DIALOG

DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Year Ended
30 June 2013

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
Revenue	680,594	499,912	2,237,180	1,633,808
Operating expenses	(621,046)	(454,510)	(2,053,227)	(1,475,738)
Other operating income	4,616	4,546	17,383	15,721
Share of results of jointly controlled entities and associates	6,177	14,899	41,875	55,297
Finance costs	(3,669)	(1,013)	(10,879)	(4,170)
Profit before tax	66,672	63,834	232,332	224,918
Income tax expense	(14,683)	(12,551)	(47,025)	(43,082)
Profit for the year	51,989	51,283	185,307	181,836
Profit attributable to:				
Owners of the Company	52,235	49,614	193,298	177,001
Non-controlling interests	(246)	1,669	(7,991)	4,835
	51,989	51,283	185,307	181,836
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.17	2.10	8.07	7.67
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.13	2.08	7.94	7.60

(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 YEAR ENDED 30 JUNE 2013

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
Profit for the year (Note B15)	51,989	51,283	185,307	181,836
Other comprehensive income:				
Foreign currency translations	1,465	1,720	(6,560)	1,535
Cash flow hedge	(1,435)	(361)	(1,499)	92
Fair value of other investments	(4,851)	(5,326)	10,205	(1,950)
Other comprehensive income for the year	(4,821)	(3,967)	2,146	(323)
Total comprehensive income for the year	47,168	47,316	187,453	181,513
Total comprehensive income attributable to:				
Owners of the Company	47,544	45,272	195,995	176,717
Non-controlling interests	(376)	2,044	(8,542)	4,796
	47,168	47,316	187,453	181,513

(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 30 JUNE 2013

	NOTE	30/06/2013 RM'000	30/06/2012 RM'000	01/07/2011 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		382,349	330,441	220,847
Development of tank terminals		285,432	62,647	–
Intangible assets		38,455	38,844	36,502
Interest in jointly controlled entities and associates	B12	633,754	371,939	147,962
Other investments		41,478	31,105	2,414
Deferred tax assets		24,487	16,706	13,887
		1,405,955	851,682	421,612
CURRENT ASSETS				
Inventories		77,715	97,816	65,091
Trade and other receivables	A16	716,152	515,840	313,080
Current tax assets		6,555	4,932	3,258
Cash and cash equivalents	A17	630,898	579,550	278,463
		1,431,320	1,198,138	659,892
TOTAL ASSETS		2,837,275	2,049,820	1,081,504
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		243,081	240,614	199,582
Treasury shares		(24,819)	(24,819)	(24,589)
Reserves		1,134,174	977,806	408,119
		1,352,436	1,193,601	583,112
Non-controlling interests		38,493	44,427	36,800
TOTAL EQUITY		1,390,929	1,238,028	619,912
NON-CURRENT LIABILITIES				
Borrowings	B8	690,914	254,788	58,421
Deferred tax liabilities		5,390	2,794	3,931
		696,304	257,582	62,352
CURRENT LIABILITIES				
Trade and other payables	A18	620,105	464,779	327,842
Borrowings	B8	108,278	69,105	51,629
Current tax payable		21,659	20,326	19,769
		750,042	554,210	399,240
TOTAL LIABILITIES		1,446,346	811,792	461,592
TOTAL EQUITY AND LIABILITIES		2,837,275	2,049,820	1,081,504
Net assets per share attributable to owners of the Company (sen)		56.5	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.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	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
	Attributable to owners of the Company							
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 year	–	–	–	2,697	193,298	195,995	(8,542)	187,453
Appropriation :								
Final dividend for FY2012	–	–	–	–	(47,990)	(47,990)	–	(47,990)
Interim dividend for FY2013	–	–	–	–	(26,488)	(26,488)	–	(26,488)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,356)	(1,356)
Share options granted under ESOS	–	–	–	10,140	–	10,140	405	10,545
Share options exercised	2,209	–	25,060	(6,146)	–	21,123	(305)	20,818
Warrant exercise	258	–	8,127	(2,187)	–	6,198	–	6,198
Share issue expenses	–	–	(122)	–	–	(122)	–	(122)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	2,898	2,898
Disposal of shares in a subsidiary	–	–	–	–	(21)	(21)	966	945
Balance as at 30 June 2013	243,081	(24,819)	335,602	184,373	614,199	1,352,436	38,493	1,390,929
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 year	–	–	–	(284)	177,001	176,717	4,796	181,513
Appropriation :								
Final dividend for FY2011	–	–	–	–	(35,692)	(35,692)	–	(35,692)
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	168,056	–	476,248	–	476,248
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	240,614	(24,819)	302,537	179,869	495,400	1,193,601	44,427	1,238,028

(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 YEAR ENDED 30 JUNE 2013

	30/06/2013 RM'000	30/06/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	232,332	224,918
Adjustments for :		
Depreciation and amortisation expenses	37,217	27,969
Interest income, net	(2,700)	(6,747)
Share of results of jointly controlled entities and associates	(41,875)	(55,297)
Share options granted under ESOS	10,356	11,030
Other non-cash items	(978)	(258)
Operating profit before working capital changes	234,352	201,615
Changes in working capital :		
Net change in inventories and receivables	(44,833)	(205,045)
Net change in payables	155,844	131,580
Cash generated from operations	345,363	128,150
Dividend and interest received	46,428	51,395
Tax paid	(55,399)	(50,629)
Tax refund	2,152	438
Net cash from operating activities	338,544	129,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	-	(2,832)
Land deposits for development of tank terminals	(110,818)	(21,587)
Investment in jointly controlled entities	(291,543)	(215,253)
Net change in deposits with licensed banks	(2,800)	262
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	1,568	1,048
Purchase of property, plant and equipment	(92,121)	(131,077)
Purchase of intangible assets	(2,198)	(974)
Development of tank terminals	(222,785)	(62,647)
Purchase of other investment	(2,730)	(30,469)
Net cash used in investing activities	(716,759)	(463,529)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

	30/06/2013 RM'000	30/06/2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid, net of interest received	(2,380)	(1,860)
Dividend paid	(74,478)	(61,908)
Dividend paid to non-controlling interests	(1,356)	(329)
Ordinary shares contributed by non-controlling interests of certain subsidiaries	2,898	999
Net drawdown of bank borrowings	472,725	215,394
Proceeds from issuances of shares	27,016	489,019
Share issue expenses	(122)	(4,158)
Shares repurchased	-	(230)
Net cash from financing activities	424,303	636,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,088	302,752
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	578,384	274,326
Effects of exchange rate changes on cash and cash equivalents	327	1,306
As restated	578,711	275,632
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A17)	624,799	578,384

(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 MFRS 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 year ended 30 June 2013 and hence *MFRS 1: 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:

i) 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.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A2 Changes in accounting policies (cont'd)

ii) Reclassification of accounts

A reclassification of certain assets presented in the opening MFRS consolidated statement of financial position with no consequential effects on reported profits or equity in the comparative period. The effects of the reclassification are as follows:

Comparative balances as at 1 July 2011

	As previously reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Property, plant and equipment	223,718	(2,871)	220,847
Intangible assets	33,631	2,871	36,502

Comparative balances as at 30 June 2012

	As previously reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Property, plant and equipment	333,107	(2,666)	330,441
Intangible assets	36,178	2,666	38,844

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 2013.

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.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A7 Debt and equity securities

During the financial year, the issued and paid-up share capital has been increased from RM240,613,581 to RM243,081,113 by the allotment of 24,675,325 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 22,092,411 share options under the Employees' Share Option Scheme; and
ii. exercise of 2,582,914 warrants.

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 cash dividend of 2.0 sen per ordinary share, amounting to RM47,990,349 in respect of financial year ended 30 June 2012 was paid on 19 December 2012.

(ii) An interim single tier cash dividend of 1.1 sen per ordinary share, amounting to RM26,487,741 in respect of financial year ended 30 June 2013 was paid on 27 June 2013.

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 year

There were no material events subsequent to the current financial year ended 30 June 2013 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A EXPLANATORY NOTES PURSUANT TO MFRS 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 year ended 30 June 2013 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)	194,527	(10,773)	16,021	33,843	(1,286)	232,332
Included in the measure of segment profits/(losses)are:						
Revenue from external customers	*1,149,835*	*218,132*	*288,342*	*559,280*	*21,591*	*2,237,180*
Inter-segment revenue	*12,870*	*365,810*	*6,519*	*3,197*	*738*	*389,134*
Depreciation and amortisation	*10,919*	*7,194*	*6,525*	*11,858*	*721*	*37,217*
Interest expenses	*4,392*	*1,804*	*652*	*3,175*	*13*	*10,036*
Interest income	*11,943*	*234*	*93*	*466*	*-*	*12,736*
Share of results in jointly controlled entities and associates	*41,542*	*(60)*	*393*	*-*	*-*	*41,875*
Segment assets	1,973,385	392,472	126,875	304,915	15,141	2,812,788
Deferred tax assets						24,487
Total assets						2,837,275
Included in measure of segment assets are:						
Investment in jointly control entities and associates	*626,556*	*2,734*	*4,464*	*-*	*-*	*633,754*
Additions to non-current assets:						
- Property, plant & equipment	*52,403*	*7,648*	*5,750*	*26,725*	*408*	*92,934*
- Intangible assets	*1,725*	*77*	*367*	*29*	*-*	*2,198*
- Development of tank terminals	*222,785*	*-*	*-*	*-*	*-*	*222,785*
- Jointly controlled entities	*291,732*	*-*	*-*	*-*	*-*	*291,732*
Segment liabilities	953,144	199,536	64,767	206,166	17,343	1,440,956
Deferred tax liabilities						5,390
Total liabilities						1,446,346

A EXPLANATORY NOTES PURSUANT TO MFRS 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 is involved 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. Subsequently, in March 2013, DECSB entered into a shareholders' agreement with Richtech Engineering (Hong Kong) Company Limited ("RICHTECH") to subscribe into the enlarged share capital of DOESB of RM1 million comprising of 1 million ordinary shares of RM1.00 each. DECSB holds 55% equity stake in DOESB and the balance 45% equity stake is held by RICHTECH. The subscription was completed in April 2013.

DECSB and RICHTECH will collaborate and leverage on their respective expertise and services to provide front end and detailed engineering design, consulting and project management relating to engineering design and other related support services for the upstream oil and gas industry.

iv) In October 2012, Dialog Systems 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 will be involved in the provision of related marine services, operate and maintain marine facilities and jetties within the port and harbour at Pengerang, Johor.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

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

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.

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 year.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A13 Commitments

	30/06/2013 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	21,500
- contracted but not provided for	41,600
	63,100
Commitments of the Group in respect of tank terminal business	166,000
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	14,007
- later than one year and not later than five years	9,536
- after five years	9,781
	33,324
b) The Group as lessor	
- not later than one year	339
- later than one year and not later than five years	83
	422

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM673.4 million (as at 30.06.2012: RM457.8 million) 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 RM489.8million (as at 30.06.2012: RM201.7 million).

The Company has also given corporate guarantees amounting to RM1.1 million (as at 30.06.2012: RM1.1 million) to a third party 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 party totalling RM1.1 million (as at 30.06.2012: RM1.1 million).

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 of 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 undertakings on a several basis to financial institutions of up to USD51.8 million, SGD60.6 million and RM49.7 million, equivalents to a total of RM364.8 million (as at 30.06.2012: USD51.8 million, equivalents to RM164.9 million) in relation to loan facilities granted by the financial institutions to certain jointly controlled entities.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial year ended 30 June 2013 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.

	12 months ended 30/06/2013 RM'000
Transactions with jointly controlled entities:	
Dividend income	42,000
Interest income	2,630
Subcontract works received	547,507
Purchases and cost of services rendered	(1,069)
Tank rental and related expenses	(3,507)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	7,902
Services rendered	4,699
Management services	2,111
Provision of intellectual property rights	70

A16 Trade and other receivables

	30/06/2013 RM'000
Amount due from customers for contract works	104,901
Trade receivables (Note a)	335,023
Other receivables, deposits and prepayments	156,741
Amount due from jointly controlled entities and associates (trade)	118,268
Hedge derivative assets	1,219
	716,152

a) As at date of this report, the Group has subsequently collected a total of RM148.7 million (44%) from the outstanding trade receivables.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A17 Cash and cash equivalents

	30/06/2013 RM'000
Deposits, cash and bank balances	630,898
Deposits pledged to licensed banks	(3,964)
Bank overdrafts	(2,135)
	624,799

A18 Trade and other payables

	30/06/2013 RM'000
Amount due to customers for contract works	42,724
Trade payables	489,498
Accruals and other payables	85,727
Amount due to jointly controlled entities and associates	1,712
Hedge derivative liabilities	444
	620,105

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 RM10,356,000 was charged to income statements for the current financial year (FY2012: RM11,030,000).

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

B1 Performance analysis

The Group closed its Financial Year 2013 with a revenue growth of 37% to another record of RM2.2 billion. As for the current reporting quarter, revenue was increased by 36% to RM680.6 million.

The higher revenue was mainly attributable to the increasing EPCC activities at Pengerang Deepwater Terminal in Johor as well as the increased fabrication activities and the consistent performance of the Specialist Products and Services division by Malaysia operation.

Revenue from International operation was also higher against same period last year. This was mainly attributable to the increased E&C activities in Singapore and higher revenue recorded in Middle East, India, Russia and Indonesia as a result of increased sales of Specialist Products and Services.

The Group's profit after tax for the year was increased by 2% from RM181.8 million to RM185.3 million. Despite the significant increase in revenue, the Group's profit after tax was affected by the cost overrun of a plant maintenance project in Singapore which had been completed during the year.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current quarter was RM66.7 million, higher by 25% from RM53.2 million in the preceding quarter mainly resulted from higher revenue achieved during the quarter, in particular from Specialist Products and Services for Malaysia and overseas countries.

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 in first half of 2014. The Group is also securing potential partners for subsequent phases including a liquefied natural gas ("LNG") storage terminal.

In the upstream sector, the Group will continue to extend its capabilities to further 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 5 wells and is currently planning its development work programme. Halliburton Bayan Petroleum Sdn Bhd ("HBP"), a 50% owned jointly controlled entity, has commenced activities for the redevelopment of the Bayan Field. 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.

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

B3 Prospects (cont'd)

With the completion of the Jubail Supply Base, the Group has managed to secure services contracts and expect the contracts to increase due to its strategic location. The setting up of Dubai sales office also enables the Group to secure drilling base oil contracts from oil majors operating in that region and is expanding its business area coverage. In addition, the significant increase in drilling activities in the Asia region and our success in securing the supply of drilling base oil contracts and 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.

Barring any unforeseen circumstances, the Group is confident that it will continue to deliver a healthy performance for the financial year ending 30 June 2014.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 30/06/2013 RM'000	**12 months ended 30/06/2013 RM'000**
Current tax	13,325	53,788
Deferred tax	(129)	(6,437)
Over provision in prior year	1,487	(326)
Total tax expense	14,683	47,025
Effective tax rates on profit before tax excluding share of results of jointly controlled entities and associates	24.3%	24.7%

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 14 August 2013, the status of utilisation of the proceeds raised from the Rights Issue with Warrants completed in the financial year ended 30 June 2012 is as follows:

	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	166,120	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	310,520	

B8 Borrowings and debt securities

As at 30 June 2013, the Group's borrowings were denominated in the following currencies:

	FC'000	**RM'000**
Short term borrowings:		
Secured:		
Indian Rupees	366	19
New Zealand Dollars	882	2,184
Ringgit Malaysia		3,933
Singapore Dollars	145	362
Sterling Pound	16	80
United States Dollars		
Unsecured:		
New Zealand Dollars	3,000	7,425
Saudi Riyal	5,000	4,200
Singapore Dollars	17,747	44,366
Sterling Pound	501	2,419
Thai Baht	25,000	2,548
United States Dollars	12,934	40,742
		108,278

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

B8 Borrowings and debt securities (Cont'd)

	FC'000	RM'000
Long term borrowings:		
Secured:		
Indian Rupees	144	8
Ringgit Malaysia		67,901
Singapore Dollars	170	425
Sterling Pound	29	142
Unsecured:		
Ringgit Malaysia		533,800
Saudi Riyal	100,000	84,001
Thai Baht	45,500	4,637
		690,914
		799,192

The borrowings of the Group are mainly for part finance its investment in tank terminals, logistic business and trade financing in respect of specialist products and services.

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

(a) The Board recommends a final single tier cash dividend of 2.2 sen (previous corresponding year: 2.0 sen) per ordinary share 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 3.3 sen (previous corresponding year: 3.1 sen), comprises of the following:-

(i) Interim single tier dividend of 1.1 sen per ordinary share.

(ii) Proposed final single tier dividend of 2.2 sen per ordinary share.

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

B11 Derivative financial instruments

As at 30 June 2013, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Fair value – net gains or (losses)
	FC'000	**RM'000**	**RM'000**
With maturity less than 1 year:			
Australian Dollar	2,430	7,273	(156)
Euro	546	2,172	78
Japanese Yen	113,078	3,862	257
New Zealand Dollar	1,467	3,721	97
Singapore Dollar	1,121	2,805	(7)
Sterling Pound	1,395	6,434	(262)
Thai Bath	8,000	824	9
United States Dollar	5,685	17,193	761

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.

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 RM62.2 million as at 30 June 2013.

The Company also provided financial guarantees as disclosed in A14.

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

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 30/06/2013 RM'000	**As at 30/06/2012 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	657,189	516,790
- Unrealised	12,422	6,623
	669,611	523,413
Total share of retained profits from associates		
- Realised	(22)	41
- Unrealised	-*	(2)
Total share of retained profits from jointly controlled entities		
- Realised	98,992	100,976
- Unrealised	(16,141)	(18,062)
Total before consolidation adjustments		
- Realised	756,159	617,807
- Unrealised	(3,719)	(11,441)
	752,440	606,366
Less: Consolidation adjustments	(138,241)	(110,966)
Total retained profits as per consolidated accounts	614,199	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 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.

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Profit for the financial year attributable to owners of the Company (RM'000)	52,235	49,614	193,298	177,001
Weighted average number of ordinary shares in issue ('000)	2,403,884	2,361,578	2,395,221	2,307,759

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. 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 year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Profit for the financial year attributable to owners of the Company (RM'000)	52,235	49,614	193,298	177,001
Weighted average number of ordinary shares in issue ('000)	2,403,884	2,361,578	2,395,221	2,307,759
Effect of dilution due to:				
- Warrant	21,710	577	9,674	828
- ESOS	30,145	19,981	28,728	19,999
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	2,455,739	2,382,136	2,433,623	2,328,586

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

B15 Profit for the year

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 30/06/2013 RM'000	**12 months ended 30/06/2013 RM'000**
This is arrived at after (charging)/crediting:		
Interest income	3,045	12,736
Interest expense	(3,260)	(10,036)
Depreciation and amortisation	(9,622)	(37,217)
Foreign exchange loss	(406)	(618)
Gain on forward exchange contract	121	121
Gain on disposal of a jointly controlled entity	-	168
Gain on disposal of plant and equipment	731	825
Loss on disposal of a subsidiary	-	(6)
Property, plant and equipment written off	(36)	(176)
Rental income	407	1,827
Other miscellaneous income	753	2,496

** – Less than RM1,000*

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

Date: 20 August 2013