DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
31 December 2015

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 DECEMBER 2015

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Revenue	639,626	570,290	1,175,991	1,111,839
Operating expenses	(553,737)	(480,565)	(1,033,466)	(964,490)
Other operating income	6,575	27,955	24,654	32,246
Share of profit/(loss) after tax of equity-accounted joint ventures and associates	15,008	(6,194)	27,068	(762)
Finance costs	(6,620)	(4,452)	(12,837)	(8,318)
Profit before tax	100,852	107,034	181,410	170,515
Tax expense	(20,486)	(24,826)	(38,498)	(36,160)
Profit for the period	80,366	82,208	142,912	134,355
Profit for the period attributable to:				
Owners of the parent	78,006	79,746	138,078	129,651
Non-controlling interests	2,360	2,462	4,834	4,704
	80,366	82,208	142,912	134,355
Basic earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.52	1.62	2.70	2.63
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.48	1.58	2.64	2.56

(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.)

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Profit for the period (Note B14)	80,366	82,208	142,912	134,355
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	(15,561)	29,744	63,027	28,782
Cash flow hedge	(10,395)	477	(3,635)	648
Fair value of other investments	-	(27,211)	-	(21,294)
Share of other comprehensive income of a joint venture	(4,567)	11,020	36,601	12,390
Other comprehensive income for the period	(30,523)	14,030	95,993	20,526
Total comprehensive income for the period	49,843	96,238	238,905	154,881
Total comprehensive income attributable to:				
Owners of the parent	48,671	93,077	226,912	149,476
Non-controlling interests	1,172	3,161	11,993	5,405
	49,843	96,238	238,905	154,881

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	NOTE	31/12/2015 RM'000	30/06/2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		608,836	583,380
Development of tank terminals		95,227	88,929
Intangible assets		104,948	80,441
Investments in joint ventures and associates	B11	1,226,178	932,903
Other investments		4,914	4,545
Deferred tax assets		46,763	50,756
		2,086,866	1,740,954
CURRENT ASSETS			
Inventories		99,695	89,586
Trade and other receivables	A16	793,922	930,435
Current tax assets		5,750	5,447
Cash and cash equivalents	A17	980,145	866,316
		1,879,512	1,891,784
TOTAL ASSETS		3,966,378	3,632,738
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		519,551	508,329
Treasury shares		(3,625)	(3,625)
Reserves		1,756,522	1,475,053
		2,272,448	1,979,757
Non-controlling interests		72,638	66,891
TOTAL EQUITY		2,345,086	2,046,648
NON-CURRENT LIABILITIES			
Borrowings	B7	743,135	593,809
Deferred tax liabilities		3,834	3,990
		746,969	597,799
CURRENT LIABILITIES			
Trade and other payables	A18	794,580	672,691
Borrowings	B7	46,058	265,108
Current tax liabilities		33,685	50,492
		874,323	988,291
TOTAL LIABILITIES		1,621,292	1,586,090
TOTAL EQUITY AND LIABILITIES		3,966,378	3,632,738
Net assets per share attributable to owners of the parent (sen)		44.4	39.8

(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 31 DECEMBER 2015

	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 2015	508,329	(3,625)	318,279	237,025	919,749	1,979,757	66,891	2,046,648
Total comprehensive income for the period	-	-	-	88,834	138,078	226,912	11,993	238,905
Appropriation :								
Final dividend for FY2015	-	-	-	-	(62,239)	(62,239)	-	(62,239)
Share options granted under ESOS	-	-	-	7,032	-	7,032	318	7,350
Share options exercised	3,372	-	32,886	(8,684)	-	27,574	(950)	26,624
Warrants exercised	7,850	-	118,543	(32,978)	-	93,415	-	93,415
Share issue expenses	-	-	(3)	-	-	(3)	-	(3)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of subsidiary	-	-	-	-	-	-	(4,480)	(4,480)
Balance as at 31 December 2015	519,551	(3,625)	469,705	291,229	995,588	2,272,448	72,638	2,345,086
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

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015

	6 MONTHS ENDED	
	31/12/2015	31/12/2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	181,410	170,515
Adjustments for :		
Depreciation and amortisation expenses	28,577	25,479
Net interest expense	3,729	2,611
Share of results of joint ventures and associates	(27,068)	762
Share options granted under ESOS	7,150	7,050
Other non-cash items	(7,565)	(14,386)
Operating profit before working capital changes	186,233	192,031
Changes in working capital :		
Net change in inventories and receivables	159,945	187,182
Net change in payables	107,398	(160,000)
Cash from operations	453,576	219,213
Dividend and interest received	20,834	21,915
Tax paid	(52,576)	(25,332)
Tax refund	1,004	-
Net cash from operating activities	422,838	215,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares from non-controlling interests	(1,134)	-
Additions of intangible assets	(32,380)	(40,311)
Development of tank terminals	(6,298)	(20,714)
Investments in joint ventures and associates	(245,470)	(39,439)
Net change in deposits with licensed banks	192	(117)
Net cash on disposal of a subsidiary	7,048	-
Proceeds from disposal of property, plant and equipment	1,998	1,287
Proceeds from disposal of other investment	-	58,947
Purchase of property, plant and equipment	(21,872)	(16,393)
Net cash used in investing activities	(297,916)	(56,740)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015 (CONT'D)

	6 MONTHS ENDED	
	31/12/2015	**31/12/2014**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,905)	(6,359)
Dividend paid	(62,239)	(54,500)
Dividend paid to non-controlling interests	-	(55)
Net repayment of bank borrowings	(80,885)	66,520
Proceeds from issuances of shares	120,039	25,468
Share issue expenses	(3)	(423)
Net cash (used in)/from financing activities	(30,993)	30,651
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,929	189,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	865,919	503,008
Effects of exchange rate changes on cash and cash equivalents	20,211	4,147
	886,130	507,155
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	980,059	696,862

(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.)

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 31 December 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.

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 RM519,551,072 by the allotment of 112,218,287 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 33,718,262 share options under the Employees' Share Option Scheme; and

ii. exercise of 78,500,025 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 dividend of 1.2 sen per ordinary share of RM0.10 each, amounting to RM62,238,765 in respect of financial year ended 30 June 2015 was paid on 17 December 2015.

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 2015 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 2015 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	133,131	(474)	10,068	19,720	18,965	-	181,410
Included in the measure of segment profits are:							
Revenue from external customers	*676,265*	*35,145*	*185,355*	*144,185*	*135,041*	-	1,175,991
Inter-segment revenue	*2,010*	*9,340*	*3,325*	-	*30,096*	-	44,771
Depreciation and amortisation	*14,439*	*2,270*	*4,783*	*5,835*	*1,250*	-	28,577
Interest expense	*9,624*	*196*	*938*	*1,391*	*28*	-	12,177
Interest income	*8,182*	*231*	*15*	-	*20*	-	8,448
Share of results of joint ventures and associates	*26,881*	*107*	*80*	-	-	-	27,068
Segment assets	2,947,328	200,489	160,288	340,675	269,782	1,053	3,919,615
Deferred tax assets							46,763
Total assets							3,966,378
Included in the measure of segment assets are:							
Investments in joint ventures and associates	*1,217,596*	*3,538*	*5,044*	-	-	-	1,226,178
Additions to non-current assets:							
- Property, plant & equipment	*12,566*	*769*	*7,515*	*911*	*111*	-	21,872
- Intangible assets	*32,321*	-	*59*	-	-	-	32,380
- Development of tank terminals	*6,298*	-	-	-	-	-	6,298
- Joint ventures and associates	*245,470*	-	-	-	-	-	245,470
Segment liabilities	1,269,298	54,479	75,314	166,152	52,199	16	1,617,458
Deferred tax liabilities							3,834
Total liabilities							1,621,292

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. ("DUSSB"), 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, DUSSB'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

		31/12/2015 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	4,400
	- contracted but not provided for	1,700
		6,100
	Commitments of the Group in respect of tank terminal business	864,400
	Commitments of the Group in respect of upstream business	94,380
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	8,329
	- later than one year and not later than five years	10,051
	- after five years	13,567
		31,947
	b) The Group as lessor	
	- not later than one year	293
	- later than one year and not later than five years	77
		370

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 RM476.0 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 RM351.8 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 SGD193.5 million, equivalents to RM588.3 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 31 December 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 27 October 2015 for recurrent related party transactions.

	6 MONTHS ENDED 31/12/2015 RM'000
Transactions with joint ventures:	
Interest income	1,342
Subcontract works received	113,466
Purchases and cost of services rendered	(1,842)
Tank rental and related expenses	(1,482)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,875
Rental of office premises	311

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Trade and other receivables

	31/12/2015 RM'000
Amounts due from customers for contract works	210,640
Trade receivables	346,198
Other receivables, deposits and prepayments	181,891
Amounts due from joint ventures and associates (trade)	55,193
	793,922

The Group has subsequently collected a total of RM139.1 million 40% from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	31/12/2015 RM'000
Deposits, cash and bank balances	980,145
Deposits pledged to licensed banks	(86)
	980,059

A18 Trade and other payables

	31/12/2015 RM'000
Amounts due to customers for contract works	41,884
Trade payables	618,007
Accruals and other payables	128,559
Amounts due to joint ventures and associates	2,539
Hedge derivative liabilities	3,591
	794,580

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 RM7,150,000 was charged to statement of profit or loss for the current financial period (Q2FY2015: RM7,050,000).

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

B1 Performance analysis

The Group's financial performance for the 2nd quarter ended 31 December 2015 remained healthy despite the current low oil price. Revenue for the current reporting quarter increased by 12.2% to RM639.6 million from RM570.3 million reported in the same period last year. Net profit after tax recorded a slight drop by 2.2% to RM80.4 million against RM82.2 million achieved in the same period last year.

The Group's six months revenue for the current financial year was RM1.176 billion with net profit after tax of RM142.9 million, represent an increase of 5.8% and 6.4% respectively against same period last financial year.

Malaysia operation remained busy this period with engineering, construction and fabrication activities from various on-going projects such as Pengerang Deepwater Terminal Phase 2, MLNG Train 9, Toyo bullet tanks and SAMUR piping works. In addition, the Group was also involved in a major plant turnaround work in Melaka which was successfully completed. However, the higher revenue recorded from these activities was partially offset by slower upstream activities and lower sales in specialist products and services. This had resulted in a drop in net profit after tax contribution from Malaysia operation for the current financial quarter against same period last year.

The Group's International operation recorded better performance in the current quarter under review mainly contributed from fabrication activities in New Zealand, logistic services from Jubail Supply Base in Saudi Arabia and sales of specialist products and services which are mostly denominated in US dollar.

The Group's share of joint ventures profit for the current quarter was RM15.0 million against a loss of RM6.2 million shared in same period last financial year. The share of profit for the current quarter was mainly derived from the Group's interest in terminal operations in Kertih Terengganu, Tanjung Langsat Johor and Pengerang Johor. Pengerang Independent Terminal has fully leased out its storage capacity in first quarter of FY2016.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM100.9 million was 25.2% higher against RM80.6 million recorded in the preceding quarter. This was in line with the 19.3% increase in revenue and higher share of joint ventures profit.

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 remains 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. In addition, the strong demand for storage facilities for petroleum products reinforce the Group's strategy to further develop and invest in the Pengerang Deepwater Terminal for the long term. The Group will continue to benefit from long term sustainable recurring income when the additional tank terminal facilities start operations.

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

B3 Prospects – cont'd.

The Group is currently busy with EPCC works on Phase 2 of Pengerang Deepwater Terminal, 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. The estimated total cost in Phase 2 is RM6.3 billion with 2.1 million m^3 of storage capacity. This project is scheduled to be completed progressively in 2018 and 2019.

The Group had 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^3 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.

Further development of the Pengerang Deepwater Terminal will provide more opportunities for the Group's engineering, construction, fabrication and plant maintenance services. The Group has recently set up a fabrication facility in Pengerang and has position itself to capture opportunities provided within the Pengerang Integrated Petroleum Complex ("PIPC") development.

In the upstream sector, production enhancement activities continue to be carried out in Bayan field and D35, J4 and D21 clusters. Efforts are ongoing to identify and mature new oil opportunities in these mature fields. In addition, the Group is seeking viable production assets which may become available.

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

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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 31/12/2015 RM'000	6 MONTHS ENDED 31/12/2015 RM'000
Current tax	22,681	36,618
Deferred tax	(1,854)	2,626
Over provision in prior year	(341)	(746)
Total tax expense	20,486	38,498
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	23.9%	24.9%

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 while Concord Energy is looking at all the options for the terminal facility which is to provide the necessary handling and storage services to the end customer. The MOU will expire on 20 May 2016.

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 Borrowings and debt securities

As at 31 December 2015, the Group's borrowings were denominated in the following currencies:

	FC'000	**RM'000**
Short term borrowings:		
Secured:		
Ringgit Malaysia	-	20,024
Singapore Dollars	28	84
Unsecured:		
New Zealand Dollars	3,501	10,324
Saudi Riyal	10,000	11,430
Sterling Pounds	397	2,526
Thai Baht	14,000	1,670
		46,058
Long term borrowings:		
Secured:		
Ringgit Malaysia	-	91,216
Unsecured:		
New Zealand Dollars	4,581	13,507
Ringgit Malaysia	-	540,000
Saudi Riyal	85,000	97,159
Thai Baht	10,500	1,253
		743,135
		789,193

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 RM448.6 million (30.06.2015: RM295.8 million) of Islamic financing facility.

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) <u>Notice of Arbitration between Tanjung Langsat Port Sdn Bhd ("TLP") and Dialog E & C Sdn Bhd ("DECSB")</u>

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.

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 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 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 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

B10 Derivative financial instruments

As at 31 December 2015, 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	318	982	16
Euro	315	1,502	(483)
New Zealand Dollar	500	1,414	(59)
Singapore Dollar	364	1,109	41
Sterling Pound	1,796	11,538	(96)
United States Dollar	11,166	44,796	(3,026)

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:

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 RM101,594,000 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 4.87% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM63.8 million as at 31 December 2015.

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

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:

	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	1,144,841	1,036,828
- Unrealised	14,070	25,917
	1,158,911	1,062,745
Total share of retained profits from associates		
- Realised	(1,325)	86
- Unrealised	-	(18)
Total share of retained profits from joint ventures		
- Realised	86,769	80,904
- Unrealised	(13,386)	(16,680)
Total before consolidation adjustments		
- Realised	1,230,285	1,117,818
- Unrealised	684	9,219
	1,230,969	1,127,037
Less: Consolidation adjustments	(235,381)	(207,288)
Total retained profits as per consolidated accounts	995,588	919,749

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

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 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2015	**31/12/2014**	**31/12/2015**	**31/12/2014**
Profit for the financial period attributable to owners of the Company (RM'000)	78,006	79,746	138,078	129,651
Weighted average number of ordinary shares in issue ('000)	5,147,339	4,926,506	5,115,991	4,925,181

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 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2015	**31/12/2014**	**31/12/2015**	**31/12/2014**
Profit for the financial period attributable to owners of the Company (RM'000)	78,006	79,746	138,078	129,651
Weighted average number of ordinary shares in issue ('000)	5,147,339	4,926,506	5,115,991	4,925,181
Effect of dilution due to:				
- Warrants ('000)	51,745	72,624	49,035	93,070
- ESOS ('000)	56,671	44,160	55,351	47,746
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,255,755	5,043,290	5,220,377	5,065,997

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

B14 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 31/12/2015 RM'000	6 MONTHS ENDED 31/12/2015 RM'000
This is arrived at after (charging)/crediting:		
Interest income	3,856	8,448
Interest expense	(6,309)	(12,177)
Depreciation and amortisation	(14,563)	(28,577)
Foreign exchange gain	737	10,538
Loss on forward exchange contract	(79)	(50)
Gain on disposal of subsidiary	-	1,949
Gain on disposal of plant and equipment	857	1,016
Property, plant and equipment written off	(48)	(80)
Rental income	962	1,866
Other miscellaneous income	211	917

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

Date: 16 February 2016