DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Year Ended 30 June 2016

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Revenue	717,089	576,584	2,534,483	2,358,183
Operating expenses	(668,237)	(479,323)	(2,270,027)	(2,013,873)
Other operating income	19,658	764	60,062	41,884
Share of profit after tax of equity-accounted joint ventures and associates	28,743	(1,349)	70,766	5,746
Finance costs	(7,014)	(6,851)	(26,558)	(21,445)
Profit before tax	90,239	89,825	368,726	370,495
Tax expense	(12,006)	(24,588)	(67,377)	(85,197)
Profit for the year	78,233	65,237	301,349	285,298
Profit for the year attributable to:				
Owners of the parent	77,932	63,632	294,929	275,130
Non-controlling interests	301	1,605	6,420	10,168
	78,233	65,237	301,349	285,298
Basic earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.48	1.26	5.70	5.54
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.46	1.23	5.62	5.40

(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 YEAR ENDED 30 JUNE 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Profit for the year (Note B14)	78,233	65,237	301,349	285,298
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	23,208	11,152	39,942	59,169
Cash flow hedge	(14,129)	234	(5,865)	715
Fair value of other investments	-	-	-	(21,294)
Share of other comprehensive income of a joint venture	5,476	18,934	6,668	20,288
Other comprehensive income for the year	14,555	30,320	40,745	58,878
Total comprehensive income for the year	92,788	95,557	342,094	344,176
Total comprehensive income attributable to:				
Owners of the parent	89,876	88,404	331,543	327,634
Non-controlling interests	2,912	7,153	10,551	16,542
	92,788	95,557	342,094	344,176

(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 30 JUNE 2016

	NOTE	30/06/2016 RM'000	30/06/2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		582,810	583,380
Development of tank terminals		250,946	88,929
Intangible assets		155,283	80,441
Investments in joint ventures and associates	B11	1,290,649	932,903
Other investments		4,732	4,545
Deferred tax assets		61,233	50,756
		2,345,653	1,740,954
CURRENT ASSETS			
Inventories		86,095	89,586
Trade and other receivables	A16	746,377	930,435
Current tax assets		13,778	5,447
Cash and cash equivalents	A17	944,383	866,316
		1,790,633	1,891,784
TOTAL ASSETS		4,136,286	3,632,738
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		526,949	508,329
Treasury shares		(3,625)	(3,625)
Reserves		1,891,413	1,475,053
		2,414,737	1,979,757
Non-controlling interests		68,618	66,891
TOTAL EQUITY		2,483,355	2,046,648
NON-CURRENT LIABILITIES			
Borrowings	B7	713,537	593,809
Deferred tax liabilities		4,871	3,990
		718,408	597,799
CURRENT LIABILITIES			
Trade and other payables	A18	741,661	672,691
Borrowings	B7	161,545	265,108
Current tax liabilities		31,317	50,492
		934,523	988,291
TOTAL LIABILITIES		1,652,931	1,586,090
TOTAL EQUITY AND LIABILITIES		4,136,286	3,632,738
Net assets per share attributable to owners of the parent (sen)		46.7	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.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 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 year	-	-	-	36,614	294,929	331,543	10,551	342,094
Appropriation :								
Final dividend for FY2015	-	-	-	-	(62,239)	(62,239)	-	(62,239)
Interim dividend for FY2016	-	-	-	-	(52,657)	(52,657)	-	(52,657)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,173)	(2,173)
Share options granted under ESOS	-	-	-	14,734	-	14,734	597	15,331
Share options exercised	5,274	-	51,732	(12,217)	-	44,789	(1,634)	43,155
Warrants exercised	13,346	-	201,539	(56,067)	-	158,818	-	158,818
Share issue expenses	-	-	(8)	-	-	(8)	-	(8)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of subsidiary	-	-	-	-	-	-	(4,480)	(4,480)
Balance as at 30 June 2016	526,949	(3,625)	571,542	220,089	1,099,782	2,414,737	68,618	2,483,355
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 year	-	-	-	52,504	275,130	327,634	16,542	344,176
Appropriation :								
Special share dividend FY2014	-	21,194	-	-	-	21,194	-	21,194
Final dividend for FY2014	-	-	-	-	(54,500)	(54,500)	-	(54,500)
Interim dividend for FY2015	-	-	-	-	(50,737)	(50,737)	-	(50,737)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(62)	(62)
Share options granted under ESOS	-	-	-	8,770	-	8,770	370	9,140
Bonus Issue	245,753	-	(245,753)	-	-	-	-	-
Share options exercised	5,132	-	33,137	(8,427)	-	29,842	(1,178)	28,664
Warrants exercised	11,560	-	175,955	(48,925)	-	138,590	-	138,590
Share issue expenses	-	-	(564)	-	-	(564)	-	(564)
Balance as at 30 June 2015	508,329	(3,625)	318,279	237,025	919,749	1,979,757	66,891	2,046,648

(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 YEAR ENDED 30 JUNE 2016

	12 MONTHS ENDED	
	30/06/2016	**30/06/2015**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	368,726	370,495
Adjustments for :		
Depreciation and amortisation expenses	60,854	50,747
Net interest expense	6,691	5,466
Share of results of joint ventures and associates	(70,766)	(5,746)
Share options granted under ESOS	15,034	8,822
Other non-cash items	(4,074)	(16,705)
Operating profit before working capital changes	376,465	413,079
Changes in working capital :		
Net change in inventories and receivables	63,916	(10,121)
Net change in payables	53,629	31,751
Cash from operations	494,010	434,709
Dividend and interest received	46,331	48,454
Tax paid	(107,601)	(76,818)
Tax refunded	1,779	382
Net cash from operating activities	434,519	406,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares from non-controlling interests	(1,134)	-
Additions of intangible assets	(93,717)	(52,072)
Development of tank terminals	(21,041)	255,955
Investments in joint ventures and associates	(314,932)	(191,835)
Net change in deposits with licensed banks	(979)	(163)
Net cash on disposal of a subsidiary	7,048	1,036
Proceeds from disposal of property, plant and equipment	12,344	3,936
Proceeds from disposal of other investment	-	59,171
Purchase of property, plant and equipment	(34,814)	(61,438)
Net cash (used in)/from investing activities	(447,225)	14,590

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016 (CONT'D)

	12 MONTHS ENDED	
	30/06/2016	**30/06/2015**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(17,444)	(20,134)
Dividend paid	(114,896)	(105,237)
Dividend paid to non-controlling interests	(2,173)	(62)
Net drawndown/(repayment) of bank borrowings	7,369	(114,309)
Proceeds from issuances of shares	201,973	167,254
Share issue expenses	(8)	(564)
Net cash from/(used in) financing activities	74,821	(73,052)
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,115	348,265
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	865,919	503,008
Effects of exchange rate changes on cash and cash equivalents	15,091	14,646
	881,010	517,654
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A17)	943,125	865,919

(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 year ended 30 June 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 year.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A7 Debt and equity securities

During the current financial year, the issued and paid-up share capital was increased from RM508,329,244 to RM526,948,599 by the allotment of 186,193,550 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 52,732,728 share options under the Employees' Share Option Scheme; and

ii. exercise of 133,460,822 warrants.

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

A8 Dividends paid

i. 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.

ii. An interim dividend of 1.0 sen per ordinary share of RM0.10 each, amounting to RM52,657,262 in respect of financial year ended 30 June 2016 was paid on 28 June 2016.

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 financial year

There were no material events subsequent to the current financial year ended 30 June 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 year ended 30 June 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	283,518	3,647	14,986	31,577	34,998	-	368,726
Included in the measure of segment profits are:							
Revenue from external customers	*1,611,637*	*86,386*	*339,059*	*242,908*	*254,493*	-	2,534,483
Inter-segment revenue	*4,557*	*20,541*	*5,452*	-	*4,219*	-	34,769
Depreciation and amortisation	*33,167*	*4,177*	*9,924*	*11,140*	*2,446*	-	60,854
Interest expense	*19,866*	*40*	*1,757*	*3,327*	*103*	-	25,093
Interest income	*17,599*	*682*	*36*	*44*	*41*	-	18,402
Share of results of joint ventures and associates	*70,692*	*161*	*(87)*	-	-	-	70,766
Segment assets	3,142,828	234,608	153,790	311,955	231,103	769	4,075,053
Deferred tax assets							61,233
Total assets							4,136,286
Included in the measure of segment assets are:							
Investments in joint ventures and associates	*1,282,195*	*3,535*	*4,919*	-	-	-	1,290,649
Additions to non-current assets:							
- Property, plant & equipment	*13,328*	*924*	*17,032*	*2,955*	*575*	-	34,814
- Intangible assets	*93,649*	*8*	*60*	-	-	-	93,717
- Development of tank terminals	*21,041*	-	-	-	-	-	21,041
- Joint ventures and associates	*314,932*	-	-	-	-	-	314,932
Segment liabilities	1,341,788	73,558	65,665	133,216	33,830	3	1,648,060
Deferred tax liabilities							4,871
Total liabilities							1,652,931

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 Sungai Rengit Industrial Estate Sdn. Bhd. ("SRIE"), an indirect wholly owned subsidiary in Malaysia. 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 year.

A13 Commitments

	30/06/2016 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	4,000
- contracted but not provided for	900
	4,900
Commitments of the Group in respect of tank terminal business	797,900
Commitments of the Group in respect of upstream business	80,600

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A13 Commitments – cont'd.

	30/06/2016 RM'000
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	7,063
- later than one year and not later than five years	8,586
- after five years	12,257
	27,906
b) The Group as lessor	
- not later than one year	2,004
- later than one year and not later than five years	824
	2,828

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,153.9 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 RM364.9 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 SGD181.6 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 year 30 June 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.

	12 MONTHS ENDED 30/06/2016 RM'000
Transactions with joint ventures and associate:	
Dividend income	39,430
Interest income	3,852
Subcontract works received	287,844
Purchases and cost of services rendered	(2,611)
Tank rental and related expenses	(2,947)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	6,991
Rental of office premises	601

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Trade and other receivables

	30/06/2016 RM'000
Amounts due from customers for contract works	426,334
Trade receivables	241,031
Other receivables, deposits and prepayments	35,224
Amounts due from joint ventures and associates (trade)	41,655
Hedge derivative assets	2,133
	746,377

The Group has subsequently collected a total of RM112 million 46% from the outstanding trade receivables as at the date of this report.

A17 Cash and cash equivalents

	30/06/2016 RM'000
Deposits, cash and bank balances	944,383
Deposits pledged to licensed banks	(1,258)
	943,125

A18 Trade and other payables

	30/06/2016 RM'000
Amounts due to customers for contract works	63,151
Trade payables	586,269
Accruals and other payables	82,823
Amounts due to joint ventures and associates	1,486
Hedge derivative liabilities	7,932
	741,661

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 RM15,034,000 was charged to statement of profit or loss for the current financial year (FY2015: RM8,822,000).

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

B1 Performance analysis

The Group closed its financial year ended 30th June 2016 with revenue of RM2.53 billion and net profit after tax of RM301.3 million. These represented an increase of 7.5% and 5.6% respectively from last financial year. As for the current reporting quarter, the Group recorded revenue of RM 717.1 million with net profit after tax of RM78.2 million, higher by 24.4% and 19.9% respectively against corresponding quarter last year.

During the financial year under review, the Malaysia operation was busy in midstream and downstream activities with engineering, construction and fabrication works 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, the slower upstream activities and the mutual termination of the Balai Cluster's Risk Service Contract had resulted in reduced sales in specialist products and services and lesser project works from this sector. Consequently this caused a drop in net profit after tax contribution from Malaysia operation for the current financial quarter and year under review.

The revenue and net profit after tax contribution from International operation for the current financial quarter and year were lower when compared to corresponding periods last year. This was mainly attributed by lower sales of specialist products and services in upstream.

The lower contribution from Malaysia and International operations had resulted to a 17.5% drop in the Group's operating profits after tax. However, the Group's share of joint ventures profits for the current financial year of RM70.8 million was significantly higher when compared to last financial 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 RM90.2 million was 7.1% lower against RM97.1 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 about 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 and opportunities 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 2017 despite a very challenging economic situation for the oil and gas industry.

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 year.

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2016 RM'000	12 MONTHS ENDED 30/06/2016 RM'000
Current tax	21,124	79,308
Deferred tax	(9,324)	(12,292)
Over provision in prior years	206	361
Total tax expense	12,006	67,377
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	19.5%	22.6%

B6 Status of corporate proposals

There is no 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 30 June 2016, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollars	501	1,438
Ringgit Malaysia	-	20,024
Singapore Dollars	13	37
Unsecured:		
Euro	499	2,235
New Zealand Dollars	1,786	5,125
Ringgit Malaysia	-	54,000
Saudi Riyal	15,000	16,146
Sterling Pounds	64	351
Thai Baht	14,000	1,606
United States Dollar	15,033	60,583
		161,545
Long term borrowings:		
Secured:		
New Zealand Dollars	4,330	12,429
Ringgit Malaysia	-	81,204
United States Dollar	13,294	53,575
Unsecured:		
New Zealand Dollars	1,595	4,579
Ringgit Malaysia	-	486,000
Saudi Riyal	70,000	75,349
Thai Baht	3,500	401
		713,537
		875,082

The borrowings of the Group are mainly to part finance its investment in tank terminals and logistic business. Included in the borrowings for the current financial year is RM545.7 million (30.06.2015: RM295.8 million) of Islamic financing facility.

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

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 2017.

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 2017.

B9 Dividends

a) The Board recommends a final dividend of 1.2 sen (previous corresponding year: 1.2 sen) per ordinary share of RM0.10 each in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.

b) The total dividend for the current financial year of 2.2 sen per ordinary share amounting to approximately RM 116,000,000 comprises of the following:-

(i) Interim dividend of 1.0 sen per ordinary share amounted to RM 52,657,262

(ii) Proposed final dividend of 1.2 sen per ordinary share of approximately RM 63,300,000

The total dividend for the previous financial year of 2.2 sen per ordinary share amounted to RM112,975,818.

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

B10 Derivative financial instruments

As at 30 June 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	238	1,148	(81)
New Zealand Dollar	263	741	(13)
Sterling Pound	406	2,403	(197)
Japanese Yen	31,360	1,164	65
United States Dollar	52,588	213,075	967

These forward contracts are mainly to hedge the foreign currency risk associated with trade receivables and trade payables.

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 derivative financial instruments 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 Swap	-	91,594	June 2018
ii) Interest Rate Swap	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 RM166.3 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 RM173 million as at 30 June 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 30/06/2016 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	1,206,155	1,036,828
- Unrealised	22,454	25,917
	1,228,609	1,062,745
Total share of retained profits from associates		
- Realised	(1,632)	86
- Unrealised	-	(18)
Total share of retained profits from joint ventures		
- Realised	101,968	80,904
- Unrealised	9,696	(16,680)
Total before consolidation adjustments		
- Realised	1,306,491	1,117,818
- Unrealised	32,150	9,219
	1,338,641	1,127,037
Less: Consolidation adjustments	(238,859)	(207,288)
Total retained profits as per consolidated accounts	1,099,782	919,749

The above consolidation adjustments are mainly for issuance of bonus shares, non-controlling interests' share of equity and unrealised profits from services 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 year is calculated by dividing the profit for the financial year 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 12 MONTHS ENDED	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit for the financial year attributable to owners of the Company (RM'000)	77,932	63,632	294,929	275,130
Weighted average number of ordinary shares in issue ('000)	5,249,222	5,059,438	5,171,122	4,969,582

Diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year 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 year. 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 year and exercise price.

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit for the financial year attributable to owners of the Company (RM'000)	77,932	63,632	294,929	275,130
Weighted average number of ordinary shares in issue ('000)	5,249,222	5,059,438	5,171,122	4,969,582
Effect of dilution due to:				
- Warrants ('000)	33,316	75,134	34,666	71,313
- ESOS ('000)	37,851	50,941	38,630	49,859
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,320,389	5,185,513	5,244,418	5,090,754

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

B14 Profit for the year

	INDIVIDUAL PERIOD 3 MONTHS ENDED 30/06/2016 RM'000	CUMULATIVE PERIOD 12 MONTHS ENDED 30/06/2016 RM'000
This is arrived at after (charging)/crediting:		
Interest income	6,239	18,402
Interest expense	(6,600)	(25,093)
Depreciation and amortisation	(18,074)	(60,854)
Foreign exchange gain	7,538	26,773
Gain on disposal of subsidiary	-	1,949
Gain on disposal of plant and equipment	5,166	6,725
Property, plant and equipment written off	(26)	(264)
Rental income	1,169	4,824
Impairment loss for goodwill	(1,209)	(1,209)
Other miscellaneous income	780	2,861

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

Date: 18 August 2016