# DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
31 March 2014

**INTERIM FINANCIAL REPORT**

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2014

| | INDIVIDUAL PERIOD 3 MONTHS ENDED | | CUMULATIVE PERIOD 9 MONTHS ENDED | |
|---|---|---|---|---|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| **Revenue** | 638,324 | 636,569 | 1,907,956 | 1,556,586 |
| Operating expenses | (586,745) | (595,848) | (1,754,008) | (1,432,181) |
| Other operating income | 4,362 | 4,447 | 17,618 | 12,767 |
| Share of profit after tax of equity-accounted joint ventures and associates | 9,029 | 11,508 | 48,073 | 35,698 |
| Finance costs | (1,456) | (3,521) | (9,763) | (7,210) |
| **Profit before tax** | 63,514 | 53,155 | 209,876 | 165,660 |
| Tax expense | (9,373) | (10,418) | (36,293) | (32,342) |
| **Profit for the period** | 54,141 | 42,737 | 173,583 | 133,318 |
| **Profit attributable to:** | | | | |
| Owners of the parent | 49,553 | 46,762 | 163,633 | 141,063 |
| Non-controlling interests | 4,588 | (4,025) | 9,950 | (7,745) |
| | 54,141 | 42,737 | 173,583 | 133,318 |
| Basic earnings per ordinary share of RM0.10 each (sen) (Note B14) | 2.04 | 1.95 | 6.76 | 5.90 |
| Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14) | 1.97 | 1.93 | 6.58 | 5.83 |

*(The Condensed Consolidated Statement of Profit or Loss 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 OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014

| | INDIVIDUAL PERIOD 3 MONTHS ENDED | | CUMULATIVE PERIOD 9 MONTHS ENDED | |
|---|---|---|---|---|
| | 31/03/2014 RM'000 | 31/03/2013 RM'000 | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
| **Profit for the period (Note B15)** | 54,141 | 42,737 | 173,583 | 133,318 |
| **Other comprehensive income** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translations | 10,927 | (1,869) | 29,073 | (8,025) |
| Cash flow hedge | 3,404 | (346) | 787 | (305) |
| Fair value of other investments | (134) | 4,920 | 839 | 15,056 |
| **Other comprehensive income for the period** | 14,197 | 2,705 | 30,699 | 6,726 |
| **Total comprehensive income for the period** | 68,338 | 45,442 | 204,282 | 140,044 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | 63,602 | 49,707 | 192,499 | 148,210 |
| Non-controlling interests | 4,736 | (4,265) | 11,783 | (8,166) |
| | 68,338 | 45,442 | 204,282 | 140,044 |

*(The Condensed Consolidated Statement of Other Comprehensive Income 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 MARCH 2014

| | NOTE | 31/03/2014 RM'000 | 30/06/2013 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 451,487 | 382,349 |
| Development of tank terminals | | 450,152 | 285,432 |
| Intangible assets | | 43,245 | 38,455 |
| Interest in joint ventures and associates | B12 | 726,246 | 633,754 |
| Other investments | | 50,390 | 41,478 |
| Deferred tax assets | | 39,395 | 24,487 |
| | | 1,760,915 | 1,405,955 |
| **CURRENT ASSETS** | | | |
| Inventories | | 135,390 | 77,715 |
| Trade and other receivables | A16 | 850,841 | 716,152 |
| Current tax assets | | 3,873 | 6,555 |
| Cash and cash equivalents | A17 | 524,384 | 630,898 |
| | | 1,514,488 | 1,431,320 |
| **TOTAL ASSETS** | | 3,275,403 | 2,837,275 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | 245,351 | 243,081 |
| Treasury shares | | (24,819) | (24,819) |
| Reserves | | 1,305,863 | 1,134,174 |
| | | 1,526,395 | 1,352,436 |
| Non-controlling interests | | 48,653 | 38,493 |
| **TOTAL EQUITY** | | 1,575,048 | 1,390,929 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | B8 | 834,590 | 690,914 |
| Deferred tax liabilities | | 4,148 | 5,390 |
| | | 838,738 | 696,304 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | A18 | 699,418 | 620,105 |
| Borrowings | B8 | 132,529 | 108,278 |
| Current tax liabilities | | 29,670 | 21,659 |
| | | 861,617 | 750,042 |
| **TOTAL LIABILITIES** | | 1,700,355 | 1,446,346 |
| **TOTAL EQUITY AND LIABILITIES** | | 3,275,403 | 2,837,275 |
| **Net assets per share attributable to owners of the parent (sen)** | | 63.1 | 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.)*

## INTERIM FINANCIAL REPORT

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2014

| | 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 | - | - | - | 28,866 | 163,633 | 192,499 | 11,783 | 204,282 |
| Appropriation : | | | | | | | | |
| Final dividend for FY2013 | - | - | - | - | (53,419) | (53,419) | - | (53,419) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | (1,778) | (1,778) |
| Share options granted under ESOS | - | - | - | 11,638 | - | 11,638 | 542 | 12,180 |
| Share options exercised | 2,251 | - | 27,209 | (6,655) | - | 22,805 | (786) | 22,019 |
| Warrants exercised | 19 | - | 590 | (158) | - | 451 | - | 451 |
| Share issue expenses | - | - | (1) | - | - | (1) | - | (1) |
| Acquisition of a subsidiary | - | - | - | (14) | - | (14) | 399 | 385 |
| **Balance as at 31 March 2014** | 245,351 | (24,819) | 363,400 | 218,050 | 724,413 | 1,526,395 | 48,653 | 1,575,048 |
| | | | | | | | | |
| **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 | - | - | - | 7,147 | 141,063 | 148,210 | (8,166) | 140,044 |
| 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 | - | - | - | 8,051 | - | 8,051 | 349 | 8,400 |
| Share options exercised | 1,885 | - | 19,968 | (4,909) | - | 16,944 | (294) | 16,650 |
| Warrants exercised | 3 | - | 113 | (30) | - | 86 | - | 86 |
| 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 March 2013** | 242,502 | (24,819) | 322,497 | 190,128 | 588,452 | 1,318,760 | 38,374 | 1,357,134 |

*(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 MARCH 2014

| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | 209,876 | 165,660 |
| Adjustments for : | | |
| Depreciation and amortisation expenses | 27,568 | 27,595 |
| Net interest expense/(income) | 620 | (2,915) |
| Share of results of joint ventures and associates | (48,073) | (35,698) |
| Share options granted under ESOS | 11,907 | 8,290 |
| Other non-cash items | 4,309 | (457) |
| Operating profit before working capital changes | 206,207 | 162,475 |
| Changes in working capital : | | |
| Net change in inventories and receivables | (163,330) | (172,263) |
| Net change in payables | 53,252 | 57,137 |
| **Cash generated from operations** | 96,129 | 47,349 |
| Dividend and interest received | 24,319 | 30,697 |
| Tax paid | (46,742) | (38,882) |
| Tax refund | 6,296 | 1,434 |
| **Net cash from operating activities** | 80,002 | 40,598 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of a subsidiary, net of cash acquired | 1,672 | - |
| Additions of intangible assets | (3,161) | - |
| Development of tank terminals | (164,720) | (130,016) |
| Deposits paid for land acquisition | - | (31,909) |
| Investment in joint ventures | (58,530) | (248,787) |
| Net change in deposits with licensed banks | 3,851 | 1,052 |
| 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 | 2,818 | 432 |
| Purchase of property, plant and equipment | (83,477) | (76,877) |
| Purchase of other investment | (7,342) | (2,729) |
| **Net cash used in investing activities** | (308,889) | (482,166) |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2014 (CONT'D)

| | 31/03/2014 RM'000 | 31/03/2013 RM'000 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Interest paid | (6,063) | (6,776) |
| 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 | 162,666 | 325,167 |
| Proceeds from issuances of shares | 22,470 | 16,736 |
| Share issue expenses | (1) | (121) |
| **Net cash from financing activities** | 123,874 | 288,108 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (105,013) | (153,460) |
| **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 | 4,485 | (494) |
| As restated | 629,284 | 577,890 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)** | 524,271 | 424,430 |

(The Condensed Consolidated Statement of Cash Flow 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.)

## 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 March 2014.

### 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 RM245,351,437 by the allotment of 22,703,241 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 22,515,766 share options under the Employees' Share Option Scheme.

ii. exercise of 187,475 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 March 2014 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 March 2014 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)** | 144,438 | (1,534) | 15,976 | 51,920 | (924) | 209,876 |
| *Included in the measure of segment profits/(losses)are:* | | | | | | |
| *Revenue from external customers* | *944,032* | *183,953* | *267,688* | *507,446* | *4,837* | 1,907,956 |
| *Inter-segment revenue* | *11,241* | *363,983* | *4,262* | *1,266* | - | 380,752 |
| *Depreciation and amortisation* | *8,822* | *4,332* | *5,375* | *8,678* | *361* | 27,568 |
| *Interest expenses* | *5,159* | *1,334* | *936* | *2,330* | *4* | 9,763 |
| *Interest income* | *8,772* | *105* | *50* | *216* | - | 9,143 |
| *Share of results of joint ventures and associates* | *47,882* | *(34)* | *225* | - | - | 48,073 |
| **Segment assets** | 2,376,973 | 335,348 | 149,833 | 365,029 | 8,825 | 3,236,008 |
| Deferred tax assets | | | | | | 39,395 |
| **Total assets** | | | | | | 3,275,403 |
| *Included in the measure of segment assets are:* | | | | | | |
| *Investment in joint ventures and associates* | *718,412* | *2,857* | *4,977* | - | - | 726,246 |
| *Additions to non-current assets:* | | | | | | |
| *- Property, plant & equipment* | *58,966* | *1,388* | *19,349* | *4,748* | *(974)* | 83,477 |
| *- Intangible assets* | *3,546* | *66* | *366* | *392* | - | 4,370 |
| *- Development of tank terminals* | *164,720* | - | - | - | - | 164,720 |
| *- Joint ventures* | *58,530* | - | - | - | - | 58,530 |
| **Segment liabilities** | 1,196,817 | 112,951 | 78,738 | 294,261 | 13,440 | 1,696,207 |
| Deferred tax liabilities | | | | | | 4,148 |
| **Total liabilities** | | | | | | 1,700,355 |

## 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 ("Pengerang 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 had been issued and fully paid-up. The paid-up capital was subsequently increased to RM200,000.

c. On 6 January 2014, the Company incorporated a wholly owned subsidiary in Malaysia known as Dialog Resources Sdn Bhd ("DRSB") with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each of which 2 ordinary shares had been issued and fully paid-up. The paid-up capital was subsequently increased to RM100,000.

   The intended business activities of DRSB is to undertake upstream oil and gas activities.

d. On 9 January 2014, the Company incorporated two wholly owned subsidiaries in Malaysia namely Pengerang Terminals (Five) Sdn Bhd ("PT-5") and Pengerang Terminals (Six) Sdn Bhd ("PT-6"). PT-5 and PT-6 were respectively incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each of which 2 ordinary shares had been issued and fully paid-up.

   The intended business activities of PT-5 and PT-6 is to undertake terminal storage facilities for petroleum and petrochemicals in Pengerang, Johor.

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

## A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

### A13 Commitments

| | 31/03/2014<br>RM'000 |
|---|---|
| i) Capital commitments | |
| Capital expenditure in respect of property, plant and equipment : | |
| - approved but not contracted for | 23,000 |
| - contracted but not provided for | 32,400 |
| | 55,400 |
| Commitments of the Group in respect of tank terminal business | 204,000 |
| ii) Operating lease commitments | |
| a) The Group as lessee | |
| - not later than one year | 12,178 |
| - later than one year and not later than five years | 8,348 |
| - after five years | 9,593 |
| | 30,119 |
| b) The Group as lessor | |
| - not later than one year | 263 |
| - later than one year and not later than five years | 189 |
| | 452 |

### A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM635.3 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 RM454.3 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, SGD152.8 million and RM128.1 million, equivalents to a total of RM693.4 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.

## INTERIM FINANCIAL REPORT

## 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 period ended 31 March 2014 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.

| | **9 months ended 31/03/2014 RM'000** |
|---|---|
| Transactions with joint ventures: | |
| Dividend income | 22,313 |
| Interest income | 1,977 |
| Subcontract works received | 162,959 |
| Purchases and cost of services rendered | (1,058) |
| Tank rental and related expenses | (2,796) |
| Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions: | |
| Provision of IT and related services | 4,351 |
| Provision of subcontract works | 3,699 |
| Provision of management services | 1,595 |

### A16 Trade and other receivables

| | **31/03/2014 RM'000** |
|---|---|
| Amount due from customers for contract works | 161,263 |
| Trade receivables | 369,330 |
| Other receivables, deposits and prepayments | 167,034 |
| Amount due from joint ventures and associates (trade) | 153,037 |
| Hedge derivative assets | 177 |
| | 850,841 |

The Group has subsequently collected a total of RM160.5 million (43%) from the outstanding trade receivables as at the date of this report.

## A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

### A17 Cash and cash equivalents

| | 31/03/2014 RM'000 |
|---|---|
| Deposits, cash and bank balances | 524,384 |
| Deposits pledged to licensed banks | (113) |
| | 524,271 |

### A18 Trade and other payables

| | 31/03/2014 RM'000 |
|---|---|
| Amount due to customers for contract works | 14,639 |
| Trade payables | 581,083 |
| Accruals and other payables | 101,622 |
| Amount due to joint ventures and associates | 1,152 |
| Hedge derivative liabilities | 922 |
| | 699,418 |

### 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 RM 11,907,000 was charged to statement of profit or loss for the current financial period (Q3 FY2013: RM 8,290,000).

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

### B1 Performance analysis

The Group's revenue of RM638.3 million for the current quarter was in line with the corresponding quarter last year while the cumulative nine months' revenue ended 31 March 2014 of RM1.9 billion was higher by 23% over last year.

Revenue from International operation was higher against same quarter last year mainly attributable to stronger sales of specialist products & services in Middle East, India, Africa and Russia as well as increased fabrication activities in New Zealand. Year-to-date revenue was also higher from engineering & construction and plant maintenance activities in Singapore.

Revenue from Malaysia operation for the current quarter was lower as registered by engineering & construction and plant maintenance activities. However the year-to-date revenue was higher contributed by all main activities.

With higher revenue and improved net profit margin from the International operation, the Group's net profit for the current financial quarter of RM54.1 million rose by 27% against same quarter last year. As for the cumulative nine months' period, the Group's net profit was up by 30% to RM173.6 million in line with higher revenue and increased contribution from joint ventures.

### B2 Variation of results against preceding quarter

The Group registered a profit before tax of RM63.5 million against RM82.2 million in the preceding quarter. This was mainly due to higher contributions from joint ventures due to an exceptional income of RM16 million in the preceding 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 e-Payment 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.

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

### B3 Prospects – cont'd.

Phase 1A of the first terminal developed by Pengerang Independent Terminals Sdn Bhd ("PITSB"), a joint venture between Dialog, Vopak and the State Secretary, Johor Inc achieved mechanical completion on 31 March 2014 and received the first oil shipment on 12 April 2014. For this phase, there will be 25 storage tanks with a combined capacity of 432,000 cubic metres that is capable of storing Clean Petroleum Products. With the mechanical completion of this phase, we are progressing well with the construction of the 2 other phases – phase 1B ( Clean Petroleum Products ) and Phase 1C ( Crude ), for mechanical completion by end of Q2 2014 and Q4 2014 respectively. The Group is now working towards securing new potential partners for subsequent phases, which include the development of more petroleum and LNG storage terminals.

In the upstream division, BC Petroleum Sdn Bhd ("BCP"), a 32% owned joint venture, has completed the pre-development phase and progressed to the initial phase of the development of Bentara Oil Field within the Balai Cluster. Phase I of the Bentara field development will utilise the existing platform and two wells, producing from both Bentara-2 and Bentara-3 through the EPV Balai Mutiara. Commencement of production is planned for Q2 2014.

The redevelopment of the Bayan Field by Halliburton Bayan Petroleum Sdn Bhd ("HBP"), a 50% owned joint venture, continues progressing with good results, showing great improvements in production through production enhancement activities, while the oil and gas field development as well as near field prospect maturation activities continue to develop. Combined, all these activities are expected to create robust platforms that will generate long-term sustainable income for the Group.

The Group continues to enhance 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.

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

### B5 Taxation

| | INDIVIDUAL PERIOD | CUMULATIVE PERIOD |
|---|---|---|
| | **3 months ended 31/03/2014 RM'000** | **9 months ended 31/03/2014 RM'000** |
| Current tax | 20,334 | 51,184 |
| Deferred tax | (10,469) | (15,121) |
| Under provision in prior year | (492) | 230 |
| Total tax expense | 9,373 | 36,293 |
| Effective tax rate on profit before tax excluding share of results of joint ventures and associates | 17.2% | 22.4% |

### B6 Status of corporate proposals

(i) Memorandum of Understanding with Concord Energy Pte. Ltd. ("Concord Energy")

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 ("Pengerang Terminal") project at Pengerang, State of Johor where the Company has been granted the land rights and development rights under a Development Cum Joint Venture Agreement.

The Company 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.

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

### B6 Status of corporate proposals – cont'd.

(ii) Proposed bonus issue and proposed special share dividend

On 6 May 2014, the Board of Directors announced to undertake the following:-

(a) bonus issue of up to 2,667,810,087 ordinary shares, to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every one (1) existing ordinary share of RM0.10 each in the Company's share held at an entitlement date to be determined later; and

(b) a distribution of up to 21,173,095 treasury shares held by the Company ("Special Share Dividend") to the shareholders of the Company on the basis of one (1) treasury share for every 125 Company's ordinary shares held on the entitlement date.

The above proposals are subject to relevant approvals from Bursa Malaysia Securities Berhad, the shareholders of the Company at an Extraordinary General Meeting to be convened, Bursa Malaysia Depository Sdn Bhd for the transfer of special share dividend, and any other relevant authorities, if required.

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

### B7 Utilisation of Right Issue proceeds

As at 8 May 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 | 215,818 | 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 | 360,218 | |

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

### B8 Borrowings and debt securities

As at 31 March 2014, the Group's borrowings were denominated in the following currencies:

| | FC'000 | RM'000 |
|---|---|---|
| Short term borrowings: | | |
| Secured: | | |
| Indian Rupees | 239 | 13 |
| Ringgit Malaysia | - | 10,914 |
| Singapore Dollars | 113 | 294 |
| Sterling Pound | 3 | 16 |
| Unsecured: | | |
| New Zealand Dollars | 2,801 | 7,908 |
| Saudi Riyal | 5,000 | 4,340 |
| Singapore Dollars | 12,979 | 33,615 |
| Thai Baht | 15,000 | 1,645 |
| Ringgit Malaysia | - | 476 |
| United States Dollars | 22,464 | 73,308 |
| | | 132,529 |
| Long term borrowings: | | |
| Secured: | | |
| Ringgit Malaysia | | 103,240 |
| Singapore Dollars | 85 | 220 |
| Sterling Pound | 29 | 160 |
| Unsecured: | | |
| New Zealand Dollars | 5,457 | 15,406 |
| Ringgit Malaysia | - | 623,971 |
| Saudi Riyal | 100,000 | 86,793 |
| Thai Baht | 49,000 | 4,800 |
| | | 834,590 |
| | | 967,119 |

The borrowings of the Group are mainly to 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 RM91.1 million (30.06.2013: RM88.2 million) of Islamic financing facility.

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

### B9 Material litigation

As at the date of this announcement, there was no material litigation since the last audited annual statement of financial position except for the following:-

Dialog E & C Sdn Bhd ("DECSB"), a wholly owned subsidiary of the Company had on 9 April 2014, received a Notice of Arbitration dated 7 April 2014 from Tanjung Langsat Port Sdn Bhd ("TLP") for arbitral proceedings pursuant to the provisions of the Engineering, Procurement, Construction and Commissioning Contract dated 18 October 2006 ("EPCC Contract") and a Settlement Agreement dated 13 May 2011. The arbitration is referred to the Kuala Lumpur Regional Centre for Arbitration.

TLP and DECSB entered into the EPCC Contract for the engineering, procurement, construction and commissioning of a 100,000 cubic metres oil terminal project ("Facility") at Tanjung Langsat Port, Johor, Malaysia for a contract price of RM89.5 million. The terminal commenced operations after DECSB had completed the project and in accordance with the agreed scope of the contract, which also saw handover of the completed project to TLP. However, there was an unfortunate fire incident that took place at the terminal on 17 August 2008 leading to TLP's Notice of Arbitration.

TLP is claiming that the fire incident was caused by DECSB's breaches of its obligations under the EPCC Contract and alleging that it is entitled to the following sums:

1. RM22,431,934.40 for repair and reconstruction costs of the Facility incurred by TLP;
2. RM2,291,596.71 for repair and reconstruction costs of the Facility payable by TLP;
3. All costs and expenses to be incurred by TLP in remedying and rectifying the defective design and/or construction of the Facility, which is currently estimated at RM8,000,000.00;
4. RM76,744,788.54 for loss of profits had the Facility been approved by Platts or alternatively, RM62,144,788.54 for loss of profits if the Facility remained unapproved by Platts;
5. An indemnity against all of TLP's liability towards TLP's dedicated user, which includes but is not limited to: (i) USD20,747,275.20 for value of the loss of product stored in the Facility; (ii) USD2,108,497.00 for additional costs, fees and expenses incurred; and (iii) USD118,374,250.00 for the dedicated user's loss of use of the Facility;
6. Interest on the sums referred to above until full settlement;
7. Costs; and
8. Such other reliefs as the tribunal deems fit.

The matter has been referred to DECSB's solicitors and is presently under review. DECSB intends to pursue all available legal avenues to challenge TLP's claims. The Company is of the opinion that the arbitration proceeding is not expected to have a material impact on the operational and financial position of the Group for the financial year ending 30 June 2014.

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

### B10 Dividends

a) The Board of Directors declared an interim single tier dividend of 11% (previous corresponding period: 11%) per ordinary share in respect of the financial year ending 30 June 2014.

The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 12 June 2014 and the date of payment will be on 26 June 2014.

b) The total dividend for the current financial period to date is 11% per ordinary share of RM0.10 each.

In addition to the above, the Board of Directors had on 6 May 2014 announced a distribution of up to 21,173,095 treasury shares held by the Company ("Special Share Dividend") to the shareholders of the Company on the basis of one (1) treasury share for every 125 ordinary shares of RM0.10 each in the Company which is subject to the approval of the Company's shareholders at an Extraordinary General Meeting to be convened.

### B11 Derivative financial instruments

As at 31 March 2014, 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 | 1,175 | 3,531 | (62) |
| Euro | 562 | 2,532 | (9) |
| New Zealand Dollar | 447 | 1,168 | (97) |
| Singapore Dollar | 629 | 1,641 | 3 |
| Thai Baht | 4,000 | 412 | 18 |
| United States Dollar | 22,293 | 73,534 | (560) |

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 to 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.

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

### 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 4.26% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM64.2 million as at 31 March 2014.

The Company also provided sponsor's undertakings to certain joint ventures 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 31/03/2014 RM'000** | **As at 30/06/2013 RM'000** |
|---|---|---|
| Total retained profits of the Company & its subsidiaries | | |
| - Realised | 757,271 | 657,189 |
| - Unrealised | 25,308 | 12,422 |
| | 782,579 | 669,611 |
| Total share of retained profits from associates | | |
| - Realised | - | (22) |
| - Unrealised | - | - |
| Total share of retained profits from joint ventures | | |
| - Realised | 125,993 | 98,992 |
| - Unrealised | (21,834) | (16,141) |
| **Total before consolidation adjustments** | | |
| - Realised | 883,264 | 756,159 |
| - Unrealised | 3,474 | (3,719) |
| | 886,738 | 752,440 |
| Less: Consolidation adjustments | (162,325) | (138,241) |
| **Total retained profits as per consolidated accounts** | 724,413 | 614,199 |

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 | | 9 MONTHS ENDED | |
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| Profit for the financial period attributable to owners of the Company (RM'000) | 49,553 | 46,762 | 163,633 | 141,063 |
| Weighted average number of ordinary shares in issue ('000) | 2,428,667 | 2,400,985 | 2,418,859 | 2,392,344 |

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 | | 9 MONTHS ENDED | |
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| Profit for the financial period attributable to owners of the Company (RM'000) | 49,553 | 46,762 | 163,633 | 141,063 |
| Weighted average number of ordinary shares in issue ('000) | 2,428,667 | 2,400,985 | 2,418,859 | 2,392,344 |
| Effect of dilution due to: | | | | |
| - Warrant ('000) | 56,017 | -* | 39,234 | -* |
| - ESOS ('000) | 31,586 | 25,701 | 29,044 | 25,936 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000) | 2,516,270 | 2,426,686 | 2,487,137 | 2,418,280 |

* Not included in the calculation of diluted earnings per share due to antidilutive effect.

### 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 31/03/2014 RM'000** | **9 months ended 31/03/2014 RM'000** |
| This is arrived at after (charging)/crediting: | | |
| Interest income | 983 | 9,143 |
| Interest expense | (1,456) | (9,763) |
| Depreciation and amortisation | (9,314) | (27,568) |
| Foreign exchange gain | 1,247 | 4,176 |
| Loss on forward exchange contract | (66) | (65) |
| Gain on disposal of joint venture | - | 877 |
| Gain on disposal of plant and equipment | 133 | 478 |
| Property, plant and equipment written off | (1) | (21) |
| Rental income | 554 | 1,592 |
| Other miscellaneous income | 833 | 1,352 |

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

Date: 15 May 2014