



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

Interim Financial Statements  
For The Financial Period Ended  
30 September 2015

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	536,365	541,549	536,365	541,549
Operating expenses	(479,729)	(483,926)	(479,729)	(483,926)
Other operating income	18,079	4,292	18,079	4,292
Share of profit after tax of equity-accounted joint ventures and associates	12,060	5,432	12,060	5,432
Finance costs	(6,217)	(3,866)	(6,217)	(3,866)
<b>Profit before tax</b>	80,558	63,481	80,558	63,481
Tax expense	(18,012)	(11,334)	(18,012)	(11,334)
<b>Profit for the period</b>	<u>62,546</u>	<u>52,147</u>	<u>62,546</u>	<u>52,147</u>
<b>Profit for the period attributable to:</b>				
Owners of the parent	60,072	49,905	60,072	49,905
Non-controlling interests	2,474	2,242	2,474	2,242
	<u>62,546</u>	<u>52,147</u>	<u>62,546</u>	<u>52,147</u>
Basic earnings per ordinary share of RM0.10 each (sen) (Note B13)	<u>1.18</u>	<u>1.02</u>	<u>1.18</u>	<u>1.02</u>
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B13)	<u>1.16</u>	<u>0.97</u>	<u>1.16</u>	<u>0.97</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 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.)

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE  
INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period (Note B14)</b>	62,546	52,147	62,546	52,147
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translations	78,588	(962)	78,588	(962)
Cash flow hedge	6,760	171	6,760	171
Fair value of other investments	-	5,917	-	5,917
Share of other comprehensive income of a joint venture	41,168	1,370	41,168	1,370
<b>Other comprehensive income for the period</b>	<u>126,516</u>	<u>6,496</u>	<u>126,516</u>	<u>6,496</u>
<b>Total comprehensive income for the period</b>	<u>189,062</u>	<u>58,643</u>	<u>189,062</u>	<u>58,643</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	178,241	56,399	178,241	56,399
Non-controlling interests	10,821	2,244	10,821	2,244
	<u>189,062</u>	<u>58,643</u>	<u>189,062</u>	<u>58,643</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 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2015

	NOTE	30/09/2015 RM'000	30/06/2015 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		612,558	583,380
Development of tank terminals		92,698	88,929
Intangible assets		82,822	80,441
Investments in joint ventures and associates	B11	1,107,284	932,903
Other investments		4,988	4,545
Deferred tax assets		46,186	50,756
		<u>1,946,536</u>	<u>1,740,954</u>
<b>CURRENT ASSETS</b>			
Inventories		110,529	89,586
Trade and other receivables	A16	913,337	930,435
Current tax assets		7,624	5,447
Cash and cash equivalents	A17	854,138	866,316
		<u>1,885,628</u>	<u>1,891,784</u>
<b>TOTAL ASSETS</b>		<u><u>3,832,164</u></u>	<u><u>3,632,738</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		509,280	508,329
Treasury shares		(3,625)	(3,625)
Reserves		1,666,654	1,475,053
		2,172,309	1,979,757
Non-controlling interests		72,233	66,891
<b>TOTAL EQUITY</b>		<u>2,244,542</u>	<u>2,046,648</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	743,162	593,809
Deferred tax liabilities		5,364	3,990
		<u>748,526</u>	<u>597,799</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A18	765,060	672,691
Borrowings	B7	46,278	265,108
Current tax liabilities		27,758	50,492
		<u>839,096</u>	<u>988,291</u>
<b>TOTAL LIABILITIES</b>		<u>1,587,622</u>	<u>1,586,090</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,832,164</u></u>	<u><u>3,632,738</u></u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u>42.7</u>	<u>39.8</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

	Attributable to owners of the parent						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	Total RM'000		
<b>Balance as at 1 July 2015</b>	508,329	(3,625)	318,279	237,025	919,749	1,979,757	66,891	2,046,648
Total comprehensive income for the period	-	-	-	118,169	60,072	178,241	10,821	189,062
Appropriation :								
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-
Share options granted under ESOS	-	-	-	3,516	-	3,516	159	3,675
Bonus Issue	-	-	-	-	-	-	-	-
Share options exercised	142	-	1,423	(399)	-	1,166	(24)	1,142
Warrants exercised	809	-	12,221	(3,400)	-	9,630	-	9,630
Share issue expenses	-	-	(1)	-	-	(1)	-	(1)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of subsidiary	-	-	-	-	-	-	(4,480)	(4,480)
<b>Balance as at 30 September 2015</b>	<b>509,280</b>	<b>(3,625)</b>	<b>331,922</b>	<b>354,911</b>	<b>979,821</b>	<b>2,172,309</b>	<b>72,233</b>	<b>2,244,542</b>
<b>Balance as at 1 July 2014</b>	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)
<b>Balance as at 30 September 2014</b>	<b>492,144</b>	<b>(3,625)</b>	<b>118,731</b>	<b>240,574</b>	<b>799,761</b>	<b>1,647,585</b>	<b>53,474</b>	<b>1,701,059</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

	<b>3 MONTHS ENDED</b>	
	<b>30/09/2015</b>	<b>30/09/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	80,558	63,481
Adjustments for :		
Depreciation and amortisation expenses	14,015	12,977
Net interest expense	1,276	1,004
Share of results of joint ventures and associates	(12,060)	(5,432)
Share options granted under ESOS	3,575	3,525
Other non-cash items	(9,712)	1,886
Operating profit before working capital changes	77,652	77,441
Changes in working capital :		
Net change in inventories and receivables	48,067	(15,989)
Net change in payables	85,084	(111,986)
<b>Cash from/(used in) operations</b>	<b>210,803</b>	<b>(50,534)</b>
Dividend and interest received	1,337	-
Tax paid	(37,477)	(12,537)
Tax refund	524	-
<b>Net cash from/(used in) operating activities</b>	<b>175,187</b>	<b>(63,071)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of additional shares from non-controlling interests	(1,134)	-
Additions of intangible assets	(7,678)	(39,253)
Development of tank terminals	(3,769)	(11,026)
Investments in joint ventures and associates	(119,756)	(13,208)
Net change in deposits with licensed banks	200	(66)
Net cash on disposal of a subsidiary	7,048	-
Proceeds from disposal of property, plant and equipment	777	523
Purchase of property, plant and equipment	(12,021)	(8,582)
<b>Net cash used in investing activities</b>	<b>(136,333)</b>	<b>(71,612)</b>

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

	<b>3 MONTHS ENDED</b>	
	<b>30/09/2015</b>	<b>30/09/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(3,283)	(1,671)
Dividend paid to non-controlling interests	-	(55)
Net repayment of bank borrowings	(82,891)	(4,127)
Proceeds from issuances of shares	10,772	7,327
Share issue expenses	(1)	(422)
<b>Net cash (used in)/from financing activities</b>	<b>(75,403)</b>	<b>1,052</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(36,549)</b>	<b>(133,631)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	865,919	503,008
Effects of exchange rate changes on cash and cash equivalents	24,685	3,727
	<b>890,604</b>	<b>506,735</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)</b>	<b>854,055</b>	<b>373,104</b>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**INTERIM FINANCIAL REPORT**

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**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 2015. 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 2015.

**A2 Changes in accounting policies**

The audited financial statements of the Group for the year ended 30 June 2015 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 2015.

**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 2015.

**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.



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**INTERIM FINANCIAL REPORT**

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

**A7 Debt and equity securities**

During the current financial period, the issued and paid-up share capital was increased from RM508,329,244 to RM509,279,699 by the allotment of 9,504,554 new ordinary shares of RM0.10 each pertaining to the following:

- i. exercise of 1,412,236 share options under the Employees' Share Option Scheme; and
- ii. exercise of 8,092,318 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 2015 and up to the date of this report, which is likely to substantially affect the profits of the Group.

**INTERIM FINANCIAL REPORT**

**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 2015 is as follows:

	<b>Malaysia</b>	<b>Singapore</b>	<b>Australia &amp; New Zealand</b>	<b>Middle East</b>	<b>Other Asia</b>	<b>Other Countries</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment profits</b>	55,671	326	5,284	12,105	7,172	-	80,558
<i>Included in the measure of segment profits are:</i>							
<i>Revenue from external customers</i>	311,074	15,733	81,527	60,724	67,307	-	536,365
<i>Inter-segment revenue</i>	1,408	8,971	-	-	281	-	10,660
<i>Depreciation and amortisation</i>	7,054	1,134	2,257	2,941	629	-	14,015
<i>Interest expense</i>	4,598	112	425	677	56	-	5,868
<i>Interest income</i>	4,493	83	8	-	8	-	4,592
<i>Share of results of joint ventures and associates</i>	12,040	(18)	38	-	-	-	12,060
<b>Segment assets</b>	2,831,824	191,878	145,244	320,009	295,810	1,213	3,785,978
Deferred tax assets							46,186
<b>Total assets</b>							<u>3,832,164</u>
<i>Included in the measure of segment assets are:</i>							
<i>Investments in joint ventures and associates</i>	1,098,813	3,469	5,002	-	-	-	1,107,284
<i>Additions to non-current assets:</i>							
- <i>Property, plant &amp; equipment</i>	8,507	47	3,046	335	86	-	12,021
- <i>Intangible assets</i>	7,619	-	59	-	-	-	7,678
- <i>Development of tank terminals</i>	3,769	-	-	-	-	-	3,769
- <i>Joint ventures and associates</i>	119,756	-	-	-	-	-	119,756
<b>Segment liabilities</b>	1,233,193	74,870	71,033	156,376	45,564	1,222	1,582,258
Deferred tax liabilities							5,364
<b>Total liabilities</b>							<u>1,587,622</u>

## INTERIM FINANCIAL REPORT

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

#### A12 Changes in the composition of the Group

- (i) In July 2015, Dialog Upstream Services Sdn. Bhd. (“DUS SB”), a wholly owned subsidiary, had acquired the remaining 25% equity interest, representing 250,000 ordinary shares of RM1.00 each in Dialog Subsurface Technology Sdn. Bhd. (formerly known as Dialog Ascent Energy Sdn. Bhd.) (“DSTSB”) from Ascent Energy Technology Limited (“AET”) for a total cash consideration of RM1,134,302. Pursuant to that, DUS SB's equity investment in DSTSB increased from 75% to 100% and DSTSB became a wholly owned subsidiary of DIALOG.
- (ii) In August 2015, Dialog Systems (Asia) Pte. Ltd. (“DSAPL”), a wholly owned subsidiary, had disposed of its 51% owned subsidiary, Anewa Engineering Private Limited (“Anewa”) to NPCC Engineering Private Limited for a total cash consideration of USD2,964,375 (approximately equivalent to RM12,450,000) (“Share Sale”), representing the sale of 2,040,000 equity shares of Rs.10 each. Accordingly, Anewa ceased to be a subsidiary of DIALOG.
- (iii) In September 2015, the equity shareholdings of a wholly owned subsidiary, Dialog Equity (Two) Sdn Bhd (“DEQ-2”), in Pengerang Terminals (Two) Sdn Bhd (“PT-2”) became 25% after the subscription of 7,800,000 ordinary shares of RM1.00 each for cash consideration of RM7,800,000 by State Secretary, Johor (Incorporated) (“SSI”). The equity shareholdings of PT-2 is now 40% held by PRPC Utilities and Facilities Sdn Bhd (“PRPCUF”), 25% respectively held by DEQ-2 and Vopak Terminal Pengerang BV (“VOPAK Pengerang”), and 10% held by SSI.
- (iv) In September 2015, the equity shareholdings of an indirect wholly owned subsidiary, Dialog LNG Sdn Bhd (“DLNG”), in Pengerang LNG (Two) Sdn Bhd (“PLNG-2”) became 25% after the subscription of 2,000,000 ordinary shares of RM1.00 each for cash consideration of RM2,000,000 by State Secretary, Johor (Incorporated) (“SSI”). The equity shareholdings of PLNG-2 is now 65% held by PETRONAS Gas Berhad (“PGB”), 25% held by DLNG and 10% held by SSI.

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

#### A13 Commitments

	<b>30/09/2015</b> <b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	3,600
- contracted but not provided for	1,700
	5,300
Commitments of the Group in respect of tank terminal business	984,800
Commitments of the Group in respect of upstream business	96,800
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	7,571
- later than one year and not later than five years	9,962
- after five years	14,171
	31,704
b) The Group as lessor	
- not later than one year	293
- later than one year and not later than five years	150
	443

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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 RM479.0 million (as at 30.06.2015: RM511.5 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 RM350.0 million (as at 30.06.2015: RM411.5 million).

The Company has also given corporate guarantees amounting to RM0.2 million (as at 30.06.2015: RM1.2 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 RM0.2 million (as at 30.06.2015: RM1.2 million).

In addition, the Company also provides a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD199.5 million, equivalents to RM616.4 million (as at 30.06.2015: SGD261.6 million, equivalent to RM732.4 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 30 September 2015 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2015 and the approved shareholders' mandate in the circular dated 28 October 2014 for recurrent related party transactions.

	<b>3 MONTHS ENDED 30/09/2015 RM'000</b>
Transactions with joint ventures:	
Interest income	670
Subcontract works received	65,816
Purchases and cost of services rendered	(929)
Tank rental and related expenses	(701)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	1,003
Rental of office premises	166

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

	<b>30/09/2015</b>
	<b>RM'000</b>
Amounts due from customers for contract works	315,971
Trade receivables	344,991
Other receivables, deposits and prepayments	181,246
Amounts due from joint ventures and associates (trade)	63,633
Hedge derivative assets	7,496
	<u>913,337</u>

The Group has subsequently collected a total of RM169 million 49% from the outstanding trade receivables as at the date of this report.

**A17 Cash and cash equivalents**

	<b>30/09/2015</b>
	<b>RM'000</b>
Deposits, cash and bank balances	854,138
Deposits pledged to licensed banks	(83)
	<u>854,055</u>

**A18 Trade and other payables**

	<b>30/09/2015</b>
	<b>RM'000</b>
Amounts due to customers for contract works	69,608
Trade payables	567,418
Accruals and other payables	125,359
Amounts due to joint ventures and associates	1,781
Hedge derivative liabilities	894
	<u>765,060</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 RM3,575,000 was charged to statement of profit or loss for the current financial period (Q1FY2015: RM3,525,000).

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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 1<sup>st</sup> quarter period ended 30 September 2015 with revenue of RM536.4 million and net profit after tax of RM62.5 million. This represents a slight 1.0% drop in revenue against corresponding quarter last year while net profit after tax increased by 20%.

Revenue from Malaysia operation for the current financial quarter was higher mainly contributed by the engineering and construction activities from on-going projects. The works on Phase 2 of the Pengerang Deepwater Terminal are progressing as schedule. In addition, the Group was also involved in various projects such as the MLNG Train 9 and SAMUR piping works. However, the higher revenue recorded from these activities was offset by lower sales in specialist products and services and upstream activities. This had resulted to a drop in net profit after tax contribution from Malaysia operation for the current financial quarter against same period last year.

On the International operation, revenue for the current financial quarter was lower against same period last year. Despite the lower revenue, international operation recorded a higher net profit after tax for the current financial quarter. This was mainly attributable to higher fabrication activities in New Zealand and better margins on sales of specialist products and services which are mostly denominated in US dollar.

The Group's share of joint ventures and associates results for the current financial quarter of RM12.1 million was more than double compared to RM5.4 million recorded in same period last year. This was due to the contribution from Pengerang Independent Terminal which has commenced its full operation and has fully leased out its storage capacity.

**B2 Variation of results against preceding quarter**

The Group's profit before tax for the current financial quarter of RM80.6 million was 10.3% lower against RM89.8 million recorded in the preceding quarter. This was attributable to the slower upstream activities and lower sales of specialist products and services.

**B3 Prospects**

As a leading integrated technical services provider to the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry, the Group continues to proactively enhance and rationalize its human capital development to support the anticipated growth of its business activities. The Group is confident that its business model is well structured and can withstand the current oil price volatility and currency movements.

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 the oil and gas industry. The current oil price development reinforces the Group's strategy to develop and invest in the Pengerang Deepwater Terminal for the long term.

The demand for storage facilities is strong for crude oil and products. Further development of the Pengerang Deepwater Terminal will provide more opportunities for the Group's engineering, procurement, construction, commissioning and fabrication services. The Group will continue to benefit from long term recurring rental income derived from additional tank terminal facilities when they go into operations.

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**INTERIM FINANCIAL REPORT**

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

Phase 1 of the Pengerang Deepwater Terminal is in full operation with 1.3 million m<sup>3</sup> fully leased out. To date, more than 300 vessels including supertankers (“VLCC”) have used the terminal for loading and unloading purposes.

The Group has commenced EPCC works on Phase 2, which is the development, construction and operation of the facilities required for the handling, storage and distribution of crude oil, petroleum, chemical and petrochemical feedstock, products and by-products to and from the Refinery and Petrochemical Integrated Development (“RAPID”) complex. This will keep the Group’s Engineering & Construction Division and Fabrication Division busy over the next few years. Phase 2 will have 2.1 million m<sup>3</sup> of storage capacity with a total investment cost of RM6.3 billion and is scheduled to be completed progressively in 2018 and 2019.

The Group has also embarked on the joint venture with PETRONAS Gas Berhad for the development of Liquefied Natural Gas (“LNG”) regasification facilities comprising a regasification unit and two (2) units of 200,000 m<sup>3</sup> LNG storage tanks with an initial send out capacity of 3.5 million tonnes per annum for a total investment cost of RM2.7 billion. This project is scheduled to be completed at the end of 2017.

The Group is now working towards securing new potential partners for subsequent phases of the Pengerang Deepwater Terminal, which include the development of more petroleum, petrochemical and LNG storage facilities.

The Group has recently secured the first fabrication job to be fabricated at the newly completed Dialog Fabricators Pengerang Facility (“DFPF”) and is now targeting for more jobs, which will surface throughout the duration of construction of the RAPID project next door.

In the upstream sector, the recent infill drilling campaign and production enhancement initiatives had resulted in an increased oil production from the Bayan field. Efforts are ongoing to identify and mature new oil opportunities planned to be implemented in 2017/2018. The Group is also participating in field development studies for D35, J4 and D21 fields to further nurture new oil opportunities. In addition, the drilling campaign for D35 is underway.

Barring unforeseen circumstances, the Group is optimistic that it will continue to deliver a healthy performance for the financial year ending 30 June 2016.

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**INTERIM FINANCIAL REPORT**


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**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 30/09/2015 RM'000	3 MONTHS ENDED 30/09/2015 RM'000
Current tax	13,937	13,937
Deferred tax	4,480	4,480
Under/(Over) provision in prior year	(405)	(405)
Total tax expense	<u>18,012</u>	<u>18,012</u>
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	<u>26.3%</u>	<u>26.3%</u>

**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 still 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. The MOU will expire on 20 May 2016.

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 Borrowings and debt securities**

As at 30 September 2015, the Group's borrowings were denominated in the following currencies:

	<b>FC'000</b>	<b>RM'000</b>
Short term borrowings:		
Secured:		
New Zealand Dollars	297	835
Ringgit Malaysia	-	20,024
Singapore Dollars	28	88
Unsecured:		
New Zealand Dollars	3,501	9,845
Saudi Riyal	10,000	11,701
Sterling Pounds	313	2,090
Thai Baht	14,000	1,695
		<u>46,278</u>
Long term borrowings:		
Secured:		
Ringgit Malaysia	-	88,777
Unsecured:		
New Zealand Dollars	4,706	13,232
Ringgit Malaysia	-	540,000
Saudi Riyal	85,000	99,458
Thai Baht	14,000	1,695
		<u>743,162</u>
		<u>789,440</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 RM451.2 million (30.06.2015: RM295.8 million) of Islamic financing facility.

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**INTERIM FINANCIAL REPORT**

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**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B8 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 and hearing of the matter has been set for August 2016. 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 2016.

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**INTERIM FINANCIAL REPORT**

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**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B8 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”) had, 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 m<sup>3</sup> 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 and hearing of the matter is currently expected to be in December 2016. 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 2016.

**B9 Dividends**

The Board had recommended a final cash dividend of 1.2 sen (previous corresponding year: 1.1 sen) per ordinary share of RM0.10 each in respect of the previous financial year for approval of 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 27 November 2015 and the date of payment will be on 17 December 2015.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B10 Derivative financial instruments**

As at 30 September 2015, the Group has the following outstanding forward foreign exchange

	Contract Value		Fair value – net gains or (losses)
	FC'000	RM'000	RM'000
With maturity less than 1 year:			
Australian Dollar	318	943	39
Euro	629	2,711	389
New Zealand Dollar	100	258	20
Singapore Dollar	836	2,342	283
Japanese Yen	31,350	1,121	(5)
United States Dollar	13,961	55,902	6,143

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 2015:

- 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.

The Group has also entered into interest rate swaps contract to swap notional principals amount of RM106,594,000 from floating interest rate to fixed rate to hedge against interest rate fluctuations, which expires on June 2018.

**B11 Investments in joint ventures and associates**

Included in the investments in joint ventures and associates was unsecured advances amounted to RM58.5 million given to a joint venture. The advances bear interest at rates ranging from 4.50% to 4.86% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM63.1 million as at 30 September 2015.

The Company also provided sponsor's undertaking to a joint venture as disclosed in A14.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B12 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:

	<b>As at 30/09/2015 RM'000</b>	<b>As at 30/06/2015 RM'000</b>
Total retained profits of the Company & its subsidiaries		
- Realised	1,103,733	1,036,828
- Unrealised	23,370	25,917
	<u>1,127,103</u>	<u>1,062,745</u>
Total share of retained profits from associates		
- Realised	(1,140)	86
- Unrealised	-	(18)
Total share of retained profits from joint ventures		
- Realised	91,726	80,904
- Unrealised	(14,885)	(16,680)
<b>Total before consolidation adjustments</b>		
- Realised	1,194,319	1,117,818
- Unrealised	8,485	9,219
	1,202,804	1,127,037
Less: Consolidation adjustments	<u>(222,983)</u>	<u>(207,288)</u>
<b>Total retained profits as per consolidated accounts</b>	<u><u>979,821</u></u>	<u><u>919,749</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.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B13 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.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Profit for the financial period attributable to owners of the Company (RM'000)	60,072	49,905	60,072	49,905
Weighted average number of ordinary shares in issue ('000)	5,084,642	4,915,450	5,084,642	4,915,450

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. 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	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Profit for the financial period attributable to owners of the Company (RM'000)	60,072	49,905	60,072	49,905
Weighted average number of ordinary shares in issue ('000)	5,084,642	4,915,450	5,084,642	4,915,450
Effect of dilution due to:				
- Warrants ('000)	62,604	131,707	62,604	131,707
- ESOS ('000)	50,915	72,258	50,915	72,258
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,198,161	5,119,415	5,198,161	5,119,415

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA – CONT'D****B14 Profit for the period**

	<b>INDIVIDUAL PERIOD 3 MONTHS ENDED 30/09/2015 RM'000</b>	<b>CUMULATIVE PERIOD 3 MONTHS ENDED 30/09/2015 RM'000</b>
This is arrived at after (charging)/crediting:		
Interest income	4,592	4,592
Interest expense	(5,868)	(5,868)
Depreciation and amortisation	(14,015)	(14,015)
Foreign exchange gain	9,801	9,801
Gain on forward exchange contract	29	29
Gain on disposal of subsidiary	1,949	1,949
Gain on disposal of plant and equipment	158	158
Property, plant and equipment written off	(32)	(32)
Rental income	904	904
Other miscellaneous income	706	706

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

Date: 17 November 2015