

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD
ENDED 30 SEPTEMBER 2011**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Revenue	355,238	263,804	355,238	263,804
Operating expenses	(317,552)	(233,772)	(317,552)	(233,772)
Other operating income	3,313	2,290	3,313	2,290
Share of results of jointly controlled entities and associates	13,379	9,867	13,379	9,867
Finance costs	(972)	(653)	(972)	(653)
Profit before tax	53,406	41,536	53,406	41,536
Income tax expense	(9,938)	(7,505)	(9,938)	(7,505)
Profit for the period	<u>43,468</u>	<u>34,031</u>	<u>43,468</u>	<u>34,031</u>
Profit attributable to:				
Owners of the Company	44,542	33,094	44,542	33,094
Non-controlling interests	(1,074)	937	(1,074)	937
	<u>43,468</u>	<u>34,031</u>	<u>43,468</u>	<u>34,031</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>2.26</u>	<u>1.69</u>	<u>2.26</u>	<u>1.69</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>2.24</u>	<u>1.68</u>	<u>2.24</u>	<u>1.68</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Profit for the period (Note B16)	43,468	34,031	43,468	34,031
Other comprehensive income:				
Foreign currency translations	7,974	(668)	7,974	(668)
Cash flow hedge	(31)	102	(31)	102
Other comprehensive income for the period	7,943	(566)	7,943	(566)
Total comprehensive income for the period	51,411	33,465	51,411	33,465
Total comprehensive income attributable to:				
Owners of the Company	52,591	32,218	52,591	32,218
Non-controlling interests	(1,180)	1,247	(1,180)	1,247
	51,411	33,465	51,411	33,465

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2011

	NOTE	30/09/2011 RM'000	30/06/2011 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		245,312	223,718
Intangible assets		36,742	33,631
Interest in jointly controlled entities	B13	94,678	66,870
Investment in associates		91,383	81,092
Other investments		2,442	2,414
Deferred tax assets		12,661	13,887
		483,218	421,612
CURRENT ASSETS			
Inventories		37,236	65,091
Trade and other receivables	A16	345,194	313,080
Current tax assets		2,472	3,258
Cash and cash equivalents	A17	214,985	278,463
		599,887	659,892
TOTAL ASSETS		<u>1,083,105</u>	<u>1,081,504</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		199,636	199,582
Treasury shares		(24,819)	(24,589)
Reserves		464,125	408,119
		638,942	583,112
Non-controlling interests		39,479	36,800
TOTAL EQUITY		<u>678,421</u>	<u>619,912</u>
NON-CURRENT LIABILITIES			
Borrowings	B9	85,028	58,421
Deferred tax liabilities		3,166	3,931
		88,194	62,352
CURRENT LIABILITIES			
Trade and other payables	A18	261,313	327,842
Borrowings	B9	38,360	51,629
Current tax payable		16,817	19,769
		316,490	399,240
TOTAL LIABILITIES		<u>404,684</u>	<u>461,592</u>
TOTAL EQUITY AND LIABILITIES		<u>1,083,105</u>	<u>1,081,504</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	← Attributable to owners of the Company →							Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	
	Balance as at 1 July 2011	199,582	(24,589)	21,503	5,829	380,787	583,112	
Total comprehensive income for the year	–	–	–	8,049	44,542	52,591	(1,180)	51,411
Share options granted under ESOS	–	–	–	2,908	–	2,908	192	3,100
Share options exercised	54	–	703	(195)	–	562	(35)	527
Share issue expenses	–	–	(1)	–	–	(1)	–	(1)
Shares repurchased	–	(230)	–	–	–	(230)	–	(230)
Ordinary shares contributed by non- controlling interests of a subsidiary	–	–	–	–	–	–	68	68
Acquisition of a subsidiary	–	–	–	–	–	–	3,634	3,634
Balance as at 30 September 2011	<u>199,636</u>	<u>(24,819)</u>	<u>22,205</u>	<u>16,591</u>	<u>425,329</u>	<u>638,942</u>	<u>39,479</u>	<u>678,421</u>
Balance as at 1 July 2010	198,052	(19,158)	2,051	3,155	293,393	477,493	34,688	512,181
Effect of adoption of FRS 139	–	–	–	–	(27)	(27)	–	(27)
Restated balance as at 1 July 2010	198,052	(19,158)	2,051	3,155	293,366	477,466	34,688	512,154
Total comprehensive income for the period	–	–	–	(876)	33,094	32,218	1,247	33,465
Share options granted under ESOS	–	–	–	753	–	753	–	753
Share options exercised	1	–	9	(3)	–	7	–	7
Shares repurchased	–	(3,330)	–	–	–	(3,330)	–	(3,330)
Balance as at 30 September 2010	<u>198,053</u>	<u>(22,488)</u>	<u>2,060</u>	<u>3,029</u>	<u>326,460</u>	<u>507,114</u>	<u>35,935</u>	<u>543,049</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	30/09/2011	30/09/2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	53,406	41,536
Adjustments for :		
Depreciation and amortisation expenses	6,693	4,387
Interest income and expense	(677)	(644)
Share of results of jointly controlled entities and associates	(13,379)	(9,867)
Share options granted under ESOS	3,100	753
Other non-cash items	(632)	(214)
Operating profit before working capital changes	48,511	35,951
Changes in working capital :		
Net change in inventories and receivables	2,478	(12,138)
Net change in payables	(64,734)	(24,855)
Cash used in operations	(13,745)	(1,042)
Dividend and interest received	1,009	18,276
Interest paid	(436)	(387)
Tax paid	(12,788)	(5,894)
Tax refund	426	–
Net (used in)/cash generated from operating activities	(25,534)	10,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	(2,832)	–
Investment in jointly controlled entities	(24,115)	–
Net change in deposits with licensed banks	(718)	(60)
Proceeds from disposal of property, plant and equipment	334	47
Purchase of property, plant and equipment	(24,785)	(2,837)
Net cash used in investing activities	(52,116)	(2,850)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (CONT'D)

	30/09/2011 RM'000	30/09/2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(488)	(265)
Ordinary shares contributed by non-controlling interests of a subsidiary	68	–
Net drawdown of bank borrowings	13,404	3,873
Proceeds from issuances of shares	527	7
Share issue expenses	(1)	–
Shares repurchased	(230)	(3,330)
Net cash generated from financing activities	<u>13,280</u>	<u>285</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(64,370)	8,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	274,326	258,075
Effects of exchange rate changes on cash and cash equivalents	415	729
As restated	<u>274,741</u>	<u>258,804</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	<u><u>210,371</u></u>	<u><u>267,192</u></u>

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and accompanying explanatory notes attached to the Interim Financial Statements.)

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NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa”).

The interim financial statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2011.

A2 Changes in accounting policies

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2011 except for the adoption of the following IC Interpretations and Amendments to FRSs issued by the MASB that are effective for the Group’s financial statements commencing 1 July 2011:-

FRSs/Interpretations

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1 Amendments to FRS 2	Additional Exemptions for First-time Adopters Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7 IC Interpretation 4	Improving Disclosures about Financial Instruments Determining whether an Arrangement contains a Lease
IC Interpretation 18 Amendments to IC Interpretation 13 Improvements to FRSs (2010)	Transfers of Assets from Customers Customer Loyalty Programmes Amendments to FRS 1,3,7,101,121, 128,131,132,134,139 & IC Interpretation 13
Amendments to IC Interpretation 14	FRS 119 - The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A3 Auditors' report of preceding annual audited financial statements

The auditors' report on preceding year's audited financial statements was not subject to any qualification.

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 30 September 2011.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial year, which have a material effect in the current financial period.

A7 Debt and equity securities

Changes in debt and equity securities during the current financial period were as follows:-

- (i) The issued and paid-up share capital has been increased from RM199,581,543 to RM199,636,433 by the allotment of 548,900 new ordinary shares of RM0.10 each pertaining to the exercise of 548,900 share options under the Employees' Share Option Scheme; and
- (ii) The Company repurchased a total of 90,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM229,669. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period.

A8 Dividends paid

No dividend has been paid by the Company during the current financial period.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A9 Operating segments

The Group is principally involved in providing integrated technical services to the oil, gas and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax, interest and depreciation as included in the internal management report reviewed by chief operating decision maker.

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Asia RM'000	Other Countries RM'000	Total RM'000
Segment profits/(losses)	45,391	5,038	2,176	3,169	(2,368)	53,406
<i>Included in the measure of segment profits/(losses) are:</i>						
<i>Revenue from external customer</i>	149,239	33,974	68,893	100,646	2,486	355,238
<i>Inter-segment revenue</i>	311	1,885	40	–	–	2,236
<i>Depreciation and amortisation</i>	2,028	1,814	1,663	984	204	6,693
<i>Interest expenses</i>	599	194	120	7	4	924
<i>Interest income</i>	1,456	54	26	65	–	1,601
<i>Share of profits in jointly controlled entities and associates</i>	13,290	(13)	102	–	–	13,379
Segment assets	577,179	244,415	102,336	135,687	10,827	1,070,444
Deferred tax assets						12,661
Total assets						<u>1,083,105</u>
<i>Included in measure of segment assets are:</i>						
<i>Investment in associates</i>	88,360	3,023	–	–	–	91,383
<i>Investment in jointly control entities</i>	90,752	–	3,926	–	–	94,678
<i>Addition to property, plant and equipment</i>	7,774	386	4,163	12,341	121	24,785
Segment liabilities	177,692	40,631	46,258	116,864	20,073	401,518
Deferred tax liabilities						3,166
Total liabilities						<u>404,684</u>

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A10 Property, plant and equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 2011 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A12 Changes in the composition of the Group

- i) In July 2011, the Group through its wholly owned subsidiary, Corak Merah Sdn Bhd, incorporated Dialog Atlas Global Sdn Bhd ("DAG") with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each. DAG shall be involved in upstream oil and gas activities.
- ii) In July 2011, Pengerang Terminal Sdn Bhd ("PTSB"), a 51% owned jointly controlled entity, entered into a shareholders' agreement with the State Secretary, Johor (Incorporated) ("SSI") to invest in Pengerang Independent Terminals Sdn. Bhd. ("PITSB"). PTSB holds 90% equity stake in PITSB and the balance 10% equity stake is held by SSI.

PITSB shall undertake the first phase of the design and development of an independent deepwater petroleum terminal at Pengerang, Johor.

- iii) In August 2011, Dialog D & P Sdn Bhd ("Dialog D & P"), together with Roc Oil Malaysia (Holdings) Sdn Bhd ("Roc Oil") and PETRONAS Carigali Sdn Bhd ("PCSB"), signed a Small Field Risk Service Contract ("SFRSC") with Petroliaam Nasional Berhad ("PETRONAS").

Subsequently, in September 2011, Dialog D & P entered into a shareholder agreement with Roc Oil and PCSB to invest in BC Petroleum Sdn Bhd ("BCP"). The participating interests in BCP are Dialog D & P 32%, Roc Oil 48% and PCSB 20 %.

The SFRSC has been novated to BCP to carry out the management, operation and development of the SFRSC including the funding for the cost of development and production of petroleum from Balai Cluster Fields, located offshore in Bintulu, Sarawak.

- iv) In September 2011, Dialog Systems (Asia) Pte Ltd, a wholly-owned subsidiary of the Company, completed its acquisition of 51% equity interest in Anewa Engineering Private Limited ("Anewa"), India, for a total cash consideration of Rs 117,145,000 (equivalent to RM7,685,000).

Anewa provides engineering design to multinational companies in India, Middle East and South East Asia in the oil, gas and petrochemical industry.

The acquisition of Anewa will further strengthen the Group's engineering capabilities by injecting a pool of skilled and experience manpower into the Group that will support the Group's rapidly growing business locally and globally. It further provides access to new customers in various parts of the world namely in the Middle East and India.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A12 Changes in the composition of the Group (Cont'd)

The fair value of the net assets acquired and cash flow arising from the acquisition are as follows:

	RM'000
Property, plant and equipment	1,082
Trade and other receivables	2,973
Cash and cash equivalents	4,853
Trade and other payables	(1,284)
Borrowings	(115)
Deferred tax liabilities	(93)
	<hr/>
Total identified net assets	7,416
Non-controlling interests	(3,634)
Goodwill arising from acquisition	3,903
	<hr/>
Total purchase consideration	7,685
Cash and cash equivalents on the subsidiary acquired	(4,853)
	<hr/>
Net cash outflow of the Group on acquisition	<u>2,832</u>

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

If the acquisition had occurred on 1 July 2011, the Group's revenue and profit after tax for the financial period ended 30 September 2011 would have been RM355,763,000 and RM43,481,000 respectively.

- v) In September 2011, a subsidiary, PT. Dialog Sistemindo, Indonesia ("PTDS"), has increased its issued and paid up share capital to USD400,000 from USD340,000 by way of issuing 60 new shares of USD1,000 each at par for cash. As a result of the enlarged issued and paid up share capital of PTDS, the Group's equity interest in PTDS has changed from 95% to 90%.

There were no other changes in the composition of the Group during the current financial period.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A13 Commitments

	30/09/2011 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	148,946
- contracted but not provided for	76,265
	225,211
Capital commitments of the Group to jointly control entities in respect of tank terminal business	305,491
Capital commitment in respect of investment in a sub-subsidiary	2,552
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	12,266
- later than one year and not later than five years	6,774
- after five years	7,683
	26,723
b) The Group as lessor	
- not later than one year	131
- later than one year and not later than five years	131
	262

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM541,620,000 (as at 30.06.2011: RM491,223,000) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM118,169,000 (as at 30.06.2011: RM106,078,000).

The Company has also given corporate guarantees amounting to RM55,330,000 (as at 30.06.2011: RM52,610,000) to third parties for supply of goods and warehouse licenses for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM16,366,000 (as at 30.06.2011: RM32,686,000).

In addition, the Company also provides a Letter of Undertaking to a jointly controlled entity for the provision of cash flow deficiency support up to RM37.4 million (as at 30.06.2011: RM37.4 million) for banking facilities secured by a subsidiary company of this jointly controlled entity.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current period ended 30 September 2011 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2011 and the approved shareholders' mandate in the circular dated 28 October 2010 for recurrent related party transactions.

	3 months ended 30/09/2011 RM'000
Transactions with associates:	
Subcontracts works provided	76
Transactions with jointly controlled entities:	
Subcontract works provided	(1,964)
Interest receivable	619
Commission received	119
Retainer fees received	178
Purchases and services received	(279)
Tank rental expenses	(294)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,555
Subcontracts works	1,608
Management services	406
Provision of intellectual property right	563
Technical consultancy services	176
	345,194

A16 Trade and other receivables

	30/09/2011 RM'000
Amount due from customers for contract works	107,115
Trade receivables	210,059
Other receivables, deposits and prepayments	17,459
Amount due from associates	296
Amount due from jointly controlled entities	10,167
Hedge derivative assets	98
	345,194

As at the date of this report, the Group has subsequently collected RM94.4 million from the trade receivables which represents 45% of its total outstanding balance.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A17 Cash and cash equivalents

	30/09/2011
	RM'000
Deposits, cash and bank balances	214,985
Bank overdraft included in borrowings	(2,468)
Deposits pledged to licensed banks	(2,146)
	<u>210,371</u>

A18 Trade and other payables

	30/09/2011
	RM'000
Amount due to customers for contract works	41,712
Trade payables	159,139
Accruals and other payables	58,032
Amount due to an associate	1,919
Amount due to jointly controlled entities	431
Hedge derivative liabilities	80
	<u>261,313</u>

A19 Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at an Extraordinary General Meeting held on 25 July 2007 and shall be in force for a period of ten years until 29 July 2017.

In compliance with Financial Reporting Standard, FRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM3,100,000 was charged to income statements for the current financial period (FY2011: RM753,000).

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Performance analysis

The Group's revenue for the current financial quarter of RM355.3 million was 35% higher when compared to the same period last year, mainly due to the higher contribution from its Australia & New Zealand operation. The consolidation of the revenue of the newly acquired fabrication and multi-disciplined engineering company, Fitzroy Engineering Group Limited, based in New Zealand was the main contributor to this significant increase.

In addition, contribution from Asia operation increased significantly in the current financial quarter mainly due to higher revenue of Specialist Products & Services recorded in various countries such as Brunei, Oman, India, China and Indonesia.

The Malaysia operation also registered higher revenue by 5% for the current financial quarter when compared to the same period last year, mainly attributable to higher sales of Specialist Products & Services. Revenue recorded by Singapore operation however was down by 35% caused by lower plant maintenance works undertaken during the current financial quarter.

In line with the higher revenue, the Group's net profit for the current financial quarter increased by 28% to RM43.5 million against RM34.0 million recorded in the same period last year.

B2 Variation of results against preceding quarter

Against the preceding quarter, the Group's revenue and profit before tax for the current quarter were lower by 5% and 12% respectively. This was mainly due to the new major E&C project, Pengerang Independent Deepwater Terminal is still at the early construction stage.

B3 Prospects

The development under Economic Transformation Programme in both upstream and downstream sectors will generate tremendous opportunities for the local oil and gas players. In this connection, being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group will benefit from such opportunities.

The on-going expansion of tank terminals in Tanjung Langsat and the development of an Independent Deepwater Terminal in Pengerang will not only bring in short to medium term contribution from engineering and construction activities in Malaysia, but also long term recurring income when the tank facilities are operational. In addition, the Group is investing in the upstream oil and gas opportunities, including the development and production of petroleum under the Small Field Risk Service Contract.

The Group continues to grow its technical services, such as, its specialist products & services, engineering, procurement, commissioning & construction and plant maintenance services.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2012.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B4 Profit forecast and profit guarantee

The Group did not announce any profit forecast nor profit guarantee for the current financial year.

B5 Taxation

	3 months ended 30/09/2011 RM'000
Current tax	11,481
Deferred tax	(554)
Over provision in prior year	(989)
Total tax expense	<u>9,938</u>

The effective tax rate of the Group for the current financial period was lower than the statutory tax rate of 25% due to lower tax rates in certain foreign jurisdictions.

B6 Unquoted investment and properties

There were no disposals of unquoted investment and/or properties during the current financial period.

B7 Quoted securities

There were neither purchases nor disposal of quoted securities during the current financial period.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B8 Status of corporate proposals

- i) In August 2011, the Company proposed to undertake the following:-
- (a) a renounceable rights issue of up to 398,736,680 new ordinary shares of RM0.10 each in the Company ("Rights Shares") together with up to 199,368,340 free detachable warrants ("Warrants") at a price to be determined later on the basis of two Rights Shares together with one free Warrant for every ten existing ordinary shares of RM0.10 each ("Shares") held in the Company at an entitlement date to be determined later, based on a minimum subscription level of 280,000,000 Rights Shares together with 140,000,000 free Warrants ("Proposed Rights Issue with Warrants"); and
 - (b) increase in the authorised share capital of the Company from RM250,000,000 comprising 2,500,000,000 Shares to RM500,000,000 comprising 5,000,000,000 Shares and in consequence thereof, the Company's Memorandum of Association be amended accordingly ("Proposed Increase in the Authorised Share Capital").

In October 2011, Bursa Malaysia Securities Berhad had approved the Company's listing application in respect of the Proposed Rights Issue with Warrants subject to compliance with certain conditions. Bank Negara Malaysia had also approved the issuance of Warrants under the Proposed Rights Issue with Warrants to non-resident shareholders of the Company. The Proposed Rights Issue with Warrants and Proposed Increase in the Authorised Share Capital are now pending approvals from shareholders of the Company at forthcoming extraordinary general meeting of the Company.

- ii) In October 2011, Centralised Terminals Sdn Bhd ("CTSB"), a 55% owned jointly controlled entity of the Group, entered into a Shareholders' Agreement ("SHA") with China Aviation Oil (Singapore) Corporation Ltd ("CAO") to establish a joint venture company known as Langsat Terminal (Three) Sdn Bhd ("LgT-3") to undertake the proposed design, development, operation, management and maintenance of an oil storage tank terminal facility with a storage capacity of 380,000 m³ within the vicinity of Tanjung Langsat Port, Johor. The project is expected to commence by early 2012 and is expected to complete by end 2013. The total development cost of the project is estimated at RM371 million.

CTSB will hold 74% equity stake in LgT-3 and the balance 26% equity stake will be held by CAO.

CTSB has incorporated LgT-3 with initial issued and paid-up share capital of RM2. The completion of the SHA is pending satisfaction of the condition precedents as set out in the SHA.

There were no other corporate proposals announced but not completed as at the date of this announcement.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B9 Borrowings and debt securities

As at 30 September 2011, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	296	19
Sterling Pound	11	57
New Zealand Dollars	1,049	2,606
Singapore Dollars	10,515	25,866
United States Dollars	1,607	5,004
Ringgit Malaysia		4,808
		<u>38,360</u>
Long term borrowings:		
Secured:		
Indian Rupee	1,318	85
Sterling Pound	24	120
New Zealand Dollars	43	106
Singapore Dollars	342	840
Saudi Riyal	30,000	25,904
Ringgit Malaysia		17,973
Unsecured:		
Ringgit Malaysia		40,000
		<u>85,028</u>
		<u>123,388</u>

B10 Derivative financial instruments

As at 30 September 2011, the Group has the following outstanding forward foreign exchange contracts with maturity less than 1 year:

	Contract Value		Fair value – net gains or (losses)
	FC'000	RM'000	RM'000
Forward foreign exchange contracts:			
United States Dollar	3,221	10,162	55
New Zealand Dollar	1,054	2,590	(35)
Japanese Yen	40,000	1,648	(6)
Singapore Dollar	309	759	–*
Euro	105	454	(20)
Sterling Pound	63	310	(6)
			<u>(6)</u>

* amount less than RM1,000

These forward contracts are to hedge the foreign currency risk associated with its trade receivables, trade payables and advances to a foreign subsidiary.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B10 Derivative financial instruments (Cont'd)

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 30 June 2011:

- a) the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- b) the cash requirement of the financial derivatives; and
- c) the policy in place for mitigating or controlling the risk associated with these financial derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted the Group recorded a gain when the rates moved favourable against the Group or recorded a loss when the rates moved unfavourable against the Group.

B11 Material litigation

The Group is not engaged in any material litigation and is not aware of any legal proceeding that might materially affect the financial position or business of the Group.

B12 Dividends

During the current financial period, the Board recommends a final single tier dividend of 18% per ordinary share of RM0.10 each in respect of the previous financial year for approvals from the shareholders at the forthcoming Annual General Meeting. Subject to the approval, the entitlements of the final dividend will be determined based on the shareholders registered in the record of depositors as at 30 November 2011 and the date of payment will be on 15 December 2011.

B13 Advances to a jointly controlled entity

Included in the interest in jointly controlled entities was unsecured advances amounted to RM55.5 million given to a jointly controlled entity. The advances bear interest at rate ranging from 3.94% to 4.5% per annum and not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM60.8 million as at 30 September 2011.

The Company also provided a financial guarantee amounted up to RM37.4 million as disclosed in A14.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D
B14 Retained Profits

The breakdown of retained profits of the Group as at date of statement of financial position, into realised and unrealised is as follow:

	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	434,885	400,528
- Unrealised	3,688	297
	<u>438,573</u>	<u>400,825</u>
Total share of retained profits from associates		
- Realised	96,144	86,631
- Unrealised	(19,742)	(20,520)
Total share of retained profits from jointly controlled entities		
- Realised	9,893	7,472
- Unrealised	(13)	(680)
Total before consolidation adjustments		
- Realised	540,922	494,631
- Unrealised	(16,067)	(20,903)
	524,855	473,728
Less: Consolidation adjustments	(99,526)	(92,941)
Total retained profits as per consolidated accounts	<u>425,329</u>	<u>380,787</u>

The above consolidation adjustments have arisen mainly from issuance of bonus shares in FY2010, share of results by non-controlling interests and unrealised profits from E&C works provided to jointly controlled entities.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B15 Earnings per share

The basic earnings per share for the current year is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	30/09/2011	30/09/2010
Profit for the financial period attributable to owners of the Company (RM'000)	<u>44,542</u>	<u>33,094</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,973,296</u>	<u>1,960,191</u>

Diluted earnings per share for the current financial year is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial period. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial period and exercise price.

	30/09/2011	30/09/2010
Profit for the financial period attributable to owners of the Company (RM'000)	<u>44,542</u>	<u>33,094</u>
Weighted average number of ordinary shares in issue ('000)	1,973,296	1,960,191
Effect of dilution due to ESOS	<u>17,674</u>	<u>5,585</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>1,990,970</u>	<u>1,965,776</u>

B16 Profit for the period

	3 months ended 30/09/2011 RM'000
This is arrived at after charging/(crediting):	
Interest income	1,601
Interest expense	(924)
Depreciation and amortisation	(6,693)
Foreign exchange gain	246
Gain on forward exchange contract	<u>58</u>

Date: 16 November 2011