

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED
 30 JUNE 2012**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	499,912	374,882	1,633,808	1,208,378
Operating expenses	(454,510)	(326,301)	(1,475,738)	(1,055,849)
Other operating income	4,546	3,008	15,721	12,483
Share of results of jointly controlled entities and associates	14,899	9,818	55,297	38,548
Finance costs	(1,013)	(924)	(4,170)	(3,053)
Profit before tax	63,834	60,483	224,918	200,507
Income tax expense	(12,551)	(13,268)	(43,082)	(40,382)
Profit for the year	51,283	47,215	181,836	160,125
Profit attributable to:				
Owners of the Company	49,614	44,870	177,001	152,298
Non-controlling interests	1,669	2,345	4,835	7,827
	51,283	47,215	181,836	160,125
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.10	2.09	7.67	7.11
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.08	2.07	7.60	7.06

(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 YEAR ENDED 30 JUNE 2012**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the year (Note B15)	51,283	47,215	181,836	160,125
Other comprehensive income:				
Foreign currency translations	1,720	2,402	1,533	4,715
Cash flow hedge	(361)	659	92	(13)
Fair value of other investments	(5,326)	-	(1,950)	-
Other comprehensive income for the year	(3,967)	3,061	(325)	4,702
Total comprehensive income for the year	47,316	50,276	181,511	164,827
Total comprehensive income attributable to:				
Owners of the Company	45,272	47,465	176,715	155,656
Non-controlling interests	2,044	2,811	4,796	9,171
	47,316	50,276	181,511	164,827

(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 JUNE 2012**

	NOTE	30/06/2012 RM'000	30/06/2011 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		333,107	223,718
Development of tank terminals		84,234	–
Intangible assets		36,178	33,631
Interest in jointly controlled entities and associates	B12	371,939	147,962
Other investments		31,105	2,414
Deferred tax assets		16,706	13,887
		<u>873,269</u>	<u>421,612</u>
CURRENT ASSETS			
Inventories		97,816	65,091
Trade and other receivables	A16	494,253	313,080
Current tax assets		4,932	3,258
Cash and cash equivalents	A17	579,550	278,463
		<u>1,176,551</u>	<u>659,892</u>
TOTAL ASSETS		<u>2,049,820</u>	<u>1,081,504</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		240,614	199,582
Treasury shares		(24,819)	(24,589)
Reserves		977,806	408,119
		1,193,601	583,112
Non-controlling interests		44,427	36,800
TOTAL EQUITY		<u>1,238,028</u>	<u>619,912</u>
NON-CURRENT LIABILITIES			
Borrowings	B8	254,788	58,421
Deferred tax liabilities		2,794	3,931
		<u>257,582</u>	<u>62,352</u>
CURRENT LIABILITIES			
Trade and other payables	A18	464,779	327,842
Borrowings	B8	69,105	51,629
Current tax payable		20,326	19,769
		<u>554,210</u>	<u>399,240</u>
TOTAL LIABILITIES		<u>811,792</u>	<u>461,592</u>
TOTAL EQUITY AND LIABILITIES		<u>2,049,820</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 YEAR ENDED 30 JUNE 2012**

	← Attributable to owners of the Company →							
	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	Total equity RM'000
Balance as at 1 July 2011	199,582	(24,589)	21,503	5,829	380,787	583,112	36,800	619,912
Total comprehensive income for the year	–	–	–	(286)	177,001	176,715	4,796	181,511
Appropriation :								
Final dividend for FY2011	–	–	–	–	(35,691)	(35,691)	–	(35,691)
Interim dividend for FY2012	–	–	–	–	(26,216)	(26,216)	–	(26,216)
Share options granted under ESOS	–	–	–	10,698	–	10,698	478	11,176
Share options exercised	1,308	–	15,534	(4,651)	–	12,191	(300)	11,891
Rights shares issued	39,687	–	268,505	168,057	–	476,249	–	476,249
Warrants exercised	37	–	1,153	(310)	–	880	–	880
Share issue expenses	–	–	(4,158)	–	–	(4,158)	–	(4,158)
Shares repurchased	–	(230)	–	–	–	(230)	–	(230)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	999	999
Acquisition of a subsidiary	–	–	–	–	–	–	3,634	3,634
Dividend paid to non-controlling interest	–	–	–	–	–	–	(329)	(329)
Dilution of interest in a subsidiary	–	–	–	–	51	51	(51)	–
Disposal of a subsidiary	–	–	–	–	–	–	(1,600)	(1,600)
Balance as at 30 June 2012	<u>240,614</u>	<u>(24,819)</u>	<u>302,537</u>	<u>179,337</u>	<u>495,932</u>	<u>1,193,601</u>	<u>44,427</u>	<u>1,238,028</u>
Balance as at 1 July 2010								
- as previously stated	198,052	(19,158)	2,051	3,155	293,393	477,493	34,688	512,181
- effect of adopting FRS 139	–	–	–	–	(27)	(27)	–	(27)
As restated	198,052	(19,158)	2,051	3,155	293,366	477,466	34,688	512,154
Total comprehensive income for the year	–	–	–	3,358	152,298	155,656	9,171	164,827
Appropriation:								
Final dividend for FY2010	–	–	–	–	(35,398)	(35,398)	–	(35,398)
Interim dividend for FY2011	–	–	–	–	(25,643)	(25,643)	–	(25,643)
Share options granted under ESOS	–	–	–	5,679	–	5,679	260	5,939
Share options exercised	1,530	–	19,512	(6,363)	–	14,679	(351)	14,328
Share issue expenses	–	–	(60)	–	–	(60)	–	(60)
Shares repurchased	–	(5,431)	–	–	–	(5,431)	–	(5,431)
Acquisition of shares from non-controlling interest	–	–	–	–	(3,836)	(3,836)	(9,399)	(13,235)
Acquisition of subsidiaries	–	–	–	–	–	–	2,431	2,431
Balance as at 30 June 2011	<u>199,582</u>	<u>(24,589)</u>	<u>21,503</u>	<u>5,829</u>	<u>380,787</u>	<u>583,112</u>	<u>36,800</u>	<u>619,912</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 YEAR ENDED 30 JUNE 2012

	30/06/2012	30/06/2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	224,918	200,507
Adjustments for :		
Depreciation and amortisation expenses	27,969	20,039
Interest income and expense	(6,747)	(3,920)
Share of results of jointly controlled entities and associates	(55,297)	(38,548)
Share options granted under ESOS	11,030	5,876
Other non-cash items	(258)	(5,230)
Operating profit before working capital changes	201,615	178,724
Changes in working capital :		
Net change in inventories and receivables	(205,044)	(21,100)
Net change in payables	131,580	8,079
Cash generated from operations	128,151	165,703
Dividend and interest received	53,493	45,280
Interest paid	(2,098)	(1,590)
Tax paid	(50,630)	(42,904)
Tax refund	438	1,823
Net cash generated from operating activities	129,354	168,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	(2,832)	(58,617)
Acquisition of shares from non-controlling interest	-	(13,235)
Investment in jointly controlled entities	(215,253)	(6,611)
Net change in deposits with licensed banks	262	1,559
Proceeds from disposal of property, plant and equipment	1,048	6,152
Purchase of property, plant and equipment	(132,051)	(59,671)
Development of tank terminals	(84,234)	-
Purchase of other investment	(30,469)	(15)
Net cash used in investing activities	(463,529)	(130,438)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012 (CONT'D)

	30/06/2012	30/06/2011
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,860)	(1,223)
Dividend paid to owners of the Company	(61,907)	(61,041)
Dividend paid to non-controlling interests	(329)	-
Ordinary shares contributed by non-controlling interests of certain subsidiaries	999	-
Net drawdown of bank borrowings	215,392	26,350
Proceeds from issuances of shares	489,020	14,328
Share issue expenses	(4,158)	(60)
Shares repurchased	(230)	(5,431)
Net cash generated from/(used in) financing activities	<u>636,927</u>	<u>(27,077)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,752	10,797
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	274,326	258,075
Effects of exchange rate changes on cash and cash equivalents	1,306	5,454
As restated	<u>275,632</u>	<u>263,529</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A17)	<u><u>578,384</u></u>	<u><u>274,326</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 statements 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.

Convergence to Malaysian Financial Reporting Standards Framework

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”). The Group is required to prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 30 June 2013. The Group expects the application of the MFRS Framework will not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 13	Customer Loyalty Programmes
Improvements to FRSs (2010)	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 year ended 30 June 2012.

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 year.

A7 Debt and equity securities

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

- (a) The issued and paid-up share capital has been increased from RM199,581,543 to RM240,613,581 by the allotment of 410,320,372 new ordinary shares of RM0.10 each pertaining to the following:
 - i. exercise of 13,080,036 share options under the Employees' Share Option Scheme;
 - ii. issue of 396,873,868 rights shares pursuant to the Company's Rights issue with Warrants; and
 - iii. exercise of 366,468 warrants.
- (b) 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 year.

A8 Dividends paid

The dividends paid during the financial year were as follows:-

- i) A final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to RM35,691,000 in respect of financial year ended 30 June 2011 was paid on 15 December 2011.
- (ii) An interim single tier dividend of 11% per ordinary share of RM0.10 each, amounting to RM26,216,000 in respect of financial year ended 30 June 2012 was paid on 29 June 2012.

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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 as included in the internal management report reviewed by chief operating decision maker.

The Group's operating segments for the financial year ended 30 June 2012 is as follows:

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Other Asia RM'000	Other Countries RM'000	Total RM'000
Segment profits/(losses)	182,582	20,265	13,217	13,365	(4,511)	224,918
<i>Included in the measure of segment profits/(losses) are:</i>						
<i>Revenue from external customer</i>	801,629	120,641	294,207	405,016	12,315	1,633,808
<i>Inter-segment revenue</i>	10,827	127,872	761	4,352	-	143,812
<i>Depreciation and amortisation</i>	8,370	6,967	6,260	5,585	787	27,969
<i>Interest expenses</i>	2,655	688	556	43	16	3,958
<i>Interest income</i>	10,204	196	59	246	-	10,705
<i>Impairment of receivables</i>	-	-	-	484	-	484
<i>Share of results in jointly controlled entities and associates</i>	54,652	(20)	665	-	-	55,297
Segment assets	1,342,240	271,988	130,217	273,719	14,950	2,033,114
Deferred tax assets						16,706
Total assets						<u>2,049,820</u>
<i>Included in measure of segment assets are:</i>						
<i>Investment in jointly control entities and associates</i>	364,523	3,067	4,349	-	-	371,939
<i>Addition to non-current assets:</i>						
- Property, plant & equipment	27,898	5,526	27,405	71,066	156	132,051
- Development of tank terminals	84,234	-	-	-	-	84,234
- Jointly controlled entities	215,253	-	-	-	-	215,253
- Intangible assets	-	-	-	3,903	-	3,903
Segment liabilities	514,843	96,790	44,030	135,444	17,891	808,998
Deferred tax liabilities						2,794
Total liabilities						<u>811,792</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 year ended 30 June 2012 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, Dialog Upstream Services Sdn Bhd ("DUS", formerly known as 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.

In February 2012, DUS entered into a shareholders' agreement with Atlas Global Oil and Gas Services Limited ("ATG") to subscribe for a total of 999,000 new ordinary shares of RM1.00 each in DAG which resulted in the enlarged issued share capital of DAG being held by DUS (55%) and ATG (45%). DAG is now a jointly controlled entity of the Group which will market, promote and supply seismic technology and services for upstream oil and gas activities in Malaysia and certain other countries.

- ii) In July 2011, Pengerang Terminals 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 Petroliam Nasional Berhad ("PETRONAS").

Subsequently in September 2011, Dialog D & P entered into a shareholders' 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.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

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

- iv) In September 2011, Dialog Systems (Asia) Pte Ltd (“DSAPL”), 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 Rs117,145,000 (equivalent to RM7,685,000).

Anewa is an outsourcing company which provides engineering design to customers, mainly multinational companies in India, Middle East and South East Asia in the oil, gas and petrochemical industry.

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)
	7,416
Total identified net assets	7,416
Non-controlling interests	(3,634)
Goodwill arising from acquisition	3,903
	7,685
Total purchase consideration	7,685
Cash and cash equivalents on the subsidiary acquired	(4,853)
	2,832
Net cash outflow of the Group on acquisition	2,832

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 year ended 30 June 2012 would have been RM1,638,734,000 and RM181,848,000 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 said enlarged issued and paid up share capital, the Group's equity interest in PTDS has changed from 95% to 90%.
- vi) In October 2011, DSAPL incorporated Dialog Services (Vietnam) Company Limited (“Dialog Vietnam”), in Ho Chi Minh City, Vietnam with an initial registered capital of USD100,000 (equivalent to RM318,000). Dialog Vietnam shall be involved in the provision of technical services in the oil, gas and petrochemical industry.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

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

- vii) In October 2011, Centralised Terminals Sdn Bhd ("CTSB"), a 55% owned jointly control entity, incorporated Langsat Terminal (Three) Sdn Bhd ("LgT-3") with an initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. Please refer to Note B6 for the status and intended activities of LgT-3.
- viii) In October 2011, DSAPL incorporated Dialog Systems (Labuan) Ltd. ("DSLL") in the Federal Territory of Labuan, Malaysia with an issued and paid-up capital of USD2.00 (equivalent to RM6) comprising of 2 ordinary shares. DSLL shall be involved in the provision of specialist products and services in the oil, gas and petrochemical industry.
- ix) In December 2011, Dialog (Labuan) Ltd, a wholly-owned subsidiary of the Company, together with Sedres Maritime Co. Ltd incorporated Dialog Jubail Supply Base Company Ltd ("DJSB"), in Jubail, the Kingdom of Saudi Arabia.

DJSB has a capital of SAR2,000,000 with shareholding proportion of Dialog (Labuan) Ltd (60%) and Sedres Maritime Co. Ltd (40%).

DJSB has been incorporated specifically to undertake the operations of Jubail Supply Base in Jubail Commercial Port, Kingdom of Saudi Arabia. This base will serve as a one-stop integrated offshore logistic hub and resources centre for oilfield services, equipment and supplies, supporting the active and growing offshore oil and gas activities in the Arabian Gulf.

- x) In February 2012, Dialog Pengerang Sdn Bhd ("DPSB") a wholly-owned subsidiary of the Company, incorporated Pengerang LNG Sdn Bhd ("PgLNG") and PengerangTerminals (Two) Sdn Bhd ("PT-2") with an initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each, respectively.

The intended business activities of PgLNG is to undertake Liquefied Natural Gas ("LNG") terminal storage facilities, regasification of LNG into natural gas and handling services, whereas PT-2 is to undertake terminal storage facilities for petroleum and petrochemicals.

- xi) In March 2012, DSAPL incorporated Dialog Systems International FZE ("DSIF"), in Jebel Ali Free Zone, Dubai, United Arab Emirates with an initial capital of AED1,000,000 (equivalent to RM833,000) comprising of 1 ordinary share of AED1,000,000 each. DSIF shall be involved in the provision of specialist products in the oil, gas and petrochemical industry.
- xii) LMK Resources (Malaysia) Sdn Bhd ("LMK"), a dormant associate company which the Company held 40% equity stake, has voluntarily applied to be struck-off from the Register of Companies Commission of Malaysia. In March 2012, LMK had been struck-off from the Register.
- xiii) In April 2012, DPSB incorporated Pengerang LNG (Two) Sdn Bhd ("PgLNG-2") with an initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

The intended business activities of PgLNG-2 is to undertake Liquefied Natural Gas ("LNG") terminal storage facilities, regasification of LNG into natural gas and handling services.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

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

- xiv) In June 2012, Dialog (Labuan) Ltd disposed off its entire 57% equity interest, representing 570,000 ordinary shares of United States Dollars ("USD") 1.00 each in GNT International Ltd ("GNT"), for a total consideration of USD 673,000 (approximately RM2,131,000). With the said disposal, GNT has ceased to be a subsidiary of the Company.

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

A13 Commitments

	30/06/2012 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	85,400
- contracted but not provided for	38,700
	124,100
Equity commitments of the Group in respect of tank terminal business	320,000
Equity commitment in respect of investment in a subsidiary	1,900
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	14,005
- later than one year and not later than five years	14,718
- after five years	7,014
	35,737
b) The Group as lessor	
- not later than one year	190
- later than one year and not later than five years	102
	292

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM457,768,000 (as at 30.06.2011: RM346,441,000) 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 RM201,722,000 (as at 30.06.2011: RM106,078,000).

The Company has also given corporate guarantees amounting to RM1,100,000 (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 RM1,100,000 (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.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current year ended 30 June 2012 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 2011 for recurrent related party transactions.

	12 months ended 30/06/2012 RM'000
Transactions with jointly controlled entities:	
Commission income	481
Dividend income	45,000
Interest income	2,525
Retainer fees income	713
Services rendered	123
Subcontract works received	407,011
Purchases and services received	(5,081)
Tank rental expenses	(2,157)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	3,987
Services rendered	2,129
Management services	765
Provision of intellectual property rights	682

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A16 Trade and other receivables

	30/06/2012 RM'000
Amount due from customers for contract works	138,425
Trade receivables	245,772
Other receivables, deposits and prepayments	23,400
Amount due from jointly controlled entities	86,566
Hedge derivative assets	90
	494,253

As at the date of this report, the Group has subsequently collected RM128.3 million from the trade receivables which represents 52% of its total outstanding balance.

A17 Cash and cash equivalents

	30/06/2012 RM'000
Deposits, cash and bank balances	579,550
Deposits pledged to licensed banks	(1,166)
	578,384

A18 Trade and other payables

	30/06/2012 RM'000
Amount due to customers for contract works	3,377
Trade payables	378,009
Accruals and other payables	80,437
Amount due to associates	743
Amount due to jointly controlled entities	2,021
Hedge derivative liabilities	192
	464,779

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 RM11,030,000 was charged to income statements for the current financial year (FY2011: RM5,876,000).

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

The Group ended its Financial Year 2012 with another record performance with revenue of RM1.6 billion and net profit after tax of RM181.8 million, growth of 35% and 14% respectively from last year. As for the current reporting quarter, the revenue and net profit after tax of RM499.9 million and RM51.3 million was 33% and 9% higher when compared to same quarter last year.

The consolidation of the full year results of the newly acquired fabrication and multi-disciplined engineering company, Fitzroy Engineering Group Limited, based in New Zealand was one of the main reasons for the growth in the Group's performance.

In addition, contributions from Malaysia and other Asia operations such as Thailand, China, Brunei, Middle East and Russia, increased significantly due to higher revenue of Specialist Products & Services recorded.

The commencement of operations by Langsat Terminal (One) – Phase 3 in September 2011 and Langsat Terminal (Two) in January 2012 had also contributed positively to the Group's results in the current financial year.

Singapore operation had however registered lower revenue this financial year mainly affected by lesser works undertaken for its engineering & construction and plant maintenance activities.

B2 Variation of results against preceding quarter

Against the preceding quarter, the Group's revenue and profit before tax increased by 19% and 14% respectively. The better performance was mainly attributable to higher contributions from Engineering & Construction activities in Malaysia following the finalisation of some major projects. The provision of Specialist Products & Services for International operation also recorded better performance in the current reporting quarter.

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 development of the Independent Deepwater Petroleum Terminal in Pengerang will not only bring in short to medium term contribution from engineering and construction activities for the Group 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 Balai Cluster Small Field Risk Service Contract. The Group has successfully fabricated four offshore wellhead platforms utilizing the Tarpon System for the fields within the Balai Cluster and is securing such fabricating contracts from third parties.

The Group is also actively pursuing mature field opportunities and has entered into a MOU with Halliburton Energy Services (M) Sdn Bhd on 22 June 2012 to jointly cooperate to pursue projects and/or opportunities in the re-development of mature fields in Malaysia.

INTERIM FINANCIAL REPORT

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

B3 Prospects (Cont'd)

The Jubail Supply Base in Saudi Arabia has commenced its operations in June 2012. In addition to securing a long term contract for the provision of logistic services which involve the utilization of the base services from Snamprogetti Saudi Arabia Co. Ltd., it is actively providing services to other customers.

The Group continues to grow strategically its core business including specialist products & services, EPCC, fabrication, plant maintenance services, logistics and upstream services.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2013.

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	12 months ended
	30/06/2012	30/06/2012
	RM'000	RM'000
Current tax	14,810	50,684
Deferred tax	(2,265)	(6,463)
Over provision in prior year	6	(1,139)
Total tax expense	<u>12,551</u>	<u>43,082</u>
Effective tax rates (excluding share of results of jointly controlled entities and associates)	25.6%	25.4%

The effective tax rate of the Group for the current financial year was higher than the statutory tax rate of 25% mainly due to higher tax rates in certain foreign jurisdictions and certain expenses not allowable for tax purposes.

INTERIM FINANCIAL REPORT

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

B6 Status of corporate proposals

- i) 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 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.

LgT-3 has an initial issued and paid-up share capital of RM2.00. The completion of the SHA is pending satisfaction of the condition precedents as set out in the SHA. The period for the conditions precedent to be fulfilled has been further extended to 20 August 2012.

- ii) In June 2012, Dialog D & P Sdn Bhd ("DDPSB"), a wholly owned subsidiary of the Company, entered into a Memorandum of Understanding ("MOU") with Halliburton Energy Services (M) Sdn. Bhd. ("HESSB") to jointly cooperate to pursue projects and/or opportunities in the re-development of mature oil fields in Malaysia ("Projects").

The MOU provides a framework for the parties to identify, explore, pursue and to participate in the target Projects. The MOU also confirms the respective parties' rights for the provision of certain work, goods and services in the target Projects. DDPSB will participate as the local partner in the re-development of mature oil fields by contributing its engineering strengths and resources. The parties are currently pursuing prospective Projects.

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

B7 Status of utilisation of proceeds

On 15 February 2012, the Rights Issue with Warrants has been completed with the listing of Rights Shares and Warrants on the Main Market of Bursa Malaysia Securities Berhad. As at 7 August 2012, the status utilisation of the proceeds raised is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
i) Upstream oil and gas activities, including risk services contract	330,725	93,801	36 months
ii) Development of Pengerang independent deepwater tank terminals	100,062	88,550	36 months
iii) Working capital	40,062	40,000	24 months
iv) Defraying estimated expenses	5,400	4,156	Immediate
Total	476,249	226,507	

INTERIM FINANCIAL REPORT

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

B8 Borrowings and debt securities

As at 30 June 2012, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	233	13
Sterling Pound	760	3,809
New Zealand Dollars	3,049	7,774
Singapore Dollars	439	1,097
United States Dollars	8,367	26,565
Ringgit Malaysia		4,847
Unsecured:		
Singapore Dollars	10,000	<u>25,000</u>
		<u>69,105</u>
Long term borrowings:		
Secured:		
Indian Rupee	607	34
Sterling Pound	11	52
New Zealand Dollars	14	36
Singapore Dollars	31	79
Saudi Riyal	105,000	90,011
Ringgit Malaysia		34,576
Unsecured:		
Ringgit Malaysia		<u>130,000</u>
		<u>254,788</u>
		<u>323,893</u>

B9 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.

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

As at 30 June 2012, 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	10,030	31,737	195
New Zealand Dollar	500	1,223	(47)
Singapore Dollar	554	1,385	(7)
Euro	19	76	(2)
Australian Dollar	93	289	(11)
Sterling Pound	267	1,318	1

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

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 Dividends

- (a) The Board recommends a final single tier dividend of 20% (previous corresponding year: 18%) per ordinary share of RM0.10 each in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.
- (b) The total dividend for the current financial year of 31% (previous corresponding year: 31%) which is based on the enlarged share capital after reflecting the rights issue of 2 for 10, comprises of the following:-
 - (i) Interim single tier dividend of 11% per ordinary share of RM0.10 each.
 - (ii) Proposed final single tier dividend of 20% per ordinary share of RM0.10 each.

INTERIM FINANCIAL REPORT

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

B12 Advances to a jointly controlled entity

Included in the interest in jointly controlled entities and associates was unsecured advances amounted to RM59.0 million given to a jointly controlled entity. The advances bear interest at rates ranging from 3.94% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM61.5 million as at 30 June 2012.

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

B13 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 30/06/2012 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	516,790	400,528
- Unrealised	6,623	297
	523,413	400,825
Total share of retained profits from associates		
- Realised	41	57
- Unrealised	(2)	(1)
Total share of retained profits from jointly controlled entities		
- Realised	100,976	94,046
- Unrealised	(18,062)	(21,199)
Total before consolidation adjustments		
- Realised	617,807	494,631
- Unrealised	(11,441)	(20,903)
	606,366	473,728
Less: Consolidation adjustments	(110,434)	(92,941)
Total retained profits as per consolidated accounts	495,932	380,787

The above consolidation adjustments are mainly on adjustment for 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

B14 Earnings per share

The basic earnings per share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares (adjusted for bonus element on rights issue of 2 for 10 for the previous corresponding period).

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<u>3 MONTHS ENDED</u>		<u>12 MONTHS ENDED</u>	
	<u>30/06/2012</u>	<u>30/06/2011</u>	<u>30/06/2012</u>	<u>30/06/2011</u>
Profit for the financial year attributable to owners of the Company (RM'000)	<u>49,614</u>	<u>44,870</u>	<u>177,001</u>	<u>152,298</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,361,578</u>	<u>2,148,356</u>	<u>2,307,759</u>	<u>2,141,753</u>

Diluted earnings per share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares (adjusted for bonus element on rights issue of 2 for 10 in previous corresponding period). The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS and warrants are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS and warrants are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<u>3 MONTHS ENDED</u>		<u>12 MONTHS ENDED</u>	
	<u>30/06/2012</u>	<u>30/06/2011</u>	<u>30/06/2012</u>	<u>30/06/2011</u>
Profit for the financial year attributable to owners of the Company (RM'000)	<u>49,614</u>	<u>44,870</u>	<u>177,001</u>	<u>152,298</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,361,578</u>	<u>2,148,356</u>	<u>2,307,759</u>	<u>2,141,753</u>
Effect of dilution due to:				
- ESOS	<u>19,981</u>	<u>17,073</u>	<u>19,999</u>	<u>13,990</u>
- Warrants	<u>577</u>	<u>-</u>	<u>828</u>	<u>-</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>2,382,136</u>	<u>2,165,429</u>	<u>2,328,586</u>	<u>2,155,743</u>

INTERIM FINANCIAL REPORT

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

B15 Profit for the year

	3 months ended 30/06/2012 RM'000	12 months ended 30/06/2012 RM'000
This is arrived at after (charging)/crediting:		
Interest income	3,929	10,705
Interest expense	(939)	(3,958)
Depreciation and amortisation	(7,454)	(27,969)
Impairment of receivables	(484)	(484)
Foreign exchange (loss)/gain	(400)	273
Gain on forward exchange contract	297	176

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

Date: 13 August 2012