



DIALOG GROUP BERHAD (178694-V)
(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
30 September 2014

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Revenue	541,549	575,470	541,549	575,470
Operating expenses	(483,926)	(523,772)	(483,926)	(523,772)
Other operating income	4,292	6,325	4,292	6,325
Share of profit after tax of equity-accounted joint ventures and associates	5,432	8,992	5,432	8,992
Finance costs	(3,866)	(2,842)	(3,866)	(2,842)
Profit before tax	63,481	64,173	63,481	64,173
Tax expense	(11,334)	(13,831)	(11,334)	(13,831)
Profit for the period	<u>52,147</u>	<u>50,342</u>	<u>52,147</u>	<u>50,342</u>
Profit for the period attributable to:				
Owners of the parent	49,905	47,673	49,905	47,673
Non-controlling interests	2,242	2,669	2,242	2,669
	<u>52,147</u>	<u>50,342</u>	<u>52,147</u>	<u>50,342</u>
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	<u>1.02</u>	<u>0.98</u>	<u>1.02</u>	<u>0.98</u>
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	<u>0.97</u>	<u>0.95</u>	<u>0.97</u>	<u>0.95</u>

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE
INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period (Note B15)	52,147	50,342	52,147	50,342
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	408	15,779	408	15,779
Cash flow hedge	171	(4,598)	171	(4,598)
Fair value of other investments	5,917	3,659	5,917	3,659
Other comprehensive income for the period	<u>6,496</u>	<u>14,840</u>	<u>6,496</u>	<u>14,840</u>
Total comprehensive income for the period	<u><u>58,643</u></u>	<u><u>65,182</u></u>	<u><u>58,643</u></u>	<u><u>65,182</u></u>
Total comprehensive income attributable to:				
Owners of the parent	56,399	61,056	56,399	61,056
Non-controlling interests	<u>2,244</u>	<u>4,126</u>	<u>2,244</u>	<u>4,126</u>
	<u><u>58,643</u></u>	<u><u>65,182</u></u>	<u><u>58,643</u></u>	<u><u>65,182</u></u>

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	NOTE	30/9/2014 RM'000	30/6/2014 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		478,703	483,140
Development of tank terminals		420,294	409,268
Intangible assets		79,979	43,923
Investment in joint ventures and associates	B12	766,364	748,640
Other investments		66,931	62,782
Deferred tax assets		31,249	33,103
		<u>1,843,520</u>	<u>1,780,856</u>
CURRENT ASSETS			
Inventories		152,662	106,279
Trade and other receivables	A16	827,574	857,429
Current tax assets		3,813	2,506
Cash and cash equivalents	A17	373,399	503,242
		<u>1,357,448</u>	<u>1,469,456</u>
TOTAL ASSETS		<u><u>3,200,968</u></u>	<u><u>3,250,312</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		492,144	245,884
Treasury shares		(3,625)	(24,819)
Reserves		1,159,066	1,338,463
		1,647,585	1,559,528
Non-controlling interests		53,474	51,219
TOTAL EQUITY		<u>1,701,059</u>	<u>1,610,747</u>
NON-CURRENT LIABILITIES			
Borrowings	B8	842,731	836,703
Deferred tax liabilities		3,779	4,418
		<u>846,510</u>	<u>841,121</u>
CURRENT LIABILITIES			
Trade and other payables	A18	523,747	635,876
Borrowings	B8	113,306	123,561
Share dividend payable		-	21,194
Current tax liabilities		16,346	17,813
		<u>653,399</u>	<u>798,444</u>
TOTAL LIABILITIES		<u>1,499,909</u>	<u>1,639,565</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,200,968</u></u>	<u><u>3,250,312</u></u>
Net assets per share attributable to owners of the parent (sen)		<u>33.5</u>	<u>31.8</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	Attributable to owners of the parent					Total RM'000	Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000			
Balance as at 1 July 2014	245,884	(24,819)	355,504	233,103	749,856	1,559,528	51,219	1,610,747
Total comprehensive income for the period	-	-	-	6,494	49,905	56,399	2,244	58,643
Appropriation :								
Special share dividend FY2014	-	21,194	-	-	-	21,194	-	21,194
Dividend paid to non-controlling interests	-	-	-	-	-	-	(55)	(55)
Share options granted under ESOS	-	-	-	3,462	-	3,462	163	3,625
Bonus Issue	245,753	-	(245,753)	-	-	-	-	-
Share options exercised	117	-	2,120	(476)	-	1,761	(97)	1,664
Warrants exercised	390	-	7,282	(2,009)	-	5,663	-	5,663
Share issue expenses	-	-	(422)	-	-	(422)	-	(422)
Balance as at 30 September 2014	<u>492,144</u>	<u>(3,625)</u>	<u>118,731</u>	<u>240,574</u>	<u>799,761</u>	<u>1,647,585</u>	<u>53,474</u>	<u>1,701,059</u>
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	-	-	-	13,383	47,673	61,056	4,126	65,182
Appropriation :								
Dividend paid to non-controlling interests	-	-	-	-	-	-	(130)	(130)
Share options granted under ESOS	-	-	-	3,880	-	3,880	180	4,060
Share options exercised	116	-	2,659	(1,521)	-	1,254	(90)	1,164
Warrants exercised	-	-	1	-	-	1	-	1
Share issue expenses	-	-	-	-	-	-	-	-
Balance as at 30 September 2013	<u>243,197</u>	<u>(24,819)</u>	<u>338,262</u>	<u>200,115</u>	<u>661,872</u>	<u>1,418,627</u>	<u>42,579</u>	<u>1,461,206</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	3 MONTHS ENDED	
	30/9/2014	30/9/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	63,481	64,173
Adjustments for :		
Depreciation and amortisation expenses	12,977	8,991
Net interest expense	1,004	4
Share of results of joint ventures and associates	(5,432)	(8,992)
Share options granted under ESOS	3,525	3,966
Other non-cash items	1,886	(3,051)
Operating profit before working capital changes	77,441	65,091
Changes in working capital :		
Net change in inventories and receivables	(15,989)	(207,566)
Net change in payables	(111,986)	14,009
Cash used in operations	(50,534)	(128,466)
Dividend and interest received	-	893
Tax paid	(12,537)	(14,447)
Tax refund	-	10
Net cash used in operating activities	(63,071)	(142,010)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of intangible assets	(39,253)	-
Development of tank terminals	(11,026)	(32,663)
Investments in joint ventures	(13,208)	(32,100)
Net change in deposits with licensed banks	(66)	3,210
Proceeds from disposal of property, plant and equipment	523	1,725
Purchase of property, plant and equipment	(8,582)	(19,798)
Purchase of other investment	-	(1,374)
Net cash used in investing activities	(71,612)	(81,000)

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (CONT'D)**

	3 MONTHS ENDED	
	30/9/2014	30/9/2013
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,671)	(1,283)
Dividend paid to non-controlling interests	(55)	(130)
Net drawdown of bank borrowings	(4,127)	35,595
Proceeds from issuances of shares	7,327	1,164
Share issue expenses	(422)	-
	<u>1,052</u>	<u>35,346</u>
Net cash from financing activities		
	<u>1,052</u>	<u>35,346</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(133,631)	(187,664)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	503,008	624,799
Effects of exchange rate changes on cash and cash equivalents	3,727	4,173
	<u>506,735</u>	<u>628,972</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	<u><u>373,104</u></u>	<u><u>441,308</u></u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2014 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 2014. 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 2014.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2014 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 2014 except as discussed below:

As of 1 July 2014, 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 year beginning on or after
Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132	<i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21	<i>Levies</i>	1 January 2014
Amendments to MFRS	<i>Annual Improvements to MFRSs 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRS	<i>Annual Improvements to MFRSs 2011 - 2012 Cycle</i>	1 July 2014



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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 30 September 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 RM245,884,275 to RM492,143,513 by the allotment of 2,462,592,374 new ordinary shares of RM0.10 each pertaining to the following:

- i. exercise of 1,170,146 share options under the Employees' Share Option Scheme.
- ii. issue of 2,457,525,047 bonus shares pursuant to the Company's bonus issue; and
- iii. exercise of 3,897,181 warrants.

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

A8 Dividends paid

No dividend has been paid by the Company during the current financial period.

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 30 September 2014 and up to the date of this report, which is likely to substantially affect the profits of the Group.

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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 30 September 2014 is as follows:

	Malaysia	Singapore	Australia & New Zealand	Middle East	Other Asia	Other Countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profits/(losses)	49,244	1,395	(2,590)	8,777	6,338	317	63,481
<i>Included in the measure of segment profits/(losses) are:</i>							
<i>Revenue from external customers</i>	276,511	34,770	52,850	52,021	121,810	3,587	541,549
<i>Inter-segment revenue</i>	107	15,099	1,195	-	39	-	16,440
<i>Depreciation and amortisation</i>	6,567	1,314	2,022	2,305	725	44	12,977
<i>Interest expense</i>	2,114	239	479	530	98	1	3,461
<i>Interest income</i>	2,259	13	17	-	168	-	2,457
<i>Share of results of joint ventures and associates</i>	5,412	(13)	33	-	-	-	5,432
Segment assets	2,273,830	329,903	117,188	230,133	205,910	12,755	3,169,719
Deferred tax assets							<u>31,249</u>
Total assets							<u><u>3,200,968</u></u>
<i>Included in the measure of segment assets are:</i>							
<i>Investment in joint ventures and associates</i>	758,719	2,872	4,773	-	-	-	766,364
<i>Additions to non-current assets:</i>							
- <i>Property, plant & equipment</i>	6,929	173	626	704	150	-	8,582
- <i>Intangible assets</i>	39,026	-	39	-	188	-	39,253
- <i>Development of tank terminals</i>	11,026	-	-	-	-	-	11,026
- <i>Joint ventures</i>	13,208	-	-	-	-	-	13,208
Segment liabilities	1,074,213	154,470	66,709	109,389	80,812	10,537	1,496,130
Deferred tax liabilities							<u>3,779</u>
Total liabilities							<u><u>1,499,909</u></u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

On 7 August 2014, the Company incorporated Dialog LNG Sdn. Bhd. ('Dialog LNG'), an indirect wholly owned subsidiary in Malaysia. Dialog LNG was incorporated with an issued and fully paid-up ordinary share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each. Subsequently, the issued and fully paid-up ordinary share capital was increased to RM200,000 comprising two hundred thousand (200,000) ordinary shares of RM1.00 each.

The principal business activities of Dialog LNG are to invest in Liquefied Natural Gas ('LNG') terminals and other related facilities and services.

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

A13 Commitments

	30/9/2014
	RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	49,700
- contracted but not provided for	6,600
	<u>56,300</u>
Commitments of the Group in respect of tank terminal business	<u>198,300</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	9,837
- later than one year and not later than five years	6,409
- after five years	9,334
	<u>25,580</u>
b) The Group as lessor	
- not later than one year	337
- later than one year and not later than five years	520
	<u>857</u>

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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 RM 612.4 million (as at 30.06.2014: RM622.1 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 RM 454.6 million (as at 30.06.2014: RM466.5 million).

The Company has also given corporate guarantees amounting to RM 1.1 million (as at 30.06.2014: 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 RM 1.1 million (as at 30.06.2014: RM1.1 million).

In addition, the Company also provides sponsor's undertakings on a several basis to financial institutions of up to USD 9.7 million, SGD 182.3 million and RM 152.8 million, equivalents to a total of RM652.5 million (as at 30.06.2014: USD30.8 million, SGD175.7 million and RM147.6 million, equivalents to a total of RM697.9 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 30 September 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 2014 and the approved shareholders' mandate in the circular dated 29 October 2013 for recurrent related party transactions.

	3 MONTHS ENDED 30/9/2014 RM'000
Transactions with joint ventures:	
Interest income	667
Subcontract works received	58,760
Purchases and cost of services rendered	(246)
Tank rental and related expenses	(937)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	1,509
Provision of subcontract works	3,216
Provision of management services	(146)
Rental of office premises	114
	<u>114</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D**A16 Trade and other receivables**

	30/9/2014
	RM'000
Amounts due from customers for contract works	175,479
Trade receivables	366,243
Other receivables, deposits and prepayments	182,516
Amounts due from joint ventures and associates (trade)	103,075
Hedge derivative assets	261
	<u>827,574</u>

The Group has subsequently collected a total of RM125 million (34%) from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	30/9/2014
	RM'000
Deposits, cash and bank balances	373,399
Deposits pledged to licensed banks	(295)
	<u>373,104</u>

A18 Trade and other payables

	30/9/2014
	RM'000
Amounts due to customers for contract works	29,654
Trade payables	399,205
Accruals and other payables	92,603
Amounts due to joint ventures and associates	1,389
Hedge derivative liabilities	896
	<u>523,747</u>

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 3,525,000 was charged to statement of profit or loss for the current financial period (Q1 FY2014: RM 3,966,000).

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**B1 Performance analysis**

The Group closed its 1st quarter period ended 30 September 2014 with revenue of RM541.5 million and net profit after tax of RM52.1 million. This represents a 5.9% drop in revenue against corresponding quarter last year while net profit after tax increased by 3.6%.

Revenue from Malaysia operation for the current financial quarter was higher by 8% mainly contributed by the operation of the Production Sharing Contract ('PSC') for three fields D35, D21 and J4, located offshore Sarawak following the completion of the farm-out agreement with ROC Oil (Sarawak) for a 20% participating interest in the PSC during the quarter. Engineering and construction activities continued for Phase 1C at the Independent Deepwater Terminal project in Pengerang and increased fabrication activities for various projects had also contributed to the Malaysia revenue for the current quarter.

On the International operation, the Group's logistic services provided at Jubail Supply Base located in the Jubail Commercial Port, Saudi Arabia had tripled its activities against same period last year. Higher sales of specialist products and services were also recorded in India and Middle East. However, low activities experienced in engineering, construction and plant maintenance in Singapore and fabrication in New Zealand, had resulted to the overall drop in International revenue by 17% for the current quarter under review compared to same period last year.

The better margins registered by the upstream activities in Malaysia and logistic and supply base activities in Jubail, Saudi Arabia explained the increase in the Group's net profit after tax for the current quarter against same quarter last year.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM63.5 million was 4.7% lower against RM66.6 million recorded in the preceding quarter in tandem with the lower revenue achieved.

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 investment of about RM218 billion that has been announced for projects under the Government's Economic Transformation Programme, more than RM80 billion is to be channelled towards the Refinery and Petrochemical Integrated Development ('RAPID') project in Pengerang.

As an integrated technical services provider to the oil, gas and petrochemical industry, the Group is poised to benefit from the positive industry outlook as the Group strategically grow the core business 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 Terminal will provide increased opportunities for the Group's E&C services. The Group will also benefit from long-term recurring income once the terminal's tank facilities become operational.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D
B3 Prospects – cont'd.

While Phase 1A of the Pengerang Terminal is now fully operational, Pengerang Independent Terminals Sdn Bhd is currently commissioning Phase 1B for start up. Meanwhile construction of Phase 1C, which will provide storage for crude oils, is on schedule and due for mechanical completion by December 2014. In November 2014, the Group has entered into a Shareholders' Agreement with PETRONAS Gas Berhad for the development of Liquefied Natural Gas ('LNG') Regasification Facilities at Pengerang, Southern Johor, Malaysia with an estimated project cost of RM2.7 billion. The LNG Regasification Facilities is expected to be operationalised by end of 2017. The Group is now working towards securing new potential partners for subsequent phases, which include the development of more petroleum, petrochemical and LNG storage terminals.

In the upstream sector, we are continuing the development of the Bentara field as well as enhancing production in the Bayan field. Furthermore, the successful farm-in in September 2014 of 20% participating interest in the PSC for D35, D21 and J4 which are producing, will further increase the Group's upstream services and assets.

The Group continues to proactively enhance its human capital development to support the anticipated technical challenges ahead.

Barring unforeseen circumstances, the Group is confident to continue to deliver a healthy performance for the financial year ending 30 June 2015.

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 30/9/2014 RM'000	3 MONTHS ENDED 30/9/2014 RM'000
Current tax	9,889	9,889
Deferred tax	1,663	1,663
Over provision in prior year	<u>(218)</u>	<u>(218)</u>
Total tax expense	<u>11,334</u>	<u>11,334</u>
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	<u>19.5%</u>	<u>19.5%</u>

INTERIM FINANCIAL REPORT

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

(ii) Voluntary Dissolution Of Dialog Services (Vietnam) Company Limited

On 20 June 2014, Dialog Services (Vietnam) Company Limited ('DSVCL'), an indirect wholly owned subsidiary incorporated in Vietnam, had submitted for voluntary dissolution. DSVCL has been dormant since its incorporation. The voluntary dissolution process will take approximately 6 months to complete.

(iii) Shareholders' Agreement Between Dialog LNG Sdn. Bhd., Pengerang LNG (Two) Sdn. Bhd. and PETRONAS Gas Berhad

On 14 November 2014, Dialog LNG Sdn. Bhd. ('Dialog LNG') and Pengerang LNG (Two) Sdn. Bhd. ('PLNG-2') have entered into a Shareholders' Agreement ('SHA') with PETRONAS Gas Berhad ('PGB') for the development of Liquefied Natural Gas ('LNG') Regasification Facilities comprising of a regasification unit and two (2) units of 200,000 m³ LNG storage tanks with an initial send out capacity of 3.5 million tonnes per annum ('MTPA') (equivalent to approximately 490 million standard cubic feet per day ('MMscfd') of natural gas at Pengerang, Southern Johor, Malaysia ('Pengerang LNG Project'). The total estimated project cost of the Pengerang LNG Project is approximately RM2.7 billion.

PLNG-2, a special purpose vehicle which is currently wholly owned by Dialog LNG, will undertake the Pengerang LNG Project. PLNG-2 will be restructured whereby PGB will acquire 65% in PLNG-2 with Dialog LNG to hold 25% and the State Secretary, Johor (Incorporated) ('SSI, Johor') to hold the remaining 10%.

PGB, Dialog LNG and SSI, Johor are expected to become shareholders in the agreed shareholding proportion of PLNG-2 within 30 days of the date of the SHA or such other date as may be agreed by PGB and Dialog LNG.

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

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**B7 Utilisation of Right Issue proceeds**

As at 18 November 2014, the proceeds from the Rights Issue with Warrants raised in the financial year ended 30 June 2012 has been fully utilised. The details are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000
i) Upstream oil and gas activities, including risk services contract	330,725	330,725
ii) Development of Pengerang independent deepwater tank terminals	100,062	100,062
iii) Working capital	40,062	40,062
iv) Defraying estimated expenses	5,400	5,400
Total	<u>476,249</u>	<u>476,249</u>

B8 Borrowings and debt securities

As at 30 September 2014, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	83	4
New Zealand Dollars	213	543
Ringgit Malaysia	-	21,153
Singapore Dollars	113	291
Sterling Pound	12	62
Unsecured:		
New Zealand Dollars	3,001	7,635
Saudi Riyal	5,000	4,386
Singapore Dollars	11,700	30,069
Thai Baht	57,000	5,774
Ringgit Malaysia	-	-
United States Dollars	13,190	43,389
		<u>113,306</u>
Long term borrowings:		
Secured:		
Ringgit Malaysia	-	101,641
Singapore Dollars	28	73
Sterling Pound	16	83
Unsecured:		
New Zealand Dollars	5,207	13,247
Ringgit Malaysia	-	644,349
Saudi Riyal	95,000	83,338
		<u>842,731</u>
		<u>956,037</u>

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 RM87.7 million (30.06.2014: RM85.7 million) of Islamic financing facility.

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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:-

a) Notice of Arbitration between Tanjung Langsat Port Sdn Bhd (“TLP”) and Dialog E & C Sdn Bhd (“DECSB”)

DECSB, a wholly owned subsidiary of the Company had on 9 April 2014, received a Notice of Arbitration dated 7 April 2014 from 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 has been 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 is pending arbitration process. The Company is of the opinion that the arbitration proceeding is not expected to have any impact on the operational and financial position of the Group for the financial year ending 30 June 2015.

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

B9 Material litigation – cont'd.

b) Commencement of Arbitration Proceedings against Tanjung Langsat Port Sdn Bhd (“TLP”)

Centralised Terminals Sdn Bhd (“CTSB”) through its 80% owned subsidiary Langsat Terminal (One) Sdn Bhd (“LgT-1”) has, on 8 October 2014, commenced arbitration proceedings against TLP.

CTSB is 55% owned by the Company and 45% owned by MISC Berhad, which is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. LgT-1, the claimant, is the owner and operator of the 476,000 m3 tank terminal facility for the handling, storage and processing of petroleum and petroleum-related products located at Tanjung Langsat, Johor, Malaysia.

TLP, the respondent, is a wholly owned subsidiary of Johor Corporation Berhad and has been granted licence by the Johor Port Authority to carry on the business of operating and managing a port as well as providing port and jetty facilities at the Port of Tanjung Langsat in the State of Johor Darul Takzim.

The arbitration proceedings are pursuant to the provisions of the Concession Agreement dated 12 April 2007 and Deed of Novation dated 21 June 2007. The commencement of the arbitration proceedings against TLP, is in relation to the recovery of losses and damages suffered by LgT-1. LgT-1 is claiming for TLP’s breaches of its obligations to provide a minimum draft of 16.5 meters at the approach channel in order that the partially laden Very Large Crude Carriers would be able to access and berth at the port. LgT-1’s losses and damages are to be assessed. The arbitration has been referred to the Kuala Lumpur Regional Centre for Arbitration.

The matter is pending arbitration process. The Company is of the opinion that the arbitration proceeding is in the best interest to preserve LgT-1’s rights to commence arbitration under the provisions of the Concession Agreement dated 12 April 2007.

The Company is also of the opinion that the arbitration proceeding is not expected to have any impact on the operational and financial position of Group for the financial year ending 30 June 2015.

B10 Dividends

The Board has recommended a final single tier cash dividend of 1.1 sen per ordinary share based on the enlarged share capital after the 1-for-1 bonus issue in July 2014 (previous corresponding year: 2.2 sen) in respect of the previous financial year for approval from the shareholders at the forthcoming Annual General Meeting.

Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 28 November 2014 and the date of payment will be on 18 December 2014.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D
B11 Derivative financial instruments

As at 30 September 2014, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Fair value – net
	FC'000	RM'000	gains or (losses) RM'000
With maturity less than 1 year:			
Australian Dollar	1,765	5,132	37
Euro	1,237	5,627	(472)
Japanese Yen	21,348	657	(19)
New Zealand Dollar	132	341	6
Singapore Dollar	494	1,263	(11)
Sterling Pound	67	357	3
United States Dollar	6,329	20,399	(204)

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 2014:

- the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- the cash requirement of the financial derivatives; and
- 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 Investments in joint ventures and associates

Included in the investments 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 4.56% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM65.5 million as at 30 September 2014.

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

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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 30/9/2014 RM'000	As at 30/6/2014 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	853,369	803,903
- Unrealised	12,853	16,990
	<u>866,222</u>	<u>820,893</u>
Total share of retained profits from associates		
- Realised	30	(2)
- Unrealised	(9)	(2)
Total share of retained profits from joint ventures		
- Realised	166,225	118,693
- Unrealised	(20,804)	(21,564)
Total before consolidation adjustments		
- Realised	1,019,624	922,594
- Unrealised	(7,960)	(4,576)
	1,011,664	918,018
Less: Consolidation adjustments	<u>(211,903)</u>	<u>(168,162)</u>
Total retained profits as per consolidated accounts	<u><u>799,761</u></u>	<u><u>749,856</u></u>

The above consolidation adjustments are mainly on adjustment for issuance of bonus shares in FY2014 and 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.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**B14 Earnings per share**

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Profit for the financial period attributable to owners of the Company (RM'000)	49,905	47,673	49,905	47,673
Weighted average number of ordinary shares in issue ('000)	4,915,450	4,885,402	4,915,450	4,885,402

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Profit for the financial period attributable to owners of the Company (RM'000)	49,905	47,673	49,905	47,673
Weighted average number of ordinary shares in issue ('000)	4,915,450	4,885,402	4,915,450	4,885,402
Effect of dilution due to:				
- Warrants ('000)	131,707	50,064	131,707	50,064
- ESOS ('000)	72,258	65,460	72,258	65,460
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,119,415	5,000,926	5,119,415	5,000,926

INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF
BURSA MALAYSIA – CONT'D****B15 Profit for the period**

	<u>INDIVIDUAL PERIOD</u>	<u>CUMULATIVE PERIOD</u>
	3 MONTHS ENDED 30/9/2014 RM'000	3 MONTHS ENDED 30/9/2014 RM'000
This is arrived at after (charging)/crediting:		
Interest income	2,457	2,457
Interest expense	(3,461)	(3,461)
Depreciation and amortisation	(12,977)	(12,977)
Foreign exchange gain	575	575
Loss on forward exchange contract	(148)	(148)
Gain on disposal of plant and equipment	396	396
Rental income	476	476
Other miscellaneous income	387	387

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

Date: 18 November 2014