DIALOG

DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended 31 December 2012

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Revenue	503,067	358,620	920,017	713,858
Operating expenses	(460,454)	(322,138)	(836,333)	(639,690)
Other operating income	3,623	3,093	8,320	6,406
Share of results of jointly controlled entities and associates	12,015	13,122	24,190	26,501
Finance costs	(1,981)	(1,021)	(3,689)	(1,993)
Profit before tax	56,270	51,676	112,505	105,082
Income tax expense	(10,914)	(9,662)	(21,924)	(19,600)
Profit for the period	45,356	42,014	90,581	85,482
Profit attributable to:				
Owners of the Company	47,510	41,452	94,301	85,994
Non-controlling interests	(2,154)	562	(3,720)	(512)
	45,356	42,014	90,581	85,482
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.00	1.92	4.08	3.99
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	1.98	1.91	4.04	3.96

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Profit for the period (Note B15)	45,356	42,014	90,581	85,482
Other comprehensive income:				
Foreign currency translations	(670)	(2,635)	(9,908)	5,339
Cash flow hedge	129	(45)	41	(76)
Fair value of other investments	5,895	(239)	10,136	(239)
Other comprehensive income for the period	5,354	(2,919)	269	5,024
Total comprehensive income for the period	50,710	39,095	90,850	90,506
Total comprehensive income attributable to:				
Owners of the Company	52,912	38,936	94,751	91,527
Non-controlling interests	(2,202)	159	(3,901)	(1,021)
	50,710	39,095	90,850	90,506

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	NOTE	31/12/2012 RM'000	30/06/2012 RM'000	01/07/2011 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		364,241	333,107	223,718
Development of tank terminals		149,170	62,647	–
Intangible assets		35,468	36,178	33,631
Interest in jointly controlled entities and associates	B12	461,598	371,939	147,962
Other investments		43,266	31,105	2,414
Deferred tax assets		23,004	16,706	13,887
		1,076,747	851,682	421,612
CURRENT ASSETS				
Inventories		75,255	97,816	65,091
Trade and other receivables	A16	612,633	515,840	313,080
Current tax assets		4,472	4,932	3,258
Cash and cash equivalents	A17	473,110	579,550	278,463
		1,165,470	1,198,138	659,892
TOTAL ASSETS		2,242,217	2,049,820	1,081,504
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		242,271	240,614	199,582
Treasury shares		(24,819)	(24,819)	(24,589)
Reserves		1,042,546	977,806	408,119
		1,259,998	1,193,601	583,112
Non-controlling interests		42,558	44,427	36,800
TOTAL EQUITY		1,302,556	1,238,028	619,912
NON-CURRENT LIABILITIES				
Borrowings	B8	382,438	254,788	58,421
Deferred tax liabilities		3,685	2,794	3,931
		386,123	257,582	62,352
CURRENT LIABILITIES				
Trade and other payables	A18	402,944	464,779	327,842
Borrowings	B8	125,252	69,105	51,629
Current tax payable		25,342	20,326	19,769
		553,538	554,210	399,240
TOTAL LIABILITIES		939,661	811,792	461,592
TOTAL EQUITY AND LIABILITIES		2,242,217	2,049,820	1,081,504
Net assets per share attributable to owners of the Company (sen)		54.5	51.7	27.2

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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 2012								
- as previously stated	240,614	(24,819)	302,537	179,338	495,931	1,193,601	44,427	1,238,028
- effect of convergence to MFRS (Note A2)	–	–	–	531	(531)	–	–	–
As restated	240,614	(24,819)	302,537	179,869	495,400	1,193,601	44,427	1,238,028
Total comprehensive income for the period	–	–	–	450	94,301	94,751	(3,901)	90,850
Appropriation :								
Final dividend for FY2012	–	–	–	–	(47,990)	(47,990)	–	(47,990)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,356)	(1,356)
Share options granted under ESOS	–	–	–	5,369	–	5,369	231	5,600
Share options exercised	1,654	–	16,789	(4,119)	–	14,324	(257)	14,067
Warrant exercise	3	–	112	(30)	–	85	–	85
Share issue expenses	–	–	(121)	–	–	(121)	–	(121)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	2,448	2,448
Disposal of shares in a subsidiary					(21)	(21)	966	945
Balance as at 31 December 2012	242,271	(24,819)	319,317	181,539	541,690	1,259,998	42,558	1,302,556
Balance as at 1 July 2011								
- as previously stated	199,582	(24,589)	21,503	5,829	380,787	583,112	36,800	619,912
- effect of convergence to MFRS (Note A2)	–	–	–	531	(531)	–	–	–
As restated	199,582	(24,589)	21,503	6,360	380,256	583,112	36,800	619,912
Total comprehensive income for the period	–	–	–	5,533	85,994	91,527	(1,021)	90,506
Appropriation :								
Final dividend for FY2011	–	–	–	–	(35,691)	(35,691)	–	(35,691)
Share options granted under ESOS	–	–	–	5,812	–	5,812	388	6,200
Share options exercised	1,030	–	11,283	(2,786)	–	9,527	(221)	9,306
Share issue expenses	–	–	(319)	–	–	(319)	–	(319)
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 31 December 2011	200,612	(24,819)	32,467	14,919	430,559	653,738	39,648	693,386

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012

	31/12/2012 RM'000	31/12/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	112,505	105,082
Adjustments for :		
Depreciation and amortisation expenses	18,443	13,514
Interest income and expense	(3,261)	(875)
Share of results of jointly controlled entities and associates	(24,190)	(26,501)
Share options granted under ESOS	5,527	6,200
Other non-cash items	244	(1,116)
Operating profit before working capital changes	109,268	96,304
Changes in working capital :		
Net change in inventories and receivables	(32,850)	(27,354)
Net change in payables	(58,874)	(22,201)
Cash generated from operations	17,544	46,749
Dividend and interest received	26,633	24,852
Tax paid	(23,189)	(24,825)
Tax refund	461	434
Net cash from operating activities	21,449	47,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	–	(2,832)
Development of tank terminals	(86,523)	–
Deposits paid for land acquisition	(31,909)	–
Investment in jointly controlled entities	(106,539)	(74,156)
Net change in deposits with licensed banks	1,097	281
Net cash on disposal of a subsidiary	(265)	–
Proceeds from disposal of a jointly controlled entity	5,988	–
Proceeds from partial disposal of a subsidiary	945	–
Proceeds from disposal of property, plant and equipment	323	618
Purchase of property, plant and equipment	(54,928)	(57,004)
Purchase of other investment	(2,729)	(3,156)
Net cash used in investing activities	(274,540)	(136,249)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012 (CONT'D)

	31/12/2012 RM'000	31/12/2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,367)	(917)
Dividend paid	(47,990)	(35,691)
Dividend paid to non-controlling interests	(1,356)	–
Ordinary shares contributed by non-controlling interests of certain subsidiaries	2,448	68
Net drawdown of bank borrowings	184,487	117,339
Proceeds from issuances of shares	14,152	9,306
Share issue expenses	(121)	(319)
Shares repurchased	–	(230)
Net cash from financing activities	148,253	89,556
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(104,838)	517
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	578,384	274,326
Effects of exchange rate changes on cash and cash equivalents	(507)	(54)
As restated	577,877	274,272
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	473,039	274,789

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and accompanying explanatory notes attached to the Interim Financial Statements.)

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 Malaysian Financial Reporting Standards ("MFRS") 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"). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

These interim financial statements are the Group's first MFRS compliant interim financial statements for the six months ended 31 December 2012 and hence *MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The MFRS are effective for the Group from 1 July 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant interim financial statements are 1 July 2011. The Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1 and the impact of the transition to MFRS framework is described in Note A2 below.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012. 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 2012.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with Financial Reporting Standards ("FRS") issued by MASB. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2012 except as discussed below:

Exchange translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation losses of RM531,000 were adjusted to retained earnings.

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.

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

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 31 December 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 period.

A7 Debt and equity securities

During the financial period, the issued and paid-up share capital has been increased from RM240,613,581 to RM242,270,944 by the allotment of 16,573,635 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 16,538,202 share options under the Employees' Share Option Scheme; and
ii. exercise of 35,433 warrants.

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

A8 Dividends paid

A final single tier dividend of 20% per ordinary shares of RM0.10 each, amounting to RM47,990,349 in respect of financial year ended 30 June 2012 was paid on 19 December 2012.

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 31 December 2012 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A11 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 period ended 31 December 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)	103,642	(7,009)	8,171	8,356	(655)	112,505
Included in the measure of segment profits/(losses)are:						
Revenue from external customers	458,794	73,983	138,613	232,319	16,308	*920,017*
Inter-segment revenue	*1,084*	*189,960*	*3,694*	*832*	–	*195,570*
Depreciation and amortisation	*5,320*	*3,657*	*3,385*	*5,712*	*369*	*18,443*
Interest expenses	*1,120*	*367*	*704*	*1,165*	*11*	*3,367*
Interest income	*6,334*	*120*	*59*	*115*	–	*6,628*
Share of results in jointly controlled entities and associates	*24,025*	*(46)*	*211*	–	–	*24,190*
Segment assets	1,465,009	313,608	118,727	304,679	17,190	2,219,213
Deferred tax assets						23,004
Total assets						2,242,217
Included in measure of segment assets are:						
Investment in jointly control entities and associates	*454,277*	*2,748*	*4,573*	–	–	*461,598*
Additions to non-current assets:						
- Property, plant & equipment	*21,793*	*5,487*	*4,011*	*23,476*	*329*	*55,096*
- Development of tank terminals	*86,523*	–	–	–	–	*86,523*
- Jointly controlled entities	*106,539*	–	–	–	–	*106,539*
Segment liabilities	511,544	111,067	56,513	239,861	16,991	935,976
Deferred tax liabilities						3,685
Total liabilities						939,661

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A12 Changes in the composition of the Group

i) In August 2012, Dialog E&C Sdn Bhd ("DECSB"), a wholly-owned subsidiary of the Company, disposed off its entire 100% equity interest, representing 500,000 ordinary shares of RM1.00 each in Dialog Engineering Sdn Bhd ("DESB") for cash consideration of RM500,000.

ii) In October 2012, Dialog (Labuan) Ltd ("DLL"), a wholly-owned subsidiary of the Company, incorporated Dialog IPS Marine (Labuan) Ltd ("DIPSM") in the Federal Territory of Labuan, Malaysia with an issued and paid-up share capital of USD2 comprising of 2 ordinary shares. In November 2012, DLL entered into a Shareholders' Agreement with Integrated Petroleum Services Sdn Bhd ("IPS") to subscribe into the enlarged share capital of DIPSM of USD2 million comprising of 2 million ordinary shares. DLL holds 60% equity stake in DIPSM and the balance 40% equity stake is held by IPS. DIPSM shall involve in logistic services for the marketing of specialist products in the oil, gas and petrochemical industry.

iii) In October 2012, DECSB incorporated Dialog Offshore Engineering Sdn Bhd ("DOESB") with an issued and paid-up share capital of RM1,000 comprising of 1,000 ordinary shares of RM1.00 each. DOESB shall involve in engineering design, consulting and project management for upstream oil and gas activities.

iv) In October 2012, Dialog System Sdn Bhd, a wholly-owned subsidiary of the Company, disposed of its entire 50% equity interest, representing 1,500,001 ordinary shares of RM1.00 each, in Tracerco Asia Sdn Bhd to Johnson Matthey Investments Limited for a total cash consideration of RM5,988,371.

v) In November 2012, Dialog Pengerang Sdn Bhd, a wholly-owned subsidiary of the Company, incorporated Pengerang Marine Operations Sdn Bhd ("PMOSB") with an issued and paid-up share capital of RM2 comprising of 2 ordinary shares of RM1.00 each. PMOSB shall involve in the provision of related marine services, operate and maintain marine facilities and jetties within the port and harbour at Pengerang, Johor.

vi) In November 2012, Dialog D&P Sdn Bhd ("Dialog D&P"), a wholly-owned subsidiary of the Company, entered into a Subscription and Shareholders' Agreement ("SHA") with Asia Energy Services Sdn Bhd ("AES"), a wholly owned subsidiary of Halliburton International, Inc, to subscribe 50% equity interest into Halliburton Bayan Petroleum Sdn Bhd ("HBP") representing 2,500,000 ordinary shares of RM1.00 each to jointly manage an Oilfield Services Contract ("OSC"). The subscription was completed in December 2012.

HBP had in November 2012 entered into an OSC as an independent technical service contractor, with Petronas Carigali Sdn Bhd ("PCSB"), to provide Contractor Services required to enhance the recoverable reserves from the Bayan Field. The Bayan Field is located offshore Bintulu, Sarawak and the estimated total project value is USD 1.2 billion with a term of 24 years.

Under the SHA, AES and Dialog D&P shall carry out the rights and obligations under the OSC in respect of the redevelopment of the Bayan Field, which involves providing Contractor Services required to enhance the recoverable reserves through Production Enhancement Activities, Oil Development and Prospect Appraisal over the Bayan Field.

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

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

vii) In December 2012, the Company's subsidiaries, Fitzroy Engineering Group Limited (87.5% owned) and Dialog Systems (Asia) Pte Ltd (100% owned), have respectively subscribed for 90% and 10% of Fitzroy Tower Services Limited's ("FTSL") share capital of NZD100,000 comprising of 100,000 ordinary shares. FTSL is a newly incorporated company in New Zealand to undertake maintenance services including painting works, blasting and its associated works, mainly for tower pylons in New Zealand and Australia.

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

A13 Commitments

	31/12/2012 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	54,500
- contracted but not provided for	44,600
	99,100
Commitments of the Group in respect of tank terminal business	312,000
Commitment in respect of investment in a subsidiary	1,200
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	15,217
- later than one year and not later than five years	12,603
- after five years	9,819
	37,639
b) The Group as lessor	
- not later than one year	341
- later than one year and not later than five years	108
	449

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 RM653,871,000 (as at 30.06.2012: RM457,768,000) 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 RM276,035,000 (as at 30.06.2012: RM201,722,000).

The Company has also given corporate guarantees amounting to RM1,100,000 (as at 30.06.2012: RM1,100,000) 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 30.06.2012: RM1,100,000).

In addition, the Company also provides the following undertakings:

i) an undertaking letter to a jointly controlled entity for the provision of cash flow deficiency support up to RM37.4 million (as at 30.06.2012: RM37.4 million) for banking facilities secured by a subsidiary company of a jointly controlled entity; and

ii) sponsor's undertaking to certain financial institutions up to USD51.8 million, approximately RM158.6 million (as at 30.06.2012: USD51.8 million, approximately RM164.9 million) in relation to term loan facility granted to a jointly controlled entity.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 31 December 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 2012 and the approved shareholders' mandate in the circular dated 29 October 2012 for recurrent related party transactions.

	6 months ended 31/12/2012 RM'000
Transactions with jointly controlled entities:	
Dividend income	21,000
Interest income	1,324
Subcontract works received	222,657
Purchases and cost of services rendered	(853)
Tank rental and related expenses	(1,757)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	4,303
Services rendered	5,408
Provision of intellectual property rights	70

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A16 Trade and other receivables

	31/12/2012 RM'000
Amount due from customers for contract works	85,085
Trade receivables	269,719
Other receivables, deposits and prepayments	78,827
Amount due from jointly controlled entities and associates	178,850
Hedge derivative assets	152
	612,633

As at date of this report, the Group has subsequently collected a total of RM207.7 million from the outstanding debts, of which RM105.7 million was collected from trade receivables and RM102 million was collected from jointly controlled entities.

A17 Cash and cash equivalents

	31/12/2012 RM'000
Deposits, cash and bank balances	473,110
Deposits pledged to licensed banks	(71)
	473,039

A18 Trade and other payables

	31/12/2012 RM'000
Amount due to customers for contract works	14,760
Trade payables	317,142
Accruals and other payables	69,395
Amount due to jointly controlled entities and associates	1,601
Hedge derivative liabilities	46
	402,944

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 Malaysian Financial Reporting Standard, MFRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM5,527,000 was charged to income statements for the current financial period (FY2012: RM6,200,000).

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 quarter and 6 months period ended 31 December 2012 increased by 40% and 29% respectively against same period last financial year. The increasing EPCC activities at Pengerang Independent Deepwater Terminal in Pengerang, Johor explained the higher revenue for Malaysia operation during the period under review. In addition, more fabrication activities and the consistent performance of the Specialist Products & Services division had also contributed to the better performance by Malaysia operation.

Higher revenue was also recorded in other countries like Middle East, Russia, India and Indonesia as a result of increased sales of Specialist Products and Services.

Despite the high revenue, the Group's profit after tax for the current quarter and year to date only increased by 8% and 6% respectively when compared to same period last year. This was mainly due to the cost overrun experienced by a plant maintenance project undertaken in Singapore.

B2 Variation of results against preceding quarter

Against the preceding quarter, there was no significant variation of the Group's profit before tax.

B3 Prospects

Being an integrated technical services provider to the oil, gas and petrochemical industry, the Group is poised to benefit from the robust oil and gas industry's outlook as the Group will continue to strategically grow its core businesses comprising specialist products and services, EPCC, fabrication, plant maintenance services, logistics and upstream services businesses.

The Group's strategy of expanding the investment in Pengerang Deepwater Terminal bodes well for the engineering and construction business as it will lend to a strengthening of its capabilities and core skills. During the construction period, the Group will benefit from contributions via EPCC and fabrication activities. The first phase of the project is scheduled to be operational for the first oil commissioning in 2014 and this shall mark the start of additional recurring earnings for the Group. The Group is also securing potential partners for subsequent phases including a liquefied natural gas ("LNG") storage terminal. In addition, the Group's EPCC and fabrication arms are also expected to benefit from other refinery and petrochemical projects which are being planned in Pengerang, Johor.

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

B3 Prospects (cont'd)

In the upstream sector, the Group will continue to extend its capabilities to include the development of marginal fields and the rejuvenation and re-development of mature oil fields. BC Petroleum Sdn Bhd's ("BCP"), a 32% owned jointly controlled entity, has successfully drilled the first 2 wells and is currently drilling the third appraisal well. Halliburton Bayan Petroleum Sdn Bhd ("HBP"), a 50% owned jointly controlled entity, has commenced activities for the redevelopment of the Bayan Field and it is expected to build and expand the Group's capabilities in the area of mature fields. Both these projects will yield long-term sustainable earnings and provide the Group with opportunities to participate in the field development cycle, particularly in relation to the provision of subsurface, operations and maintenance, facilities engineering, fabrication and installation and other services.

In view of increasing drilling activities in Malaysia from various multinational exploration and production companies, the Group's Specialist Products and Services division is also set to contribute stronger results following the renewal of the Pan-Malaysia Supply Contract for the supply of drilling base oil for a period of 5 years. To further strengthen its position, the Group has acquired a marine vessel to enable more efficient and smooth delivery of products as well as improve cost effectiveness in the Group's logistic services.

Going forward, the Group will continue to work hard to build upon its achievement to date. Barring any unforeseen circumstances, the Group is confident that it will continue to deliver a healthy performance 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 period.

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/12/2012 RM'000	**6 months ended 31/12/2012 RM'000**
Current tax	16,762	28,529
Deferred tax	(5,003)	(6,435)
Over provision in prior year	(845)	(170)
Total tax expense	10,914	21,924
Effective tax rates (excluding share of results of jointly controlled entities and associates)	24.7%	24.8%

B6 Status of corporate proposals

There is no corporate proposal announced but not completed as at date of this report.

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

B7 Status of utilisation of proceeds

As at 13 February 2013, the status of utilisation of the proceeds raised from the Rights Issues with Warrants exercise in financial year ended 30 June 2012 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	100,062	36 months
iii)	Working capital	40,062	40,062	24 months
iv)	Defraying estimated expenses	5,400	4,276	Immediate
	Total	476,249	238,201	

B8 Borrowings and debt securities

As at 31 December 2012, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	170	10
New Zealand Dollars	3,042	7,681
Ringgit Malaysia		4,762
Saudi Riyal	15,142	12,470
Singapore Dollars	218	544
Sterling Pound	1,879	9,355
Thai Baht	63,000	6,292
United States Dollars	15,490	47,243
Unsecured:		
Singapore Dollars	10,000	25,000
United States Dollars	3,900	11,895
		125,252
Long term borrowings:		
Secured:		
Indian Rupees	509	28
Ringgit Malaysia		108,269
Saudi Riyal	89,858	73,998
Sterling Pound	29	143
Unsecured:		
Ringgit Malaysia		200,000
		382,438
		507,690

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

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.

B10 Dividends

The Board does not recommend any interim dividend in respect of the current financial period.

B11 Derivative financial instruments

As at 31 December 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:			
Australian Dollar	1,958	6,325	97
Euro	886	3,527	54
New Zealand Dollar	1,000	2,496	(24)
Singapore Dollar	573	1,432	(1)
Sterling Pound	99	491	(1)
United States Dollar	1,844	5,683	8

These forward contracts are to hedge the foreign currency risk associated with 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 2012:

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.

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

B12 Interest in jointly controlled entities and associates

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 4.26% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM62.5 million as at 31 December 2012.

The Company also provided financial guarantees 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 31/12/2012 RM'000	**As at 30/06/2012 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	563,467	516,790
- Unrealised	15,905	6,623
	579,372	523,413
Total share of retained profits from associates		
- Realised	(7)	41
- Unrealised	-*	(2)
Total share of retained profits from jointly controlled entities		
- Realised	103,790	100,976
- Unrealised	(17,488)	(18,062)
Total before consolidation adjustments		
- Realised	667,250	617,807
- Unrealised	(1,583)	(11,441)
	665,667	606,366
Less: Consolidation adjustments	(123,977)	(110,966)
Total retained profits as per consolidated accounts	541,690	495,400

* Less than RM1,000

The above consolidation adjustments are mainly on adjustment for issuance of bonus shares in FY2010, non-controlling interests' share of equity 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.

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 period 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 (adjusted for bonus element on rights issue of 2 for 10 for the previous corresponding period).

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**
Profit for the financial period attributable to owners of the Company (RM'000)	47,510	41,452	94,301	85,994
Weighted average number of ordinary shares in issue ('000)	2,369,679	2,156,071	2,312,566	2,153,285

Diluted earnings per share for the current financial period 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 (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 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.

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**
Profit for the financial period attributable to owners of the Company (RM'000)	47,510	41,452	94,301	85,994
Weighted average number of ordinary shares in issue ('000)	2,369,679	2,156,071	2,312,566	2,153,285
Effect of dilution due to:				
- Warrant	541	–	–	–
- ESOS	23,701	19,192	23,578	19,292
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	2,393,921	2,175,263	2,336,144	2,172,577

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

B15 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/12/2012 RM'000	**6 months ended 31/12/2012 RM'000**
This is arrived at after (charging)/crediting:		
Interest income	3,202	6,628
Interest expense	(1,811)	(3,367)
Depreciation and amortisation	(8,875)	(18,443)
Foreign exchange loss	(416)	(609)
Gain on disposal of a jointly controlled entity	168	168
Gain on forward exchange contract	(79)	2
Loss on disposal of a subsidiary	–	(6)
(Loss) / Gain on disposal of plant and equipment	(43)	23
Rental income	477	984
Other miscellaneous income	271	1,221

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

Date: 19 February 2013