DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
31 December 2014

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 DECEMBER 2014

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Revenue	570,290	694,162	1,111,839	1,269,632
Operating expenses	(480,565)	(643,491)	(964,490)	(1,167,263)
Other operating income	27,955	6,931	32,246	13,256
Share of profit/(loss) after tax of equity-accounted joint ventures and associates	(6,194)	30,052	(762)	39,044
Finance costs	(4,452)	(5,465)	(8,318)	(8,307)
Profit before tax	107,034	82,189	170,515	146,362
Tax expense	(24,826)	(13,089)	(36,160)	(26,920)
Profit for the period	82,208	69,100	134,355	119,442
Profit for the period attributable to:				
Owners of the parent	79,746	66,407	129,651	114,080
Non-controlling interests	2,462	2,693	4,704	5,362
	82,208	69,100	134,355	119,442
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	1.62	1.36	2.63	2.33
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	1.58	1.32	2.56	2.28

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2014

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Profit for the period (Note B15)	82,208	69,100	134,355	119,442
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	36,620	2,367	37,028	18,146
Cash flow hedge	4,621	1,981	4,792	(2,617)
Fair value of other investments	(27,211)	(2,686)	(21,294)	973
Other comprehensive income for the period	14,030	1,662	20,526	16,502
Total comprehensive income for the period	96,238	70,762	154,881	135,944
Total comprehensive income attributable to:				
Owners of the parent	93,077	67,841	149,476	128,896
Non-controlling interests	3,161	2,921	5,405	7,048
	96,238	70,762	154,881	135,944

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	NOTE	31/12/2014 RM'000	30/6/2014 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		487,911	483,140
Development of tank terminals		381,955	409,268
Intangible assets		79,870	43,923
Investment in joint ventures and associates	B12	770,232	748,640
Other investments		9,561	62,782
Deferred tax assets		33,521	33,103
		1,763,050	1,780,856
CURRENT ASSETS			
Inventories		107,728	106,279
Trade and other receivables	A16	741,885	857,429
Current tax assets		11,842	2,506
Cash and cash equivalents	A17	697,211	503,242
		1,558,666	1,469,456
TOTAL ASSETS		3,321,716	3,250,312
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		495,786	245,884
Treasury shares		(3,625)	(24,819)
Reserves		1,216,271	1,338,463
		1,708,432	1,559,528
Non-controlling interests		56,130	51,219
TOTAL EQUITY		1,764,562	1,610,747
NON-CURRENT LIABILITIES			
Borrowings	B8	747,117	836,703
Deferred tax liabilities		9,033	4,418
		756,150	841,121
CURRENT LIABILITIES			
Trade and other payables	A18	479,368	635,876
Borrowings	B8	284,929	123,561
Share dividend payable		-	21,194
Current tax liabilities		36,707	17,813
		801,004	798,444
TOTAL LIABILITIES		1,557,154	1,639,565
TOTAL EQUITY AND LIABILITIES		3,321,716	3,250,312
Net assets per share attributable to owners of the parent (sen)		34.7	31.8

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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 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	-	-	-	19,825	129,651	149,476	5,405	154,881
Appropriation :								
Special share dividend FY2014	-	21,194	-	-	-	21,194	-	21,194
Final dividend for FY2014	-	-	-	-	(54,500)	(54,500)	-	(54,500)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(55)	(55)
Share options granted under ESOS	-	-	-	6,925	-	6,925	325	7,250
Bonus Issue	245,753	-	(245,753)	-	-	-	-	-
Share options exercised	3,756	-	23,098	(6,318)	-	20,536	(764)	19,772
Warrants exercised	393	-	7,314	(2,011)	-	5,696	-	5,696
Share issue expenses	-	-	(423)	-	-	(423)	-	(423)
Balance as at 31 December 2014	495,786	(3,625)	139,740	251,524	825,007	1,708,432	56,130	1,764,562
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	128,896	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
Warrants exercised	18	-	573	(154)	-	437	-	437
Share issue expenses	-	-	- *	-	-	- *	-	- *
Acquisition of subsidiary	-	-	-	-		-	399	399
Balance as at 31 December 2013	245,100	(24,819)	359,497	200,244	674,859	1,454,881	43,829	1,498,710

** Less than RM 1,000*

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2014

	6 MONTHS ENDED	
	31/12/2014	31/12/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	170,515	146,362
Adjustments for :		
Depreciation and amortisation expenses	25,479	18,678
Net interest expense	2,611	(362)
Share of (profit)/loss of joint ventures and associates	762	(39,044)
Share options granted under ESOS	7,050	7,263
Other non-cash items	(14,386)	(2,595)
Operating profit before working capital changes	192,031	130,302
Changes in working capital :		
Net change in inventories and receivables	187,182	(238,321)
Net change in payables	(160,000)	88,344
Cash from/(used in) operations	219,213	(19,675)
Dividend and interest received	21,915	21,012
Tax paid	(25,332)	(26,902)
Tax refund	-	10
Net cash from/(used in) operating activities	215,796	(25,555)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	-	1,672
Additions of intangible assets	(40,311)	(2,899)
Development of tank terminals	(20,714)	(58,435)
Investments in joint ventures	(39,439)	(50,554)
Net change in deposits with licensed banks	(117)	3,210
Proceeds from disposal of property, plant and equipment	1,287	2,957
Proceeds from disposal of other investment	58,947	-
Purchase of property, plant and equipment	(16,393)	(46,090)
Purchase of other investment	-	(7,341)
Net cash used in investing activities	(56,740)	(157,480)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2014 (CONT'D)

	6 MONTHS ENDED	
	31/12/2014	**31/12/2013**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,359)	(5,119)
Dividend paid	(54,500)	(53,420)
Dividend paid to non-controlling interests	(55)	(1,778)
Net drawdown of bank borrowings	66,520	77,738
Proceeds from issuances of shares	25,468	19,188
Share issue expenses	(423)	-
Net cash from financing activities	30,651	36,609
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	189,707	(146,426)
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	4,147	4,110
	507,155	628,909
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	696,862	482,483

(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.)

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

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 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 RM495,786,212 by the allotment of 2,499,019,366 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 37,568,945 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 3,925,374 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 1.1 sen per ordinary share of RM0.10 each, amounting to RM54,499,801 in respect of financial year ended 30 June 2014 was paid on 18 December 2014.

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 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 December 2014 is as follows:

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Asia RM'000	Other Countries RM'000	Total RM'000
Segment profits/(losses)	109,932	25,789	(774)	23,343	11,836	389	170,515
Included in the measure of segment profits/(losses) are:							
Revenue from external customers	*574,727*	*78,034*	*124,237*	*114,094*	*214,365*	*6,382*	1,111,839
Inter-segment revenue	*1,003*	*67,239*	*2,385*	-	*1,278*	-	71,905
Depreciation and amortisation	*12,469*	*2,817*	*4,125*	*4,717*	*1,307*	*44*	25,479
Interest expense	*4,882*	*412*	*1,055*	*1,095*	*200*	*1*	7,645
Interest income	*4,619*	*84*	*46*	-	*285*	-	5,034
Share of profits/(loss) of joint ventures and associates	*(857)*	*30*	*65*	-	-	-	(762)
Segment assets	2,422,087	303,736	123,607	263,397	162,613	12,755	3,288,195
Deferred tax assets							33,521
Total assets							3,321,716
Included in the measure of segment assets are:							
Investment in joint ventures and associates	*762,650*	*2,927*	*4,655*	-	-	-	770,232
Additions to non-current assets:							
- Property, plant & equipment	*12,710*	*238*	*1,944*	*803*	*698*	-	16,393
- Intangible assets	*40,014*	*70*	*39*	-	*188*	-	40,311
- Development of tank terminals	*20,714*	-	-	-	-	-	20,714
- Joint ventures	*39,439*	-	-	-	-	-	39,439
Segment liabilities	1,193,265	102,775	67,770	115,419	58,331	10,561	1,548,121
Deferred tax liabilities							9,033
Total liabilities							1,557,154

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

(i) 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.

(ii) On 14 November 2014, Dialog LNG and Pengerang LNG (Two) Sdn. Bhd. ("PLNG-2") entered into a Shareholders' Agreement ("SHA") with PETRONAS Gas Berhad ("PGB") for the development of Liquefied Natural Gas ("LNG") Regasification Facilities at Pengerang, Johor, Malaysia ("Pengerang LNG Project"). PLNG-2 will undertake the Pengerang LNG Project. With the subscription of 780,000 ordinary shares of RM1.00 each for cash consideration of RM780,000 by PGB, representing 72.22% of the initial issued and paid-up share capital of PLNG-2 of RM1,080,000, PLNG-2 has ceased to be a subsidiary of DIALOG. Dialog LNG now holds 27.78% in PLNG-2 and this investment is classified as investment in joint ventures.

(iii) On 18 December 2014, Dialog Services (Vietnam) Company Limited ("DSVCL"), an indirect wholly owned subsidiary had completed its voluntary dissolution and is no longer on the list of Foreign Investment Enterprises with head office in Ho Chi Minh City, Vietnam.

Accordingly, DSVCL had ceased to be an indirect wholly owned subsidiary of the Company with effect from 18 December 2014.

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

		31/12/2014 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	37,700
	- contracted but not provided for	18,600
		56,300
	Commitments of the Group in respect of tank terminal business	2,462,600
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	8,984
	- later than one year and not later than five years	7,170
	- after five years	9,720
		25,874
	b) The Group as lessor	
	- not later than one year	316
	- later than one year and not later than five years	443
		759

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 RM519.5 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 RM390.0 million (as at 30.06.2014: RM466.5 million).

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

In addition, the Company also provides a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of up to SGD238.0 million, equivalents to RM630.8 million for project financing secured by a joint venture.

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 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 28 October 2014 for recurrent related party transactions.

	6 MONTHS ENDED 31/12/2014 RM'000
Transactions with joint ventures:	
Dividend income	19,500
Interest income	1,333
Subcontract works received	71,064
Purchases and cost of services rendered	(678)
Tank rental and related expenses	(1,666)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	3,805
Provision of subcontract works	11,721
Provision of management services	306
Rental of office premises	228

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Trade and other receivables

	31/12/2014 RM'000
Amounts due from customers for contract works	161,591
Trade receivables	326,018
Other receivables, deposits and prepayments	186,557
Amounts due from joint ventures and associates (trade)	67,445
Hedge derivative assets	274
	741,885

The Group has subsequently collected a total of RM132 million 41% from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	31/12/2014 RM'000
Deposits, cash and bank balances	697,211
Deposits pledged to licensed banks	(349)
	696,862

A18 Trade and other payables

	31/12/2014 RM'000
Amounts due to customers for contract works	67,382
Trade payables	277,316
Accruals and other payables	132,333
Amounts due to joint ventures and associates	1,214
Hedge derivative liabilities	1,123
	479,368

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 RM7,050,000 was charged to statement of profit or loss for the current financial period (Q2 FY2014: RM7,263,000).

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

B1 Performance analysis

The Group closed its 2nd quarter period ended 31 December 2014 with revenue of RM570.3 million and net profit after tax of RM82.2 million. This represents a 17.8% drop in revenue against corresponding quarter last year while net profit after tax increased by 19%.

In Malaysia, higher revenue was recorded from the upstream activities as a result of the operation of the Production Sharing Contract ("PSC") for three fields D35, D21 and J4, located offshore Sarawak since last quarter and increased fabrication activities in various projects. However, the completion of Pengerang Deepwater Terminals Phase 1A and 1B in last financial year had resulted to the lower engineering and construction activities and the overall lower revenue in Malaysia for the current reporting quarter.

International revenue for the current quarter reduced by 19% against same period last year. This was mainly attributable to low activities in engineering and construction in Singapore, fabrication in Australia and New Zealand and lower sales of specialist products and services in India and Brunei.

The Group's interest in joint ventures for the current quarter was affected by a write off of non recoverable cost in a joint venture that involves in upstream activities.

Despite the lower revenue and share of losses in joint ventures, the Group recorded an increase in net profit after tax by 19% against same quarter last year. This was attributable to better margin registered by the upstream activities in Malaysia and a gain on the disposal of the Group's other investment.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM107.0 million was 68.6% higher against RM63.5 million recorded in the preceding quarter mainly attributable to higher revenue and gain on disposal of the Group's other investment.

B3 Prospects

The drop in oil prices will lower the overall costs of processing, manufacturing and production of a wide range of petroleum and petrochemical products. This would have a positive impact on the midstream and downstream sectors of oil and gas industry. The current oil price development reinforces our strategy to develop and invest in the Pengerang Deepwater Terminal as the Entry Point Project under the Economic Transformation Programme and to promote the development of Pengerang Integrated Petroleum Complex which has received more than RM100 billion investment commitments to date.

The demand for storage facilities is expected to increase while further development of the Pengerang Deepwater Terminal will provide opportunities for the Group's engineering and construction services. 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 and 1B of the Pengerang Independent Terminal have commenced operation while Phase 1C is currently being commissioned. In November 2014, the Group entered into a Shareholders' Agreement ("SHA") with PETRONAS Gas Berhad for the development of Liquefied Natural Gas ("LNG") Regasification Facilities with an estimated project cost of RM2.7 billion and expected to be operationalised by quarter four of 2017. In December 2014 the Group entered into a SHA with PRPC Utilities and Facilities Sdn Bhd and Vopak Terminal Pengerang BV for the development, construction and operation of the facilities required for the handling, storage and distribution of the crude oil, petroleum, chemical and petrochemical feedstock, products and by-products to and from the Refinery and Petrochemical Integrated Development ("RAPID") complex with an estimated project cost of RM6.3 billion. The Group is now working towards securing new potential partners for subsequent phases of Pengerang Deepwater Terminal, which include the development of more petroleum, petrochemical and LNG storage terminals.

In the upstream sector, Bayan field continues to enhance its production under the Oilfield Services Contract. Development activities are being actively pursued for the D35, J4 and D21 fields to rejuvenate and increase oil production.

The Group continues to proactively enhance and rationalise 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.

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

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 31/12/2014 RM'000	6 MONTHS ENDED 31/12/2014 RM'000
Current tax	25,082	34,971
Deferred tax	(300)	1,363
Over/(Under) provision in prior year	44	(174)
Total tax expense	24,826	36,160
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	21.9%	21.1%

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 Deepwater 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) 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 m^3 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 will undertake the Pengerang LNG Project. With the subscription of 780,000 ordinary shares of RM1.00 each for cash consideration of RM780,000 by PGB, representing 72.22% of the initial issued and paid-up share capital of PLNG-2 of RM1,080,000, PLNG-2 has ceased to be a subsidiary of DIALOG. Dialog LNG now holds 27.78% in PLNG-2.

The lease agreement for the land on which the Pengerang LNG Project will be developed on has been signed with State Secretary, Johor (Incorporated) ("SSI, Johor") on 5 February 2015.

The intended equity shareholding of PGB of 65% and Dialog LNG of 25% in PLNG-2 will be achieved upon subscription by SSI, Johor of its 10% shareholding.

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

B6 Status of corporate proposals (cont'd)

(iii) Shareholders' Agreement Between Dialog Equity (Two) Sdn. Bhd., PRPC Utilities and Facilities Sdn. Bhd. And Vopak Terminal Pengerang BV

On 19 December 2014, Dialog Equity (Two) Sdn Bhd ("Dialog Equity-2") entered into a Shareholders Agreement ("SHA") with PRPC Utilities and Facilities Sdn Bhd ("PRPCUF") and Vopak Terminal Pengerang BV ("VOPAK Pengerang") for the development, construction and operation of the facilities required for the handling, storage and distribution of the crude oil, petroleum, chemical and petrochemical feedstock, products and by-products ("Products") to and from the Refinery and Petrochemical Integrated Development ("RAPID") complex at Pengerang, Johor ("Pengerang Terminal Phase 2 Project").

The Pengerang Terminal Phase 2 Project will be developed on reclaimed land located within the Pengerang Deepwater Terminal where the land reclamation for the Pengerang Terminal Phase 2 Project of approximately 157 acres has been completed by DIALOG. Pengerang Terminal Phase 2 Project involves the construction of the storage capacity of approximately 2.1 million cubic metres (m^3) and a deepwater jetty with twelve berths. The total estimated project cost is approximately RM6.3 billion.

The lease agreement for the land on which the Pengerang Terminal Phase 2 Project will be developed on has been signed with State Secretary, Johor (Incorporated) ("SSI, Johor") on 5 February 2015.

Pengerang Terminals (Two) Sdn Bhd ("PT-2"), a special purpose vehicle, will undertake the Pengerang Terminal Phase 2 Project. PT-2 will be restructured whereby PRPCUF will acquire 40% in PT-2 with Dialog Equity-2 to hold 25%, VOPAK Pengerang to hold 25% and the SSI, Johor to hold the remaining 10%.

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

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

B7 Utilisation of Right Issue proceeds

The proceeds from the Rights Issue with Warrants raised in the financial year ended 30 June 2012 has been fully utilised as at 20 October 2014. 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	476,249	476,249

B8 Borrowings and debt securities

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

	FC'000	**RM'000**
Short term borrowings:		
Secured:		
Indian Rupees	333	18
Ringgit Malaysia	-	20,024
Singapore Dollars	113	300
Sterling Pound	12	64
Unsecured:		
New Zealand Dollars	2,501	6,826
Ringgit Malaysia	-	200,000
Saudi Riyal	5,000	4,652
Singapore Dollars	5,000	13,250
Thai Baht	53,500	5,687
United States Dollars	9,134	31,950
Sterling Pound	393	2,158
		284,929
Long term borrowings:		
Secured:		
Indian Rupees	1,538	85
Ringgit Malaysia	-	97,496
Sterling Pound	16	85
Unsecured:		
New Zealand Dollars	5,082	13,870
Ringgit Malaysia	-	547,200
Saudi Riyal	95,000	88,381
		747,117
		1,032,046

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 RM316.2 million (30.06.2014: RM85.7 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:-

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.

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 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 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	842	2,528	(120)
Euro	434	1,888	(43)
New Zealand Dollar	566	1,475	75
Singapore Dollar	571	1,467	41
Sterling Pound	170	907	18
Thai Baht	54	5	-
United States Dollar	4,183	13,963	570

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:

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.

The Group has also entered into interest rate swaps contract to swap notional principals amount of RM121,594,000 from floating interest rate to fixed rate to hedge against interest rate fluctuations, which expires on June 2018.

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 4.66% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM65.7 million as at 31 December 2014.

The Company also provided sponsor's undertaking to a joint venture 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 31/12/2014 RM'000	As at 30/6/2014 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	919,532	803,903
- Unrealised	7,516	16,990
	927,048	820,893
Total share of retained profits from associates		
- Realised	103	60
- Unrealised	(16)	(2)
Total share of retained profits from joint ventures		
- Realised	95,465	118,693
- Unrealised	(19,523)	(21,564)
Total before consolidation adjustments		
- Realised	1,015,100	922,656
- Unrealised	(12,023)	(4,576)
	1,003,077	918,080
Less: Consolidation adjustments	(178,070)	(168,224)
Total retained profits as per consolidated accounts	825,007	749,856

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.

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		6 MONTHS ENDED	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Profit for the financial period attributable to owners of the Company (RM'000)	79,746	66,407	129,651	114,080
Weighted average number of ordinary shares in issue ('000)	4,926,506	4,895,775	4,925,181	4,890,588

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		6 MONTHS ENDED	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Profit for the financial period attributable to owners of the Company (RM'000)	79,746	66,407	129,651	114,080
Weighted average number of ordinary shares in issue ('000)	4,926,506	4,895,775	4,925,181	4,890,588
Effect of dilution due to:				
- Warrants ('000)	72,624	76,705	93,070	67,412
- ESOS ('000)	44,160	48,007	47,746	47,008
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,043,290	5,020,487	5,065,997	5,005,008

INTERIM FINANCIAL REPORT

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 31/12/2014 RM'000	6 MONTHS ENDED 31/12/2014 RM'000
This is arrived at after (charging)/crediting:		
Interest income	2,577	5,034
Interest expense	(4,184)	(7,645)
Depreciation and amortisation	(12,502)	(25,479)
Foreign exchange gain	607	1,182
Gain on forward exchange contract	723	575
Gain on disposal of other investment	23,377	23,377
Gain on disposal of plant and equipment	488	884
Property, plant and equipment written off	(8)	(8)
Rental income	806	1,282
Other miscellaneous income	108	495

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

Date: 9 February 2015