ESS Share Awards") provided that relevant performance conditions/targets of AZRB Group which has been pre-determined at the point of the offer of the ESS Share Awards are duly fulfilled.

During the year 2017, the Company made the first offer of 4,597,453 options under the ESS Options and 5,614,943 shares under that ESS Shares Award to eligible employees and Directors of the Company and/or its eligible subsidiaries.

The movements in number of shares pursuant to the issuance of ESS during the financial period are as follows:

			Number of ordinary shares				
Grant date	Expiry date	Exercise price per share RM	Balance as at 1.1.2019	Granted	Exercised	Forfeited	Balance as at 30.6.2020
Share Awards							
31.03.2017	01.03.2020*	N/A	4,494,918	-	-	(4,494,918)	**-**
Share Options							
31.03.2017	17.08.2024**	0.61	3,670,760	-	-	(485,285)	**3,185,475**
			8,165,678	-	-	(4,980,203)	**3,185,475**

* The Share Awards are given for free to the Eligible Persons at the vesting date of 1 March 2020. Hence the date of expiry is deemed to be as at that date.

** The ESS was implemented on 18 August 2014 ("Effective Date") and shall be in force for a period of 5 years and expires on 17 August 2019. The ESS has been extended for a further period of 5 years expiring on 17 August 2024.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

40. SHARE-BASED PAYMENTS (CONT'D)

The fair value of ESS is determined based on the following assumptions:

		Share Awards	Share Options
Valuation model		Black-Scholes	Binomial Option Pricing
Offer date		01.03.2017	01.03.2017
Grant date		31.03.2017	31.03.2017
Fair value of share options at grant dates			
- At vesting date on 28.02.2018	(RM)	-	0.4472
- At vesting date on 28.02.2019	(RM)	-	0.4685
- At vesting date on 28.02.2020	(RM)	-	0.4823
- At vesting date on 01.03.2020	(RM)	0.943	-
Grant date share price	(RM)	1.00	1.00
Exercise price	(RM)	Nil	0.61
Expected volatility	(%)	34.28	35.28
Expected life	(years)	3	7
Risk free rate	(%)	3.65	4.07
Expected dividend yield	(%)	2.00	2.00

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features were incorporated into the measurement of fair value.

41. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group	
	30.6.2020 RM'000	31.12.2018 RM'000
Less than one year	**313**	259
Between one and five years	**191**	446
	504	705

This is in respect of lease rental payable for leasing of office equipment with lease tenure of 5 years. These are considered as low value assets leases in accordance with MFRS 16.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

42. CAPITAL COMMITMENTS

	Group	
	30.6.2020	**31.12.2018**
	RM'000	**RM'000**
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	**165**	19,289
Authorised but not contracted for	**27,407**	44,811

43. CONTINGENT LIABILITIES

(i) Corporate Guarantees

The Directors are of the opinion that provisions are not required as at period end in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Company	
	30.6.2020	**31.12.2018**
	RM'000	**RM'000**
Unsecured		
Corporate guarantees given to financial institutions and suppliers in respect of credit facilities granted to subsidiaries	**231,619**	275,877
Secured		
Corporate guarantee given to financial institutions in respect of credit facilities granted to subsidiaries	**3,089,427**	2,831,313
	3,321,046	3,107,190

The financial guarantees have not been recognised in the financial statements since the fair value on initial recognition was not material as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary companies' borrowings in view of the securities pledged by the subsidiary companies.

(ii) Tax Review

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.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

44. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures, affiliates, Directors and key management personnel.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 9), are as follows:

	Group		Company	
	30.6.2020 RM'000	31.12.2018 RM'000	30.6.2020 RM'000	31.12.2018 RM'000
Trade				
Dividend income received/receivable from subsidiaries	**-**	-	**(24,387)**	(36,000)
Management fees received/receivable from subsidiaries	**-**	-	**(30,938)**	(19,992)
Corporate guarantee fees receivable from subsidiaries	**-**	-	**(2,299)**	(1,420)
Purchases from subsidiaries of Chuan Huat Resources Berhad, of which a director has substantial financial interests:				
- Chuan Huat Industrial Marketing Sdn Bhd	**39,621**	43,010	**-**	-
- Chuan Huat Hardware Sdn Bhd	**1,530**	1,255	**-**	-

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

44. **RELATED PARTIES (CONT'D)**

Significant related party transactions (Cont'd)

	Group		Company	
	30.6.2020 RM'000	**31.12.2018 RM'000**	**30.6.2020 RM'000**	**31.12.2018 RM'000**
Purchases from following companies in which a director has substantial financial interests, and is also a director:				
- QMC Sdn Bhd	**89**	1,127	**-**	-
- Kemaman Quary Sdn Bhd	**-**	1	**-**	-
- MIM Waste Services Sdn Bhd	**-**	94	**-**	-
Sales to the following companies of which a director has substantial financial interests, and is also a director				
- Kemaman Quary Sdn Bhd	**(24)**	(129)	**-**	-
- MIM Waste Services Sdn Bhd	**(630)**	(395)	**-**	-
Non-trade				
Rental of office payable to subsidiaries	**-**	-	**-**	3,648
Administrative services payable to ultimate holding company	**191**	127	**-**	-
Insurance premium paid or payable to ultimate holding company	**1,058**	503	**-**	-
Purchase of property, plant and equipment from ultimate holding company	**-**	1,750	**-**	1,750
Rental of land paid to a director of the Company	**579**	478	**-**	-
Rental payable to ultimate holding company	**-**	120	**-**	-
Charges paid to MIM Protection Sdn Bhd, of which certain directors has substantial financial interests and are also the directors				
- Security charges	**10,208**	4,859	**-**	-

The outstanding balances arising from the above transactions have been disclosed in Notes 24 and 35.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

45. RECLASSIFICATIONS OF COMPARATIVE FIGURES

The following comparatives have been reclassified to conform with current period's presentation in the financial statements:

	31.12.2018 RM'000 As previously stated	RM'000 Reclassification	31.12.2018 RM'000 As reclassified
Statement of profit or loss and other comprehensive income for the year ended 31 December 2018			
Group			
Other operating expenses	(25,249)	(4,130)	(29,379)
Finance costs	(66,050)	4,130	(61,920)
Company			
Other operating expenses	(264)	(1,155)	(1,419)
Finance costs	(13,913)	1,155	(12,758)
Statements of financial position as at 31 December 2018			
Group			
Construction contract assets	367,713	402	368,115
Accrued billings from property development	402	(402)	-

46. EFFECT ON ADOPTION OF MFRS 16 : LEASES

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remain largely unchanged. The impact of the adoption of MFRS 16 on the Group's and the Company's financial statements is described below.

The date of initial application of MFRS 16 for the Group and the Company is 1 January 2019.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

46. **EFFECT ON ADOPTION OF MFRS 16 : LEASES (CONT'D)**

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under MFRS 117.

(a) Impact of the new definition of a lease

The Group and the Company have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the lessee has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, whether they are a lessor or a lessee in the lease contract. The new definition in MFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group and the Company.

(b) Impact on lessee accounting

Operating leases

MFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases, the Group and the Company:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16;
- recognise depreciation of right-of-use asset and interest on lease liabilities in the statements of profit or loss and other comprehensive income; and
- separate the total amount of cash paid into a principal portion and interest on lease liabilities, presented within financing activities in the statements of cash flows.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

46. **EFFECT ON ADOPTION OF MFRS 16 : LEASES (CONT'D)**

(b) Impact on lessee accounting (Cont'd)

Operating leases (Cont'd)

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For short term lease (lease term of 12 months or less) and leases of low-value assets (those assets valued at less than RM25,000), the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. The lease expense is presented in the statements of profit or loss and other comprehensive income.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117:

- the Group and the Company have applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the Group and the Company have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- the Group and the Company have excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- the Group and the Company have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Finance leases

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group and the Company have elected to apply the low-value lease recognition exemption.

The right-of-use assets and the lease liabilities are accounted for applying MFRS 16 from 1 January 2019.

(c) Impact on lessor accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Notes to the Financial Statements

For the financial period from 1 January 2019 to 30 June 2020

46. **EFFECT ON ADOPTION OF MFRS 16 : LEASES (CONT'D)**

(d) Financial impact of initial application of MFRS 16

The lessee's incremental borrowing rates applied to the lease liabilities recognised in the statements of financial position are ranging from 3.00% to 5.05% per annum.

The following shows the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statements of financial position at the date of initial application.

	The Group RM'000	The Company RM'000
Operating lease commitments as at 31 December 2018	705	-
Effects from discounting at the incremental borrowing rate between 3.00% to 5.05%	-	-
Add:		
Lease liabilities additionally recognised based on the initial application of MFRS 16	16,163	72,795
Less:		
Leases of low value assets recognised on a straight-line basis as expense	(504)	-
Lease liabilities recognised as at 1 January 2019	16,364	72,795

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to all the leases recognised in the statements of financial position immediately before the date of initial application. Consequently, right-of-use assets of RM16,364,000 and RM72,795,000 were recognised on 1 January 2019 for the Group and the Company respectively. The initial application of MFRS 16 had no impact on the Group's and the Company's retained earnings as at 1 January 2019.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

47. SIGNIFICANT EVENTS DURING THE PERIOD

(a) On 3 January 2019, Inter-Century Sdn Bhd ("ICSB"), a wholly-owned subsidiary of the Company entered into a new agreement for ICSB to continue providing marine high speed diesel bunkering services to all vessels of Petronas Dagangan Berhad's customers at the Kemaman Supply Base in Terengganu Darul Iman ("the Agreement"). The Agreement will be effective for a period of 5 years which commenced from 1 January 2019 until 31 December 2023.

(b) On 20 February 2019, Ahmad Zaki Sdn Bhd, a wholly-owned subsidiary of the Company received and accepted a Letter of Award from Rantau Properties Sdn Bhd ("the Award") for a project known as "The Proposed Refurbishment and Upgrading Works to the existing Petronas Office Complex (Block A) and Kompleks Operasi Petronas 1 (Block B), Proposed Construction and Completion of new Annex Building (Block C), Infrastructure and Landscaping Works on part of Lot 52271 and 52272, Mukim Kertih, Daerah Kemaman, Terengganu Darul Iman" ("the Contract Works"). The Award for the Contract Works amounted to a total value of RM150,500,000.

(c) The Company, at the recommendation of the Employee Share Scheme ("ESS") Committee extended its ESS which expired on 17 August 2019 for a further period of 5 years from 18 August 2019 to 17 August 2024 in accordance with the ESS By-Laws.

(d) On 26 December 2019, AZRB Capital Sdn Bhd, a wholly-owned subsidiary of the Company had issued RM535,000,000 Sukuk Murabahah under the Sukuk Murabahah Programme in nominal value based on the Shariah principle of Murabahah. The Sukuk Murabahah has a tenure ranging from 3 to 12 years, at a profit rate of between 4.70% to 5.35% per annum, payable semi-annually and guaranteed by the Company. Proceeds raised from the issuance was advanced to the Company for its Shariah-compliant general working capital requirements and corporate purposes.

(e) Following on from the development of the COVID-19 outbreak which was declared by the World Health Organisation as a global pandemic in March 2020, the Malaysian Government imposed the mandatory Movement Control Order ("MCO") from 18 March 2020 and subsequently implemented the Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 to curb the spread of the virus in Malaysia. This was followed by the Recovery MCO ("RMCO") which lasted until 31 August 2020, and has now been further extended until 31 December 2020. These unprecedented COVID-19 measures undertaken by the authorities resulted in stringent travel restrictions, nationwide lockdown, and drastic reduction in business activities which has brought significant economic uncertainties in Malaysia and within the industry and markets that the Group operates in.

The imposition of the MCO had resulted in disruptions especially to the Group's Engineering and Construction, and Property Divisions. However, this was considered as a temporary set-back, as the Management has been diligent in ensuring that operationally, levels were brought up to normal after the end of the CMCO on 9 June 2020.

Notes to the Financial Statements
For the financial period from 1 January 2019 to 30 June 2020

47. **SIGNIFICANT EVENTS DURING THE PERIOD (CONT'D)**

(e) The other Divisions within the Group; namely the Concession, Oil and Gas, and Plantation were not materially affected by the COVID-19 outbreak, mainly due to the nature of their services and sectors that they are operating in.

Despite having the ability to achieve pre-COVID-19 operational levels, the Group as a whole continues to rigorously review its resources as well as undertaking prudent financial management to ensure that that Group will continue to remain sustainable going forward operating in the new normal environment.

The Directors of the Group have assessed the overall impact of this situation towards the Group's operations and financial performance, including the recoverability of the net carrying amount of its assets and the subsequent measurement of its assets and liabilities. The Directors are of the view that there is no material adverse effect on the Group's financial statements for the financial period from 1 January 2019 to 30 June 2020. Nevertheless, the Directors will closely monitor the current developments of COVID-19 and continuously assess the impact on the Group's operations and would take appropriate and timely measures to minimise the said impact.

Statements by Directors

The Directors of **AHMAD ZAKI RESOURCES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and the cash flows of the Group and of the Company for the financial period ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA

Kuala Lumpur,
28 October 2020

Declaration by the Officer Primarily Responsible for the Financial Management of the Company

I, **ISKANDAR SHAM BIN ABD RASAP**, the officer primarily responsible for the financial management of **AHMAD ZAKI RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

ISKANDAR SHAM BIN ABD RASAP
(MIA Membership No. 14948)

Subscribed and solemnly declared by the abovenamed
ISKANDAR SHAM BIN ABD RASAP at **KUALA LUMPUR**
this 28th day of October 2020.

Before me,

COMMISSIONER FOR OATHS

Directors' Interest in Shares and Warrants

As at 30 September 2020

Issued and Fully Paid-up Share Capital : 598,097,678
Class of Shares : Ordinary Share
Voting Rights : One vote per share

inclusive of 1,662,862 ordinary shares held as treasury shares as at 30 September 2020

	Ordinary Shares			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	200,000	0.04	0	0
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4,757,371	0.80	321,982,659 *	53.98 *
Dato' Sri Wan Zakariah bin Haji Wan Muda	5,266,220	0.88	8,000 *	0 #*
Dato' W Zulkifli bin Haji W Muda	10,003,789	1.67	263,125 *	0.04 *
Dato' Roslan bin Tan Sri Jaffar	1,061,262	0.18	492,187 *	0.08 *
Dato' Haji Mustaffa bin Mohamad (resigned on 16 October 2020)	2,612,510	0.44	1,500,512 *	0.25 *
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	900,000	0.15	0	0
Datuk (Prof.) A Rahman @ Omar bin Abdullah	3,683,049	0.62	0	0
Dato' Sr. Abdull Manaf bin Hj Hashim	165,000	0.03	0	0
Ultimate Holding Company				
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	3,000,001	30.00	2,500,001 *	25.00 *
Dato' Sri Wan Zakariah bin Haji Wan Muda	1,250,000	12.50	0	0
Dato' W Zulkifli bin Haji W Muda	1,250,000	12.50	0	0

Directors' Interest in Shares and Warrants
As at 30 September 2020

	Warrants 2014/2024			
	Direct Interest	%	Deemed Interest	%
The Company				
Ahmad Zaki Resources Berhad				
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	0	0	0	0
Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	985,676	0.85	63,622,038 *	54.75 *
Dato' Sri Wan Zakariah bin Haji Wan Muda	429,368	0.37	0	0
Dato' W Zulkifli bin Haji W Muda	225,153	0.19	0	0
Dato' Roslan bin Tan Sri Jaffar	139,218	0.12	105,468 *	0.09 *
Dato' Haji Mustaffa bin Mohamad (resigned on 16 October 2020)	0	0	56 *	0 #*
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	0	0	0	0
Datuk (Prof.) A Rahman @ Omar bin Abdullah	0	0	0	0
Dato' Sr. Abdull Manaf bin Hj Hashim	0	0	0	0

* securities held through person(s) connected with the Director
\# negligible

By virtue of Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda having an interest of more than 20% of the shares in Ahmad Zaki Resources Berhad, he is deemed interested in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors held any shares or have any interest in the Company and its related companies as at 30 September 2020.

Analysis of Shareholdings

As at 30 September 2020

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders		No. of Shareholdings		% of Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 shares	596	9	22,671	377	0.00	0.00
100 to 1,000 shares	503	3	211,402	1,924	0.04	0.00
1,001 to 10,000 shares	2,205	17	12,049,402	104,482	2.02	0.02
10,001 to 100,000 shares	2,366	40	76,860,440	1,653,675	12.85	0.28
100,001 to less than 5% of issued shares	388	11	182,746,437	5,002,032	30.55	0.83
5% and above of issued shares	3	0	319,444,836	0	53.41	0.00
Total	6,061	80	591,335,188	6,762,490	98.87	1.13

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE EXCLUDING BARE TRUSTEES)

		Ordinary Shares			
		Direct Interest	%	Deemed Interest	%
1.	Zaki Holdings (M) Sdn Bhd	247,982,336	41.46	0	0
2.	AmSec Nominees (Tempatan) Sdn Bhd - Pledged securities account - AmBank (M) Berhad for Zaki Holdings (M) Sdn Bhd	71,462,500	11.95	0	0
3.	Tan Sri Dato' Sri Haji Wan Zaki bin Haji Wan Muda	4,757,371	0.80	321,982,659 *	53.98 *

* Shares held through persons connected with the Director

Analysis of Shareholdings
As at 30 September 2020

LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Shareholder	Shares held	%
1	ZAKI HOLDINGS (M) SDN BHD	205,030,880	34.28
2	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR ZAKI HOLDINGS (M) SDN. BHD.	71,462,500	11.95
3	ZAKI HOLDINGS (M) SDN BHD	42,951,456	7.18
4	DATO' SRI NG TECK LONG	7,808,600	1.31
5	NEOH CHOO EE & COMPANY, SDN. BERHAD	6,687,900	1.12
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI BIN HAJI W MUDA (006111262)	6,018,750	1.01
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA (7005790)	4,909,970	0.82
8	TAN SRI DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	4,757,371	0.80
9	LIM BOON LIAT	4,500,062	0.75
10	ROSNITA BINTI YUNUS	4,220,150	0.71
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AHAM EQUITY FUND)	4,029,975	0.67
12	DATUK PROF. A RAHMAN @ OMAR BIN ABDULLAH	3,683,049	0.62
13	MULTIGLOW RESOURCES SDN. BHD.	3,393,000	0.57
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)	3,350,400	0.56
15	MOHD NASRI BIN ABDUL RAHIM	3,195,000	0.53
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' W ZULKIFLI BIN HAJI W MUDA	2,868,750	0.48

Analysis of Shareholdings
As at 30 September 2020

LIST OF 30 LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

No.	Shareholder	Shares held	%
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG (E-TAI)	2,680,500	0.45
18	AL WAKALAH NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MUSTAFFA BIN MOHAMAD	2,362,500	0.40
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	2,275,000	0.38
20	FUNG LEE YIN	1,868,350	0.31
21	MAYBANK NOMINEES (ASING) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM	1,670,000	0.28
22	AHMAD ZAKI RESOURCES BERHAD - SHARE BUY BACK ACCOUNT	1,662,862	0.28
23	TAN LEONG YEOK	1,660,000	0.28
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD - WAIKO INTERNATIONAL SDN BHD	1,642,300	0.28
25	RHB CAPITAL NOMINEES (ASING) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR IOANNIS KOROMILAS	1,562,500	0.26
26	LIM GAIK BWAY @ LIM CHIEW AH	1,534,612	0.26
27	NAIMAH BINTI HASHIM	1,500,512	0.25
28	CHAN WENG WAI	1,500,000	0.25
29	JF APEX NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE CHEE KEONG (STA 5)	1,500,000	0.25
30	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR TEH POO SENG (M02)	1,409,300	0.24

Analysis of Warrantholdings
As at 30 September 2020

DISTRIBUTION OF WARRANTHOLDINGS

Category	No. of Warrantholders		No. of Warrantholdings		% of Warrantholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 warrants	249	4	11,722	152	0.01	0.00
100 to 1,000 warrants	200	1	117,431	956	0.10	0.00
1,001 to 10,000 warrants	637	8	2,600,525	44,870	2.24	0.04
10,001 to 100,000 warrants	366	6	12,049,313	203,741	10.37	0.17
100,001 to less than 5% of issued warrants	88	5	26,423,045	3,625,881	22.74	3.12
5% and above of issued warrants	2	0	71,124,316	0	61.21	0.00
Total	1,542	24	112,326,352	3,875,600	96.67	3.33

LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS

No.	Warrantholder	Warrants held	%
1	ZAKI HOLDINGS (M) SDN BHD	63,166,416	54.36
2	DATO' SRI NG TECK LONG	7,957,900	6.85
3	KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR VINCENT WONG SOON CHOY	2,812,500	2.42
4	CHAI HUEY YNG	2,410,200	2.07
5	MD.SHAH BIN ABU HASAN	1,072,500	0.92
6	ER SOON PUAY	1,000,000	0.86
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SI THO YOKE MENG (6000156)	1,000,000	0.86
8	LEONG PAI NYOK	991,312	0.85
9	TAN SRI DATO' SRI HAJI WAN ZAKI BIN HAJI WAN MUDA	985,676	0.85
10	KOH SOK HONG	802,500	0.69
11	LIM BOON LIAT	800,675	0.69
12	ALLIANCEGROUP NOMINEES (ASING) SDN BHD - TAN KONG HENG (8102918)	649,056	0.56

Analysis of Warrantholdings
As at 30 September 2020

LIST OF 30 LARGEST WARRANTHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

No.	Warrantholder	Warrants held	%
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED ACCOUNT FOR CHEN NGAU (REM 636)	607,450	0.52
14	MOHAMAD HAZIQ BIN MOHD HAFIDZUDDIN RAJA	576,000	0.50
15	DATO' SRI NG TECK LONG	562,556	0.48
16	LAM AH CHOI	500,000	0.43
17	LEE BOON HENG	484,087	0.42
18	WONG LAI YOKE	450,000	0.39
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT SU TIING UH	440,550	0.38
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD - YAP KIAM MING	440,000	0.38
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR DATO' SRI WAN ZAKARIAH BIN HAJI WAN MUDA	429,368	0.37
22	MD. SALLEH BIN MASHROM	330,000	0.28
23	KAM SIONG CHEE	310,991	0.27
24	LEE CHENG YEN	310,000	0.27
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEH TEONG SENG (7003751)	309,375	0.27
26	LIM KIAN KOON	298,737	0.26
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR YOONG CHEE HON (E-SS2)	288,393	0.25
28	ROWE INCORPORATED SDN BHD	281,250	0.24
29	KHAW KENG HONG	250,650	0.22
30	CHOO POH TIN	250,000	0.22

List of Properties
As at 30 September 2020

No.	Title & Location of Property	Date of Acquisition	Description of Property (existing use)	Tenure (Age of Building)	Total Land Area / (built-up area)	NBV / Prepaid Lease Payment (RM'000)
1	EMR 873, Lot 826 Mukim Sungai Karang Kuantan, Pahang Darul Makmur	30.10.1993	Land and Hotel building	Freehold (23 years)	202,815 sq. ft./ 64,670 sq. ft.	15,993
2	GM372 Lot 981 and GRN37357 Lot 985 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	20.01.1994 & 16.02.1994	Menara AZRB	Freehold (5 years)	55,017 sq. ft.	51,337
3	Lot PT2100, HSD 722 Mukim Kuala Telemong, Daerah Hulu Terengganu Terengganu Darul Iman	15.07.2003	Vacant land for quarry operation	Leasehold expiring in year 2025	20 ha.	49
4	HGU No. 5, Desa Amboyo Selatan Kecamatan Ngabang Kabuputen Pontianak Kalimantan Barat Republik Indonesia	31.05.2005	Land for cultivation	Leasehold expiring in year 2033	6,763.89 ha.	18,353
5	GM 1012 Lot 22050 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	03.08.2007	Menara AZRB car park	Freehold	12,066.34 sq. ft.	1,448
6	GM 1754 Lot 167 Mukim Sabai, Daerah Bentong Pahang Darul Makmur	08.10.2010	Vacant land	Freehold	4.578 ha.	960
7	HS (D) 29915, Lot PT 91677 Mukim Kuala Kuantan, Daerah Kuantan Pahang Darul Makmur	18.07.2012	Land held for development	Freehold	12.141 ha.	8,959
8	GRN 11795, Lot 41184 Mukim Kuala Kuantan Daerah Kuantan, Pahang Darul Makmur	20.01.2015	Land held for development	Freehold	2.529 ha.	4,640
9	GM 2413-GM2451 Lot 60011-Lot 60021, Lot 60023-Lot 60050 Mukim Kemasik, Tempat Kampung Semayor Daerah Kemaman, Terengganu Darul Iman	08.01.2015	Land held for development	Freehold	18,152 sq. m.	3,129

List of Properties
As at 30 September 2020

No.	Title & Location of Property	Date of Acquisition	Description of Property (existing use)	Tenure (Age of Building)	Total Land Area / (built-up area)	NBV / Prepaid Lease Payment (RM'000)
10	Lot 8316, PT18854 - PT19458 Mukim Bukit Payung, Daerah Marang Terengganu Darul Iman	10.09.2015	Land held for development	Leasehold expiring in year 2115	66.96 acres	7,500
11	Geran 25668, Lot 4806 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	642.4 sq. m.	2,078
12	Geran 25669, Lot 4807 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	463.1 sq. m.	1,499
13	Geran 25670, Lot 4808 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	701.9 sq. m.	2,270
14	Geran 34944, Lot 4809 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	698.1 sq. m.	2,258
15	Geran 26152, Lot 4812 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	772.7 sq. m.	2,903
16	GM 1011, Lot 22049 Mukim Setapak, Daerah Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	28.07.2016	Land held for development	Freehold land	278.0 sq. m.	928

Notice of 23rd Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of the Company will be held at the Banquet Hall, 1st Level, Main Lobby, TPC Kuala Lumpur, 10 Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 19 November 2020 at 10.00 a.m. for the following purposes:

AGENDA

Ordinary Business

1.	To receive the Audited Financial Statements of the Company for the financial period ended 30 June 2020 together with the Reports of the Directors and Auditors thereon.	Please refer to Note A
2.	To approve the payment of Directors' fees and benefits for the financial period ended 30 June 2020.	Resolution 1
3.	To approve the payment of Directors' fees and benefits of up to RM1,050,000 for the period from the conclusion of the 23rd Annual General Meeting to the next Annual General Meeting of the Company.	Resolution 2
4.	To re-elect the following Director who retires pursuant to Clause 95 of the Company's Constitution:	
	(i) Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	Resolution 3
	Datuk (Prof.) A Rahman @ Omar bin Abdullah and Dato' Sr. Abdull Manaf bin Hj Hashim who retire in accordance with Clause 95 of the Company's Constitution, have expressed their intention not to seek re-election. Accordingly, they will retain office until the close of the 23rd Annual General Meeting.	
5.	To re-elect Datuk Wira Azhar bin Abdul Hamid who retires in accordance with Clause 102 of the Company's Constitution.	Resolution 4
6.	To re-appoint Deloitte PLT as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Resolution 5

Special Business

To consider and if thought fit, to pass with or without modifications, the following ordinary resolutions:

Notice of 23rd Annual General Meeting

7. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant authorities, the Directors be and are hereby empowered to issue new shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby also authorised to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so allotted." Resolution 6

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE**

   "THAT, subject to the Companies Act, 2016 ("Act"), the Company's Constitution and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particularly of which are set out in the Circular to Shareholders dated 28 October 2020 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders and that such transactions are made on the arm's length basis and on normal commercial terms. Resolution 7

   THAT such approval shall continue to be in force until:

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the 24th AGM of the Company), at which time the said authority will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed;

   (ii) the expiration of the period within which the next AGM of the Company (being the 24th AGM of the Company) is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

   (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

   whichever is the earliest,

   AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

Notice of 23rd Annual General Meeting

9. **PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY AT ANY GIVEN POINT IN TIME ("PROPOSED SHARE BUY-BACK")**

"THAT, subject to the Companies Act, 2016 ("Act"), rules, regulations and orders made pursuant to the Act, the Company's Constitution, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia and/or hold from upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: Resolution 8

(i) the aggregate number of ordinary shares in the Company purchased ("Purchased Share(s)") and/or held as treasury shares pursuant to this ordinary resolution shall not exceed 10% of the total number of issued shares of the Company at any point in time; and

(ii) the maximum funds to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the total retained earnings of the Company at the time of the purchase.

THAT upon purchase by the Company, the Directors of the Company shall have the absolute discretion to decide whether such Purchased Shares of the Company are to be cancelled and/or retained as treasury shares, or dealt with in such manner as provided under the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements of Bursa Malaysia;

THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse unless by an ordinary resolution passed at the AGM, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company of its shares before the aforesaid expiry date and made in any event, in accordance with the provisions of the Act, rules and regulations made pursuant to the Act, the Listing Requirements of Bursa Malaysia, and any requirements issued by any other relevant government and/or regulatory authorities.

Notice of 23rd Annual General Meeting

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to give effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back."

10. **AUTHORITY TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

(i) "THAT Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." Resolution 9

(ii) "THAT Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." Resolution 10

BY ORDER OF THE BOARD

DATO' HAJI BAHARI BIN JOHARI (LS 0008773/SSM PC No. 201908002206)
SEUHAILEY BINTI SHAMSUDIN (MAICSA 7046575/SSM PC No. 202008001650)
WONG MAW CHUAN (MIA 7413/SSM PC No. 202008003554)
Company Secretaries

Kuala Lumpur
28 October 2020

Notes:

A. This Agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1) of the Companies Act, 2016 does not require a formal approval of the members and hence, is not put forward for voting.

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Notice of 23rd Annual General Meeting

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur of the Company, or at such other place within Malaysia is specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.

4. Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia, all the resolutions as set out in this Notice will be put to vote by way of poll.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 12 November 2020 shall be eligible to attend, participate, speak and vote at the 23rd AGM or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes to Special Business:

6. **Resolution 6**

   The proposed resolution is to seek a renewal of general mandate for authority to issue shares pursuant to Sections 75 and 76 of the Act. If the resolution is passed, it will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% of the issued share capital of the Company, for such purposes as the Directors would consider in the best interest of the Company. The approval is sought to avoid any delay and cost involved in convening a general meeting for such issuance of shares. This authority will, unless revoked or varied by the Company in a general meeting, expire at the next AGM of the Company.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for the purpose of repayment of bank borrowings, funding future investment and working capital.

7. **Resolution 7**

   The proposed resolution, if passed will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia.

8. **Resolution 8**

   The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company.

Notice of 23rd Annual General Meeting

9. **Resolutions 9 and 10**

The Nomination Committee has assessed the independence of Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad and Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

(i) They had fulfilled the criteria under the definition of Independent Directors as stated in the Listing Requirements of Bursa Malaysia, and hence, they would be able to provide an element of objectivity, independent judgement and balance to the Board;

(ii) Their length of services on the Board of more than nine (9) years does not in any way interfere with their exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, all of them, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have devoted sufficient time and commitment to their role and responsibilities as Independent Directors for informed and balance decision making; and

(iii) They have exercised due care during their tenures as Independent Directors of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

10. **Statement Accompanying the Notice of AGM**

Pursuant to paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia, the Notice convening an AGM is to be accompanied by a statement furnishing details of individuals who are standing for election as directors. This requirement excludes directors who are standing for re-election.

No individual is standing for election as a Director at the 23rd AGM of the Company.

IMPORTANT NOTICE:

In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the 23rd AGM in order to safeguard the health of attendees. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of 23rd AGM. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the 23rd AGM's arrangements.

Form of Proxy

AZRB
AHMAD ZAKI RESOURCES BERHAD
(432768-X)

Number of Shares Held	Shareholder's Contact No.

*I/We, ____________________ NRIC/Company No. ____________________
(Full name as per NRIC/Certificate of Incorporation)

of ____
(Full address)

being a member of **AHMAD ZAKI RESOURCES BERHAD,** hereby appoint:

____________________ NRIC No. ____________________

*and/or failing him/her ____________________ NRIC No. ____________________

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 23rd Annual General Meeting ("AGM") of the Company to be held at the Banquet Hall, 1st Level, Main Lobby, TPC Kuala Lumpur, 10 Jalan 1/170D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 19 November 2020 at 10.00 a.m. and at every adjournment thereof, on the following resolutions referred to in the Notice of AGM.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-
(The Table below should be completed only when two proxies are appointed)

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
Total:		

*My/our proxy is to vote as indicated below:

No.	RESOLUTIONS	FOR	AGAINST
1.	RESOLUTION 1		
2.	RESOLUTION 2		
3.	RESOLUTION 3		
4.	RESOLUTION 4		
5.	RESOLUTION 5		
6.	RESOLUTION 6		
7.	RESOLUTION 7		
8.	RESOLUTION 8		
9.	RESOLUTION 9		
10.	RESOLUTION 10		

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion.

Date: ____________________

____
Signature(s) / Common Seal of Member
(if applicable)

* Delete where inapplicable.

Notes:

1. A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur of the Company, or at such other place within Malaysia is specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.
4. Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia, all the resolutions as set out in the Notice of AGM will be put to vote by way of poll.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 12 November 2020 shall be eligible to attend, participate, speak and vote at the AGM or appoint proxy(ies) to attend and/or vote on his/her behalf.

Fold here

STAMP

MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Fold here

Menara AZRB
No. 71, Persiaran Gurney,
54000 Kuala Lumpur, Malaysia
Tel: +603-2698 7171
Fax: +603-2694 8181
Email: azrb@azrb.com

www.azrb.com