DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended 31 March 2016

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Revenue	641,403	669,760	1,817,394	1,781,599
Operating expenses	(568,324)	(570,060)	(1,601,790)	(1,534,550)
Other operating income	15,750	8,874	40,404	41,120
Share of profit after tax of equity-accounted joint ventures and associates	14,955	7,857	42,023	7,095
Finance costs	(6,707)	(6,276)	(19,544)	(14,594)
Profit before tax	97,077	110,155	278,487	280,670
Tax expense	(16,873)	(24,449)	(55,371)	(60,609)
Profit for the period	80,204	85,706	223,116	220,061
Profit for the period attributable to:				
Owners of the parent	78,919	81,847	216,997	211,498
Non-controlling interests	1,285	3,859	6,119	8,563
	80,204	85,706	223,116	220,061
Basic earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.52	1.65	4.22	4.28
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.49	1.61	4.15	4.17

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Profit for the period (Note B14)	80,204	85,706	223,116	220,061
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	(46,293)	19,235	16,734	48,017
Cash flow hedge	11,899	(167)	8,264	481
Fair value of other investments	-	-	-	(21,294)
Share of other comprehensive income/(loss) of a joint venture	(35,409)	(11,036)	1,192	1,354
Other comprehensive income for the period	(69,803)	8,032	26,190	28,558
Total comprehensive income for the period	10,401	93,738	249,306	248,619
Total comprehensive income attributable to:				
Owners of the parent	14,755	89,754	241,667	239,230
Non-controlling interests	(4,354)	3,984	7,639	9,389
	10,401	93,738	249,306	248,619

(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 31 MARCH 2016

	NOTE	31/03/2016 RM'000	30/06/2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		584,728	583,380
Development of tank terminals		103,316	88,929
Intangible assets		154,800	80,441
Investments in joint ventures and associates	B11	1,189,045	932,903
Other investments		4,623	4,545
Deferred tax assets		50,454	50,756
		2,086,966	1,740,954
CURRENT ASSETS			
Inventories		67,589	89,586
Trade and other receivables	A16	907,683	930,435
Current tax assets		24,233	5,447
Cash and cash equivalents	A17	903,634	866,316
		1,903,139	1,891,784
TOTAL ASSETS		3,990,105	3,632,738
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		522,642	508,329
Treasury shares		(3,625)	(3,625)
Reserves		1,805,333	1,475,053
		2,324,350	1,979,757
Non-controlling interests		67,695	66,891
TOTAL EQUITY		2,392,045	2,046,648
NON-CURRENT LIABILITIES			
Borrowings	B7	694,601	593,809
Deferred tax liabilities		3,043	3,990
		697,644	597,799
CURRENT LIABILITIES			
Trade and other payables	A18	731,312	672,691
Borrowings	B7	129,558	265,108
Current tax liabilities		39,546	50,492
		900,416	988,291
TOTAL LIABILITIES		1,598,060	1,586,090
TOTAL EQUITY AND LIABILITIES		3,990,105	3,632,738
Net assets per share attributable to owners of the parent (sen)		45.2	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 MARCH 2016

	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	-	-	-	24,670	216,997	241,667	7,639	249,306
Appropriation :								
Final dividend for FY2015	-	-	-	-	(62,239)	(62,239)	-	(62,239)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(439)	(439)
Share options granted under ESOS	-	-	-	10,548	-	10,548	477	11,025
Share options exercised	4,353	-	43,111	(11,364)	-	36,100	(1,259)	34,841
Warrants exercised	9,960	-	150,407	(41,843)	-	118,524	-	118,524
Share issue expenses	-	-	(7)	-	-	(7)	-	(7)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of subsidiary	-	-	-	-	-	-	(4,480)	(4,480)
Balance as at 31 March 2016	522,642	(3,625)	511,790	219,036	1,074,507	2,324,350	67,695	2,392,045
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	-	-	-	27,732	211,498	239,230	9,389	248,619
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	-	-	-	10,387	-	10,387	488	10,875
Bonus Issue	245,753	-	(245,753)	-	-	-	-	-
Share options exercised	4,276	-	27,436	(7,254)	-	24,458	(861)	23,597
Warrants exercised	9,516	-	145,092	(40,339)	-	114,269	-	114,269
Share issue expenses	-	-	(431)	-	-	(431)	-	(431)
Balance as at 31 March 2015	505,429	(3,625)	281,848	223,629	906,854	1,914,135	60,180	1,974,315

(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 31 MARCH 2016

	9 MONTHS ENDED	
	31/03/2016 RM'000	31/03/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	278,487	280,670
Adjustments for :		
Depreciation and amortisation expenses	42,781	38,412
Net interest expense	6,330	4,390
Share of results of joint ventures and associates	(42,023)	(7,095)
Share options granted under ESOS	10,726	10,576
Other non-cash items	(2,668)	13,846
Operating profit before working capital changes	293,633	340,799
Changes in working capital :		
Net change in inventories and receivables	59,822	87,242
Net change in payables	55,826	(8,392)
Cash from operations	409,281	419,649
Dividend and interest received	24,460	25,976
Tax paid	(87,995)	(46,730)
Tax refund	1,004	317
Net cash from operating activities	346,750	399,212
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares from non-controlling interests	(1,134)	-
Additions of intangible assets	(85,985)	(46,674)
Development of tank terminals	(14,388)	268,084
Investments in joint ventures and associates	(230,164)	(224,080)
Net change in deposits with licensed banks	(251)	(300)
Net cash on disposal of a subsidiary	7,048	-
Proceeds from disposal of property, plant and equipment	2,626	1,789
Proceeds from disposal of other investment	-	59,171
Purchase of property, plant and equipment	(30,502)	(36,082)
Net cash (used in)/from investing activities	(352,750)	21,908

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2016 (CONT'D)

	9 MONTHS ENDED	
	31/03/2016 RM'000	**31/03/2015 RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(12,863)	(10,922)
Dividend paid	(62,239)	(54,500)
Dividend paid to non-controlling interests	(439)	(55)
Net repayment of bank borrowings	(39,858)	(103,348)
Proceeds from issuances of shares	153,365	137,866
Share issue expenses	(7)	(431)
Net cash from/(used in) financing activities	37,959	(31,390)
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,959	389,730
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	5,228	6,506
	871,147	509,514
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	903,106	899,244

(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 March 2016.

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 RM522,641,669 by the allotment of 143,124,249 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 43,523,591 share options under the Employees' Share Option Scheme; and

ii. exercise of 99,600,658 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 March 2016 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONT'D

A11 Operating segments

The Group is principally involved in providing integrated technical services to the petroleum and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax as included in the internal management report reviewed by chief operating decision maker.

The Group's operating segments for the financial period ended 31 March 2016 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	207,331	2,705	14,460	27,837	26,154	-	278,487
Included in the measure of segment profits are:							
Revenue from external customers	*1,097,929*	*54,563*	*270,158*	*201,128*	*193,616*	-	1,817,394
Inter-segment revenue	*3,387*	*15,884*	*4,169*	-	*1,969*	-	25,409
Depreciation and amortisation	*21,932*	*3,190*	*7,290*	*8,577*	*1,792*	-	42,781
Interest expense	*14,530*	*257*	*1,333*	*2,373*	-	-	18,493
Interest income	*11,763*	*348*	*22*	-	*30*	-	12,163
Share of results of joint ventures and associates	*41,913*	*129*	*(19)*	-	-	-	42,023
Segment assets	3,043,836	201,978	163,046	312,288	217,678	825	3,939,651
Deferred tax assets							50,454
Total assets							3,990,105
Included in the measure of segment assets are:							
Investments in joint ventures and associates	*1,180,870*	*3,396*	*4,779*	-	-	-	1,189,045
Additions to non-current assets:							
- Property, plant & equipment	*14,671*	*972*	*14,762*	*1,555*	*27*	-	31,987
- Intangible assets	*85,926*	-	*59*	-	-	-	85,985
- Development of tank terminals	*14,388*	-	-	-	-	-	14,388
- Joint ventures and associates	*230,164*	-	-	-	-	-	230,164
Segment liabilities	1,293,154	55,452	77,217	135,384	33,797	13	1,595,017
Deferred tax liabilities							3,043
Total liabilities							1,598,060

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.

(v) In March 2016, the Company incorporated an indirect wholly owned subsidiary in Malaysia. The name of the new subsidiary company is Sungai Rengit Industrial Estate Sdn. Bhd. ("SRIE"). SRIE has an issued and fully paid-up ordinary share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each. The intended business activity of SRIE is to develop an industrial estate within the Group's deepwater terminal land to support the development of the petroleum and petrochemical industry in Pengerang, Johor.

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

A13 Commitments

	31/03/2016 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	4,300
- contracted but not provided for	900
	5,200
Commitments of the Group in respect of tank terminal business	828,900
Commitments of the Group in respect of upstream business	78,000

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A13 Commitments – cont'd.

	31/03/2016 RM'000
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	7,429
- later than one year and not later than five years	8,600
- after five years	10,721
	26,750
b) The Group as lessor	
- not later than one year	254
- later than one year and not later than five years	46
	300

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,128.2 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 RM355.8 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 SGD187.3 million, equivalents to RM543.1 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 March 2016 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.

	9 MONTHS ENDED 31/03/2016 RM'000
Transactions with joint ventures:	
Dividend income	19,930
Interest income	2,003
Subcontract works received	200,318
Purchases and cost of services rendered	(2,055)
Tank rental and related expenses	(2,215)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	3,999
Rental of office premises	456

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Trade and other receivables

	31/03/2016 RM'000
Amounts due from customers for contract works	361,769
Trade receivables	306,762
Other receivables, deposits and prepayments	175,188
Amounts due from joint ventures and associates (trade)	55,597
Hedge derivative assets	8,367
	907,683

The Group has subsequently collected a total of RM 144.4 million 47% from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	31/03/2016 RM'000
Deposits, cash and bank balances	903,634
Deposits pledged to licensed banks	(528)
	903,106

A18 Trade and other payables

	31/03/2016 RM'000
Amounts due to customers for contract works	31,656
Trade payables	593,375
Accruals and other payables	105,122
Amounts due to joint ventures and associates	1,159
	731,312

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 RM10,726,000 was charged to statement of profit or loss for the current financial period (Q3FY2015: RM10,576,000).

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

B1 Performance analysis

The Group closed its 3rd quarter ended 31 March 2016 with revenue of RM641.4 million and net profit after tax of RM80.2 million. These represent a slight decreased by 4.2% and 6.4% respectively against corresponding quarter last year.

The Group's nine months revenue for the current financial year was RM1.82 billion with net profit after tax of RM223.1 million, an increase of 2.0% and 1.4% respectively against same period last year.

The Malaysia operation remained busy this period with engineering, construction and fabrication activities from various on-going projects such as Pengerang Deepwater Terminal Phase 2, Jetty Topside works for Samsung, MLNG Train 9, Toyo bullet tanks and SAMUR piping works. However, these activities were partially offset by slower upstream activities and lower sales in specialist products and services. 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 front, net profit after tax contribution for the current financial quarter was higher against same period last year. This was attributable to the higher fabrication activities in New Zealand and engineering and construction activities in Singapore.

The Group's share of joint ventures profit for the current quarter was also higher when compared to same period last year. This was mainly attributable to increased contribution from Pengerang Independent Terminal which has fully leased out its storage capacity since first quarter of FY2016.

B2 Variation of results against preceding quarter

The Group's profit before tax of RM97.1 million was 3.7% lower against RM100.9 million recorded in the preceding quarter. This was attributable to lower sales of specialist products and services in Malaysia and International.

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 positioned 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.

INTERIM FINANCIAL REPORT

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 3 MONTHS ENDED 31/03/2016 RM'000	CUMULATIVE PERIOD 9 MONTHS ENDED 31/03/2016 RM'000
Current tax	21,566	58,184
Deferred tax	(5,593)	(2,967)
Over provision in prior year	900	154
Total tax expense	16,873	55,371
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	20.5%	23.4%

B6 Status of corporate proposals

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

Dialog Pengerang Sdn Bhd ("DPSB"), a wholly owned subsidiary of the Company, 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.

There has been no further progress on the feasibility study of the terminal and 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 March 2016, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollars	501	1,351
Ringgit Malaysia	-	20,024
Singapore Dollars	20	58
Unsecured:		
European dollars	80	354
New Zealand Dollars	1,786	4,816
Ringgit Malaysia	-	44,000
Saudi Riyal	10,000	10,363
Sterling Pounds	393	2,205
Thai Baht	14,000	1,553
United States Dollar	11,496	44,834
		129,558
Long term borrowings:		
Secured:		
New Zealand Dollars	4,455	12,016
Ringgit Malaysia	-	86,210
United States Dollar	1,800	7,020
Unsecured:		
New Zealand Dollars	1,667	4,495
Ringgit Malaysia	-	496,000
Saudi Riyal	85,000	88,084
Thai Baht	7,000	776
		694,601
		824,159

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 RM490.3 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) 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 postponed to February 2017. 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

a) The Board of Directors declared an interim dividend of 1.0 sen (previous corresponding period: 1.0 sen) per ordinary share in respect of the financial year ending 30 June 2016.

The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 14 June 2016 and the date of payment will be on 28 June 2016.

b) The total dividend for current financial period to date is 1.0 sen per ordinary share of RM0.10 each.

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

B10 Derivative financial instruments

As at 31 March 2016, 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:			
Euro	265	1,253	(80)
New Zealand Dollar	400	1,131	6
Singapore Dollar	121	363	13
United States Dollar	22,417	95,924	8,415

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 the following interest rate swaps contracts to swap the notional principals amount from floating interest rate to fixed rate to hedge against interest rate fluctuations.

	Notional Principals Amount		Expires on
	USD'000	**RM'000**	
i) Interest Rate Swaps	-	96,594	June 2018
ii) Interest Rate Swaps	68,000	-	January 2023

B11 Investments in joint ventures and associates

Included in the investments in joint ventures and associates was unsecured advances amounted to RM105.3 million. The advances bear interest at rates ranging from 4.50% to 6.50% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM111.3 million as at 31 March 2016.

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 31/03/2016 RM'000	**As at 30/06/2015 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	1,195,362	1,036,828
- Unrealised	15,196	25,917
	1,210,558	1,062,745
Total share of retained profits from associates		
- Realised	(1,488)	86
- Unrealised	-	(18)
Total share of retained profits from joint ventures		
- Realised	112,937	80,904
- Unrealised	(13,113)	(16,680)
Total before consolidation adjustments		
- Realised	1,306,811	1,117,818
- Unrealised	2,083	9,219
	1,308,894	1,127,037
Less: Consolidation adjustments	(234,387)	(207,288)
Total retained profits as per consolidated accounts	1,074,507	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		CUMULATIVE PERIOD	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Profit for the financial period attributable to owners of the Company (RM'000)	78,919	81,847	216,997	211,498
Weighted average number of ordinary shares in issue ('000)	5,204,498	4,969,502	5,145,279	4,939,739

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		9 MONTHS ENDED	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Profit for the financial period attributable to owners of the Company (RM'000)	78,919	81,847	216,997	211,498
Weighted average number of ordinary shares in issue ('000)	5,204,498	4,969,502	5,145,279	4,939,739
Effect of dilution due to:				
- Warrants ('000)	42,920	73,855	43,554	75,527
- ESOS ('000)	36,378	50,276	36,650	50,696
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,283,796	5,093,633	5,225,483	5,065,962

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 31/03/2016 RM'000	9 MONTHS ENDED 31/03/2016 RM'000
This is arrived at after (charging)/crediting:		
Interest income	3,715	12,163
Interest expense	(6,316)	(18,493)
Depreciation and amortisation	(14,203)	(42,781)
Foreign exchange gain	8,696	19,234
Gain on forward exchange contract	65	15
Gain on disposal of subsidiary	-	1,949
Gain on disposal of plant and equipment	543	1,559
Property, plant and equipment written off	(158)	(238)
Rental income	1,788	3,655
Other miscellaneous income	1,165	2,081

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

Date: 18 May 2016