DIALOG

DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
31 December 2013

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 DECEMBER 2013

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Revenue	694,162	503,067	1,269,632	920,017
Operating expenses	(643,491)	(460,454)	(1,167,263)	(836,333)
Other operating income	6,931	3,623	13,256	8,320
Share of results of joint ventures and associates	30,052	12,015	39,044	24,190
Finance costs	(5,465)	(1,981)	(8,307)	(3,689)
Profit before tax	82,189	56,270	146,362	112,505
Income tax expense	(13,089)	(10,914)	(26,920)	(21,924)
Profit for the period	69,100	45,356	119,442	90,581
Profit attributable to:				
Owners of the parent	66,407	47,510	114,080	94,301
Non-controlling interests	2,693	(2,154)	5,362	(3,720)
	69,100	45,356	119,442	90,581
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.75	1.99	4.73	3.95
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.68	1.97	4.62	3.91

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2013

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12//2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Profit for the period (Note B15)	69,100	45,356	119,442	90,581
Other comprehensive income:				
Foreign currency translations	2,367	(670)	18,146	(9,908)
Cash flow hedge	1,981	129	(2,617)	41
Fair value of other investments	(2,686)	5,895	973	10,136
Other comprehensive income for the period	1,662	5,354	16,502	269
Total comprehensive income for the period	70,762	50,710	135,944	90,850
Total comprehensive income attributable to:				
Owners of the parent	67,841	52,912	128,896	94,751
Non-controlling interests	2,921	(2,202)	7,048	(3,901)
	70,762	50,710	135,944	90,850

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	31/12/2013 RM'000	30/06/2013 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		417,435	382,349
Development of tank terminals		343,868	285,432
Intangible assets		42,971	38,455
Interest in joint ventures and associates	B12	702,088	633,754
Other investments		49,810	41,478
Deferred tax assets		28,301	24,487
		1,584,473	1,405,955
CURRENT ASSETS			
Inventories		98,592	77,715
Trade and other receivables	A16	971,678	716,152
Current tax assets		10,550	6,555
Cash and cash equivalents	A17	483,052	630,898
		1,563,872	1,431,320
TOTAL ASSETS		3,148,345	2,837,275
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		245,100	243,081
Treasury shares		(24,819)	(24,819)
Reserves		1,234,600	1,134,174
		1,454,881	1,352,436
Non-controlling interests		43,829	38,493
TOTAL EQUITY		1,498,710	1,390,929
NON-CURRENT LIABILITIES			
Borrowings	B8	735,697	690,914
Deferred tax liabilities		3,560	5,390
		739,257	696,304
CURRENT LIABILITIES			
Trade and other payables	A18	734,924	620,105
Borrowings	B8	145,312	108,278
Current tax payable		30,142	21,659
		910,378	750,042
TOTAL LIABILITIES		1,649,635	1,446,346
TOTAL EQUITY AND LIABILITIES		3,148,345	2,837,275
Net assets per share attributable to owners of the parent (sen)		60.3	56.5

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

	Attributable to owners of the parent							
	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 2013	243,081	(24,819)	335,602	184,373	614,199	1,352,436	38,493	1,390,929
Total comprehensive income for the period	–	–	–	14,816	114,080	123,896	7,048	135,944
Appropriation :								
Final dividend for FY2013	–	–	–	–	(53,420)	(53,420)	–	(53,420)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,778)	(1,778)
Share options granted under ESOS	–	–	–	7,086	–	7,086	362	7,448
Share options exercised	2,001	–	23,322	(5,877)	–	19,446	(695)	18,751
Warrant exercise	18	–	573	(154)	–	437	–	437
Acquisition of a subsidiary	–	–	–	–	–	–	399	399
Share issue expenses	–	–	–*	–	–	–*	–	–*
Balance as at 31 December 2013	245,100	(24,819)	359,497	200,244	674,859	1,454,881	43,829	1,498,710
Balance as at 1 July 2012	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

* *Less than RM1,000*

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2013

	31/12/2013 RM'000	31/12/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	146,362	112,505
Adjustments for :		
Depreciation and amortisation expenses	18,678	18,443
Interest income and expenses	(362)	(3,261)
Share of results of joint ventures and associates	(39,044)	(24,190)
Share options granted under ESOS	7,263	5,527
Other non-cash items	(2,595)	244
Operating profit before working capital changes	130,302	109,268
Changes in working capital :		
Net change in inventories and receivables	(238,321)	(32,850)
Net change in payables	88,344	(58,874)
Cash (used in) / generated from operations	(19,675)	17,544
Dividend and interest received	21,012	26,633
Tax paid	(26,902)	(23,189)
Tax refund	10	461
Net cash (used in) / generated from operating activities	(25,555)	21,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	1,672	–
Additions of intangible assets	(2,899)	–
Development of tank terminals	(58,435)	(86,523)
Deposits paid for land acquisition	–	(31,909)
Investment in joint ventures	(50,554)	(106,539)
Net change in deposits with licensed banks	3,210	1,097
Net cash on disposal of a subsidiary	–	(265)
Proceeds from disposal of a joint venture	–	5,988
Proceeds from partial disposal of a subsidiary	–	945
Proceeds from disposal of property, plant and equipment	2,957	323
Purchase of property, plant and equipment	(46,090)	(54,928)
Purchase of other investment	(7,341)	(2,729)
Net cash used in investing activities	(157,480)	(274,540)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONT'D)

	31/12/2013 RM'000	31/12/2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(5,119)	(3,367)
Dividend paid	(53,420)	(47,990)
Dividend paid to non-controlling interests	(1,778)	(1,356)
Ordinary shares contributed by non-controlling interests of certain subsidiaries	–	2,448
Net drawdown of bank borrowings	77,738	184,487
Proceeds from issuances of shares	19,188	14,152
Share issue expenses	–	(121)
Net cash generated from financing activities	36,609	148,253
NET DECREASE IN CASH AND CASH EQUIVALENTS	(146,426)	(104,838)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	624,799	578,384
Effects of exchange rate changes on cash and cash equivalents	4,110	(507)
As restated	628,909	577,877
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	482,483	473,039

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The unaudited condensed consolidated interim financial statements 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 ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013. 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 2013.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2013 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") framework issued by MASB. As per requirements under MFRS, 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 2013 except as discussed below:

As of 1 July 2013, the Group has adopted the revised MFRS and Amendments of MFRS that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs		**Effective for financial periods beginning on or after**
MFRS 10	*Consolidated Financial Statements*	1 January 2013
MFRS 11	*Joint Arrangements*	1 January 2013
MFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13	*Fair Value Measurements*	1 January 2013
MFRS 119	*Employee Benefits (revised)*	1 January 2013
MFRS 127	*Separate Financial Statements*	1 January 2013
MFRS 128	*Investments in Associates and Joint Ventures*	1 January 2013
Amendments to MFRS 1	*Government Loans*	1 January 2013
Amendments to MFRS 7	*Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRSs	*Annual Improvements 2009-2012 Cycle*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A3 Auditors' report of preceding annual audited financial statements

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

A4 Seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 31 December 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 period.

A7 Debt and equity securities

During the current financial period, the issued and paid-up share capital was increased from RM243,081,113 to RM245,100,392 by the allotment of 20,192,787 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 20,010,704 share options under the Employees' Share Option Scheme.

ii. exercise of 182,083 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 2.2 sen per ordinary shares of RM0.10 each, amounting to RM53,419,718 in respect of financial year ended 30 June 2013 was paid on 19 December 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 period

There were no material events subsequent to the current financial period ended 31 December 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 petroleum 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 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)	108,549	2,001	10,661	25,670	(519)	146,362
Included in the measure of segment profits/(losses)are:						
Revenue from external customers	*613,069*	*135,830*	*182,861*	*333,859*	*4,013*	1,269,632
Inter-segment revenue	*5,263*	*67,316*	*2,740*	*804*	-	76,123
Depreciation and amortisation	*5,397*	*2,939*	*3,559*	*6,478*	*305*	18,678
Interest expenses	*4,908*	*505*	*535*	*1,786*	*3*	7,737
Interest income	*7,893*	*85*	*36*	*85*	-	8,099
Share of results of joint ventures and associates	*38,845*	*(18)*	*217*	-	-	39,044
Segment assets	2,291,693	373,251	85,699	360,298	9,103	3,120,044
Deferred tax assets						28,301
Total assets						3,148,345
Included in measure of segment assets are:						
Investment in joint ventures and associates	*694,589*	*2,874*	*4,625*	-	-	702,088
Additions to non-current assets:						
- *Property, plant & equipment*	*38,530*	*1,379*	*3,167*	*4,248*	*12*	47,336
- *Intangible assets*	*2,424*	*34*	*241*	*200*	-	2,899
- *Development of tank terminals*	*58,435*	-	-	-	-	58,435
- *Joint ventures*	*50,554*	-	-	-	-	50,554
Segment liabilities	1,153,564	188,027	24,910	266,279	13,295	1,646,075
Deferred tax liabilities						3,560
Total liabilities						1,649,635

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

a. On 11 October 2013, Dialog Upstream Services Sdn Bhd ("Dialog Upstream"), a wholly owned subsidiary of the Company, executed a Shareholders' Agreement ("SHA") with Ascent Energy Technology Limited ("Ascent") to manage the business operations of Dialog Ascent Energy Sdn Bhd (formerly known as Dialog Atlas Global Sdn Bhd) ("DAESB") which is involved in the marketing, promotion and supply of seismic technology and integrated field development services for upstream oil and gas activities in Malaysia and various other countries.

   The SHA with Ascent is following the disposal by Atlas Global Oil and Gas Services Limited ("ATG") of ATG's entire 45% equity interest representing 450,000 ordinary shares of RM1.00 each held in DAESB to Ascent on 30 September 2013.

   Simultaneously with the signing of the SHA, Dialog Upstream acquired an additional 20% equity interest in DAESB from Ascent at a total consideration of approximately HKD1,555,556 (i.e. RM637,934 based on the exchange rate of RM41.01/HKD 100).

   Dialog Upstream now holds a 75% equity stake in DAESB and the balance 25% equity stake is held by Ascent.

b. On 28 October 2013, the Company incorporated a wholly owned subsidiary in Malaysia known as Dialog Equity (Two) Sdn Bhd ("DEquity 2") with the principal activity of investment holding for the future phases of Pengerang Deepwater Petroleum Terminal Project.

   DEquity 2 was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each of which 2 ordinary shares have been issued and fully paid-up.

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

A13 Commitments

	31/12/2013 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	30,300
- contracted but not provided for	46,800
	77,100
Commitments of the Group in respect of tank terminal business	284,000
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	13,365
- later than one year and not later than five years	8,626
- after five years	9,785
	31,776
b) The Group as lessor	
- not later than one year	219
- later than one year and not later than five years	7
	226

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM677.3 million (as at 30.06.2013: RM673.4 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 RM476.3 million (as at 30.06.2013: RM489.8 million).

The Company has also given corporate guarantees amounting to RM1.1 million (as at 30.06.2013: 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 30.06.2013: RM1.1 million).

In addition, the Company also provides sponsor's undertakings on a several basis to financial institutions of up to USD51.8 million, SGD121.7 million and RM103.0 million, equivalents to a total of RM588.1 million (as at 30.06.2013: USD51.8 million, SGD60.6 million and RM49.7 million, equivalents to a total of RM364.8 million) in relation to loan facilities granted by the financial institutions to certain joint ventures.

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 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 2013 and the approved shareholders' mandate in the circular dated 29 October 2013 for recurrent related party transactions.

	6 months ended 31/12/2013 RM'000
Transactions with joint ventures:	
Dividend income	19,500
Interest income	1,328
Subcontract works received	114,989
Purchases and cost of services rendered	(802)
Tank rental and related expenses	(1,905)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,530
Provision of subcontract works	2,575
Provision of management services	1,033

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Trade and other receivables

	31/12/2013 RM'000
Amount due from customers for contract works	179,455
Trade receivables	363,192
Other receivables, deposits and prepayments	169,950
Amount due from joint ventures and associates (trade)	259,053
Hedge derivative assets	28
	971,678

The Group has subsequently collected a total of RM156.9 million (43%) from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	31/12/2013 RM'000
Deposits, cash and bank balances	483,052
Deposits pledged to licensed banks	(569)
	482,483

A18 Trade and other payables

	31/12/2013 RM'000
Amount due to customers for contract works	34,761
Trade payables	610,999
Accruals and other payables	86,544
Amount due to joint ventures and associates	1,704
Hedge derivative liabilities	916
	734,924

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 RM7,263,000 was charged to statements of profit and loss for the current financial period (Q2 FY2013: RM5,527,000).

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

B1 Performance analysis

The Group registered a total revenue of RM694.2 million for the current reporting quarter, an increase of 38% when compared to the same period last year. The cumulative six months' revenue ended 31 December 2013 of RM1.3 billion was also higher by 38% over last year.

The continuing EPCC activities at Pengerang Deepwater Petroleum Terminal in Pengerang, Johor and other on-going projects coupled with the increased plant maintenance and specialist products & services activities explained the higher revenue for Malaysia operation during the period under review.

Revenue from International operation was also higher against same period last year. This was attributable to the increased fabrication activities in New Zealand, engineering & construction activities in Singapore and strong sales of specialist products & services in Middle East, Africa and Thailand.

With the higher revenue and increased contributions from its joint ventures, the Group's net profit for the current financial quarter of RM69.1 million and year to date of RM119.4 million rose by 52% and 32% respectively, against same periods last year. The increased contributions from joint ventures was due to an exceptional income of RM16 million for the current quarter.

B2 Variation of results against preceding quarter

The Group registered a profit before tax of RM82.2 million against RM64.2 million in the preceding quarter. This was mainly due to the strong sales of Specialist Products & Services in particular for sales registered in Malaysia, India, Middle East and Australia and the higher contribution from its joint ventures for the current quarter.

B3 Prospects

The oil and gas sector in Malaysia is expected to remain a main growth driver for the Malaysian economy contributing some 20% of the nation's Gross Domestic Product. Out of the total cumulative amount of RM218 billion of announced Economic Transformation Programme projects, approximately RM70 billion (32%) will be invested in Pengerang. All these translate into a robust industry outlook and more upstream and downstream opportunities for oil and gas service providers.

As an integrated technical services provider to the petroleum and petrochemical industry, the Group is poised to benefit from the positive industry outlook as the Group strategically grow the core businesses comprising Upstream Services, Logistics Services – Tank Terminals and Supply Base, Specialist Products and Services, E&C, Fabrication, Plant Services and ePayment Technology and Solutions.

The demand for tank storage facilities is expected to increase while further development of the Pengerang Deepwater Petroleum Terminal will provide increased opportunities for the Group's E&C Division. The Group will also benefit from long-term recurring income once the terminal's tank facilities become operational in the first half of 2014. The Group is now working towards securing new potential partners for subsequent phases, which include the development of more petroleum and LNG storage terminals.

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

B3 Prospects – Cont'd

The Group will continue investing in upstream ventures and enhancing its capabilities in order to increase its involvement in the development of marginal fields and the rejuvenation and re-development of mature oil fields. BC Petroleum Sdn Bhd ("BCP"), a 32% owned joint venture, is expected to complete the Extended Well Testing (EWT) programme in the first quarter of 2014. The EWT programme is the final operational phase in the pre development programme for the Balai cluster fields. Upon successful completion of the pre-development phase and assessment on the project viability of the field, BCP will progress to the field development planning phase.

Activities for the redevelopment of the Bayan Field by Halliburton Bayan Petroleum Sdn Bhd ("HBP"), a 50% owned joint venture, is progressing well on three fronts, namely the Production Enhancement activities, Oil & Gas Field Development Planning and near field prospect maturation work. These activities are expected to create robust platforms that will generate long-term sustainable income for the Group.

The Group is enhancing its human capital development to meet the anticipated workload challenges ahead.

Barring 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 period.

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/12/2013 RM'000	**6 months ended 31/12/2013 RM'000**
Current tax	17,472	31,268
Deferred tax	(4,746)	(4,652)
Under provision in prior year	363	304
Total tax expense	13,089	26,920
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	25.1%	25.1%

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

B6 Status of corporate proposals

Dialog Pengerang Sdn Bhd ("DPSB"), a wholly owned subsidiary of the Company, has on 21 November 2013 entered into a Memorandum of Understanding ("MOU") with Concord Energy Pte. Ltd. ("Concord Energy") to carry out a feasibility study for the proposed development of a dedicated crude oil and petroleum product storage terminal at Pengerang, State of Johor. Concord Energy is one of the leading crude oil and refined products trading company in Singapore and South East Asia.

The proposed development under the MOU is a new phase of the Pengerang Deepwater Petroleum Terminal project at Pengerang, State of Johor where DIALOG has been granted the land rights and development rights under a Development Cum Joint Venture Agreement

DIALOG and Concord Energy are currently in discussion as to the form and structure of the joint venture to be established and the services and facilities which are expected to be provided or received by the respective parties.

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

B7 Utilisation of Rights Issue proceeds

As at 6 February 2014, the 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	205,461	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	349,861	

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

B8 Borrowings and debt securities

As at 31 December 2013, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	310	16
Ringgit Malaysia	-	11,801
Singapore Dollars	113	294
Sterling Pound	7	39
Unsecured:		
New Zealand Dollars	2,300	6,195
Saudi Riyal	5,000	4,386
Singapore Dollars	16,024	41,502
Sterling Pound	688	3,634
Thai Baht	15,000	1,629
United States Dollars	24,154	75,816
		145,312
Long term borrowings:		
Secured:		
Indian Rupees	21	1
Ringgit Malaysia	-	95,233
Singapore Dollars	113	293
Sterling Pound	29	159
Unsecured:		
Ringgit Malaysia	-	547,200
Saudi Riyal	100,000	87,716
Thai Baht	52,500	5,095
		735,697
		881,009

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.

Included in the borrowings for the current financial period is RM92.1 million (30.06.2013: RM88.2 million) of Islamic financing facility.

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.

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

B11 Derivative financial instruments

As at 31 December 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	1,489	4,451	(22)
Euro	1,075	4,619	489
New Zealand Dollar	971	2,515	(268)
Singapore Dollar	1,086	2,805	(4)
Thai Baht	4,000	412	22
United States Dollar	19,856	64,801	(168)

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

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 30 June 2013:

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 joint ventures and associates

Included in the interest in joint ventures and associates was unsecured advances amounted to RM59.0 million given to a joint venture. The advances bear interest at rates ranging from 4.28% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM63.5 million as at 31 December 2013.

The Company also provided sponsor's undertakings to certain joint ventures as disclosed in A14.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – 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 31/12/2013 RM'000	**As at 30/06/2013 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	672,146	657,189
- Unrealised	52,837	12,422
	724,983	669,611
Total share of retained profits from associates		
- Realised	21	(22)
- Unrealised	-*	-*
Total share of retained profits from joint ventures		
- Realised	120,031	98,992
- Unrealised	(22,164)	(16,141)
Total before consolidation adjustments		
- Realised	792,198	756,159
- Unrealised	30,673	(3,719)
	822,871	752,440
Less: Consolidation adjustments	(148,012)	(138,241)
Total retained profits as per consolidated accounts	674,859	614,199

* 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 joint ventures.

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 Listing Requirements of Bursa Malaysia, 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 – 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.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Profit for the financial period attributable to owners of the Company (RM'000)	66,407	47,510	114,080	94,301
Weighted average number of ordinary shares in issue ('000)	2,413,945	2,392,539	2,413,563	2,388,095

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. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS and Warrant are exercised at the beginning of the financial period. The ordinary shares to be issued under ESOS and Warrant are based on the assumed proceeds on the difference between average share price for the financial period and exercise price.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Profit for the financial period attributable to owners of the Company (RM'000)	66,407	47,510	114,080	94,301
Weighted average number of ordinary shares in issue ('000)	2,413,945	2,392,539	2,413,563	2,388,095
Effect of dilution due to:				
- Warrant ('000)	38,048	541	33,439	–
- ESOS ('000)	24,143	23,701	23,648	23,578
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	2,476,136	2,416,781	2,470,650	2,411,673

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

B15 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/12/2013 RM'000	**6 months ended 31/12/2013 RM'000**
This is arrived at after (charging)/crediting:		
Interest income	5,478	8,099
Interest expense	(5,112)	(7,737)
Depreciation and amortisation	(9,687)	(18,678)
Foreign exchange (loss)/gain	(405)	2,929
Gain on forward exchange contract	16	154
Gain on disposal of joint venture	877	877
Gain on disposal of plant and equipment	35	345
Property, plant and equipment written off	(13)	(20)
Rental income	555	1,038
Other miscellaneous income	391	519

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

Date: 13 February 2014