DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
30 September 2016

DIALOG GROUP BERHAD
Company No. 178694 – V
(Incorporated in Malaysia)

DIALOG

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	653,551	536,365	653,551	536,365
Operating expenses	(603,066)	(479,729)	(603,066)	(479,729)
Other operating income	27,178	18,079	27,178	18,079
Share of profit after tax of equity-accounted joint ventures and associates	25,071	12,060	25,071	12,060
Finance costs	(7,078)	(6,217)	(7,078)	(6,217)
Profit before tax	95,656	80,558	95,656	80,558
Tax expense	(14,350)	(18,012)	(14,350)	(18,012)
Profit for the period	81,306	62,546	81,306	62,546
Profit for the period attributable to:				
Owners of the parent	81,336	60,072	81,336	60,072
Non-controlling interests	(30)	2,474	(30)	2,474
	81,306	62,546	81,306	62,546
Basic earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.54	1.18	1.54	1.18
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B13)	1.53	1.16	1.53	1.16

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Profit for the period (Note B14)	81,306	62,546	81,306	62,546
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	12,706	78,588	12,706	78,588
Cash flow hedge	(3,194)	6,760	(3,194)	6,760
Share of other comprehensive income of a joint venture	1,786	41,168	1,786	41,168
Other comprehensive income for the period	11,298	126,516	11,298	126,516
Total comprehensive income for the period	92,604	189,062	92,604	189,062
Total comprehensive income attributable to:				
Owners of the parent	92,181	178,241	92,181	178,241
Non-controlling interests	423	10,821	423	10,821
	92,604	189,062	92,604	189,062

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	NOTE	30/09/2016 RM'000	30/06/2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		586,793	582,810
Development of tank terminals		254,176	250,946
Intangible assets		152,978	155,283
Investments in joint ventures and associates	B11	1,482,964	1,290,649
Other investments		4,913	4,732
Deferred tax assets		61,334	61,233
		2,543,158	2,345,653
CURRENT ASSETS			
Inventories		83,160	86,095
Trade and other receivables	A16	872,795	746,377
Current tax assets		15,978	13,778
Cash and cash equivalents	A17	1,023,380	944,383
		1,995,313	1,790,633
TOTAL ASSETS		4,538,471	4,136,286
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		530,168	526,949
Treasury shares		(3,625)	(3,625)
Reserves		2,024,633	1,891,413
		2,551,176	2,414,737
Non-controlling interests		68,964	68,618
TOTAL EQUITY		2,620,140	2,483,355
NON-CURRENT LIABILITIES			
Borrowings	B7	704,310	713,537
Deferred tax liabilities		5,947	4,871
		710,257	718,408
CURRENT LIABILITIES			
Trade and other payables	A18	946,453	741,661
Borrowings	B7	231,080	161,545
Current tax liabilities		30,541	31,317
		1,208,074	934,523
TOTAL LIABILITIES		1,918,331	1,652,931
TOTAL EQUITY AND LIABILITIES		4,538,471	4,136,286
Net assets per share attributable to owners of the parent (sen)		48.3	46.7

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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 2016	526,949	(3,625)	571,542	220,089	1,099,782	2,414,737	68,618	2,483,355
Total comprehensive income for the period	-	-	-	10,845	81,336	92,181	423	92,604
Share options vested under ESOS	-	-	-	6,966	-	6,966	284	7,250
Share options exercised	394	-	4,163	(874)	-	3,683	(361)	3,322
Warrants exercised	2,825	-	42,656	(11,867)	-	33,614	-	33,614
Share issue expenses	-	-	(5)	-	-	(5)	-	(5)
Balance as at 30 September 2016	530,168	(3,625)	618,356	225,159	1,181,118	2,551,176	68,964	2,620,140
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	-	-	-	118,169	60,072	178,241	10,821	189,062
Share options vested under ESOS	-	-	-	3,516	-	3,516	159	3,675
Share options exercised	142	-	1,423	(399)	-	1,166	(24)	1,142
Warrants exercised	809	-	12,221	(3,400)	-	9,630	-	9,630
Share issue expenses	-	-	(1)	-	-	(1)	-	(1)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of shares in a subsidiary	-	-	-	-		-	(4,480)	(4,480)
Balance as at 30 September 2015	509,280	(3,625)	331,922	354,911	979,821	2,172,309	72,233	2,244,542

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	3 MONTHS ENDED	
	30/09/2016	30/09/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	95,656	80,558
Adjustments for :		
Depreciation and amortisation expenses	18,596	14,015
Net interest expense / (income)	(436)	1,276
Share of results of joint ventures and associates	(25,071)	(12,060)
Share options vested under ESOS	7,150	3,575
Other non-cash items	(17,696)	(9,712)
Operating profit before working capital changes	78,199	77,652
Changes in working capital :		
Net change in inventories and receivables	(119,361)	48,067
Net change in payables	198,442	85,084
Cash from operations	157,280	210,803
Dividend and interest received	6,497	1,337
Tax paid	(18,180)	(37,477)
Tax refunded	2,462	524
Net cash from operating activities	148,059	175,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares from non-controlling interests	-	(1,134)
Additions of intangible assets	(5,229)	(7,678)
Additions of other investment	(95)	-
Development of tank terminals	(3,230)	(3,769)
Investments in joint ventures and associates	(164,440)	(119,756)
Net change in deposits with licensed banks	(1,701)	200
Net cash on disposal of a subsidiary	-	7,048
Proceeds from disposal of property, plant and equipment	19,278	777
Purchase of property, plant and equipment	(8,589)	(12,021)
Net cash used in from investing activities	(164,006)	(136,333)

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

	3 MONTHS ENDED	
	30/09/2016 RM'000	30/09/2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,724)	(3,283)
Net drawndown/(repayment) of bank borrowings	58,455	(82,891)
Proceeds from issuances of shares	36,936	10,772
Share issue expenses	(5)	(1)
Net cash from/(used in) financing activities	88,662	(75,403)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	72,715	(36,549)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	943,125	865,919
Effects of exchange rate changes on cash and cash equivalents	4,545	24,685
	947,670	890,604
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	1,020,385	854,055

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2016 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 2016. 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 2016.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2016 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 2016 except as discussed below:

As of 1 July 2016, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs		**Effective for financial year beginning on or after**
Amendments to MFRS 10, 12 and 128	*Investmet Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101	*Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and 138	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 127	*Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs	*Annual Improvements to 2012 - 2014 Cycle*	1 January 2016

The Group has also early adopted the Amendments to MFRS 10 and 128 on *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* that has been issued by MASB.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A3 Auditors' report of preceding annual audited financial statements

The auditors' report on preceding year's audited financial statements was not subject to any qualification.

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 30 September 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.

A7 Debt and equity securities

During the current financial period, the issued and paid-up share capital was increased from RM526,948,599 to RM530,167,960 by the allotment of 32,193,616 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 3,946,422 share options under the Employees' Share Option Scheme; and

ii. exercise of 28,247,194 warrants.

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

A8 Dividends paid

No dividend has been paid by the Company during the current financial period.

A9 Property, plant and equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 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 30 September 2016 is as follows:

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits	64,088	20,063	1,750	10,100	(345)	95,656
Included in the measure of segment profits are:						
Revenue from external customers	*444,842*	*45,732*	*61,098*	*62,390*	*39,489*	653,551
Inter-segment revenue	*1,709*	*4,492*	*1,750*	-	*677*	8,628
Depreciation and amortisation	*12,279*	*697*	*2,602*	*2,570*	*448*	18,596
Interest expense	*5,395*	*49*	*426*	*819*	*35*	6,724
Interest income	*6,813*	*184*	*7*	*112*	*44*	7,160
Share of results of joint ventures and associates	*25,042*	*(9)*	*38*	-	-	25,071
Segment assets	3,482,271	270,786	160,098	331,492	232,490	4,477,137
Deferred tax assets						61,334
Total assets						4,538,471
Included in the measure of segment assets are:						
Investments in joint ventures and associates	*1,474,180*	*3,573*	*5,211*	-	-	1,482,964
Additions to non-current assets:						
- Property, plant & equipment	*3,099*	*1,687*	*3,602*	*80*	*121*	8,589
- Intangible assets	*5,082*	-	*74*	-	*73*	5,229
- Development of tank terminals	*3,230*	-	-	-	-	3,230
- Joint ventures and associates	*164,440*	-	-	-	-	164,440
Segment liabilities	1,592,407	75,727	68,182	136,378	39,690	1,912,384
Deferred tax liabilities						5,947
Total liabilities						1,918,331

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

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

A13 Commitments

		30/09/2016 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	8,800
	- contracted but not provided for	1,000
		9,800
	Commitments of the Group in respect of tank terminal business	486,800
	Commitments of the Group in respect of upstream business	82,800
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	6,850
	- later than one year and not later than five years	8,815
	- after five years	12,304
		27,969
	b) The Group as lessor	
	- not later than one year	1,856
	- later than one year and not later than five years	469
		2,325

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,175.3 million (as at 30.06.2016: RM1,153.9 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 RM387.4 million (as at 30.06.2016: RM364.9 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD175.4 million, equivalents to RM531.4 million (as at 30.06.2016: SGD181.6 million, equivalent to RM543.1 million) for project financing secured by a joint venture.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period 30 September 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 2016 and the approved shareholders' mandate in the circular dated 27 October 2015 for recurrent related party transactions.

	3 MONTHS ENDED 30/09/2016 RM'000
Transactions with joint ventures and associate:	
Interest income	2,873
Subcontract works received	72,545
Purchases and cost of services rendered	(740)
Tank rental and related expenses	(673)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	958
Rental of office premises	137

A16 Trade and other receivables

	30/09/2016 RM'000
Amounts due from customers for contract works	521,832
Trade receivables	268,952
Other receivables, deposits and prepayments	38,574
Amounts due from joint ventures and associates (trade)	43,437
	872,795

As at date of this report, the Group has subsequently collected a total of RM190 million representing 71% of the total outstanding trade receivables.

A17 Cash and cash equivalents

	30/09/2016 RM'000
Deposits, cash and bank balances	1,023,380
Deposits, cash and bank balances pledged to licensed banks	(2,995)
	1,020,385

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A18 Trade and other payables

	30/09/2016 RM'000
Amounts due to customers for contract works	102,315
Trade payables	761,874
Accruals and other payables	72,035
Amounts due to joint ventures and associates	1,174
Hedge derivative liabilities	9,055
	946,453

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 (Q1FY2016: RM3,575,000).

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

B1 Performance analysis

The Group delivered a stronger financial performance for the 1st quarter ended 30th September 2016. Revenue for the current reporting quarter increased by 21.8 % to RM653.6 million while net profit after tax rose by 30.0% to RM81.3 million against corresponding quarter last year.

The better financial performances achieved in the current reporting quarter was mainly attributable to higher contribution from the Group's joint ventures in particular from Pengerang Independent Terminals which has fully leased out its storage capacity. The Group's share of joint ventures results for the current quarter of RM25.1 million was more than double compared to RM12.1 million recorded in the corresponding quarter last year.

The Malaysia operation remained busy during the current financial quarter with engineering, construction and fabrication activities from various on-going projects such as the Pengerang Deepwater Terminal Phase 2, Jetty Topside works for Samsung and bullet tanks for Toyo. However, the higher revenue recorded from these activities was partially offset by the slower upstream activities and lower sales in specialist products and services. This had resulted to a small 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 remained challenging this period. The slower upstream activities had resulted to lower sales in specialist products and services. The net profit after tax contribution from International operation was however higher when compared to corresponding period last year mainly attributable to increased engineering and construction activities in Singapore, and a gain recorded on a disposal of an office cum warehouse in Singapore.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM95.7 million was 6.0% higher against RM90.2 million recorded in the preceding quarter. This was mainly attributable to the gain recorded on a disposal of an office cum warehouse in Singapore during the current financial period.

B3 Prospects

As an integrated technical services' provider to the petroleum and petrochemical industry, with core businesses along the entire value chain, the Group will continue to look at enhancing efficiency and productivity by incorporating new technologies and improving business processes.

The Group will also review its resources to ensure a more efficient and effective distribution, and to further improve the skills of its manpower. At the same time, the Group will continue to look for new opportunities to enhance its recurring income streams.

With the on-going operations of Pengerang Deepwater Terminal Phase 1 and current construction of Phase 2, the Group is now working towards securing new potential partners for subsequent phases, which will include the development of more petroleum and petrochemical storage terminals. Further development of the Pengerang Deepwater Terminal will provide more opportunities for the Group's engineering, construction, fabrication and plant maintenance services.

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

B3 Prospects – cont'd.

The Group is also developing an industrial estate with a land area of approximately 300 acres that would support the development of further downstream petroleum and petrochemical industries in Pengerang, Johor.

In the upstream sector, the Group is on the lookout for viable production assets, which may become available for possible acquisition.

Barring any unforeseen circumstances, the Group is optimistic that it will continue to deliver a healthy performance for the financial year ending 30 June 2017.

B4 Profit forecast and profit guarantee

The Group did not announce any profit forecast nor profit guarantee for the current financial period.

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/09/2016 RM'000	3 MONTHS ENDED 30/09/2016 RM'000
Current tax	15,232	15,232
Deferred tax	476	476
Over provision in prior years	(1,358)	(1,358)
Total tax expense	14,350	14,350
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	20.3%	20.3%

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

B6 Status of corporate proposals

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

B7 Borrowings and debt securities

As at 30 September 2016, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollars	501	1,503
Ringgit Malaysia	-	20,022
Singapore Dollars	5	15
Unsecured:		
Euro	499	2,305
New Zealand Dollars	3,299	9,897
Ringgit Malaysia	-	57,000
Saudi Riyal	15,000	16,560
Sterling Pounds	598	3,204
Thai Baht	16,653	1,986
United States Dollar	28,644	118,588
		231,080
Long term borrowings:		
Secured:		
New Zealand Dollars	4,205	12,613
Ringgit Malaysia	-	76,200
United States Dollar	16,339	67,643
Unsecured:		
New Zealand Dollars	1,524	4,572
Ringgit Malaysia	-	466,000
Saudi Riyal	70,000	77,282
		704,310
		935,390

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 period is RM618.6 million (30.06.2016: RM545.7 million) obtained under Islamic financing facilities.

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.

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:-

b) 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 will be held from end of November to 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

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

Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 2 December 2016 and the date of payment will be on 20 December 2016.

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

B10 Derivative financial instruments

As at 30 September 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	2,569	11,762	105
New Zealand Dollar	115	328	(18)
Singapore Dollar	47	142	0
Sterling Pound	486	2,928	(322)
United States Dollar	39,190	160,382	(1,871)

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 2016:

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.

As at the end of the reporting period, the Group has entered into interest rate swap contracts to swap notional principals amounts of RM86,594,000 (2016:RM91,594,000) and USD68,000,000 (2016:USD68,000,000) from floating interest rate to fixed rate to hedge against interest rate fluctuations. The effective periods for these interest rate swaps are from March 2014 to June 2018 and January 2018 to January 2023 respectively.

B11 Investments in joint ventures and associates

Included in the investments in joint ventures and associates was unsecured advances amounted to RM232.8 million which 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 RM240.1 million as at 30 September 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 30/09/2016 RM'000	**As at 30/06/2016 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	1,254,606	1,206,155
- Unrealised	24,201	22,454
	1,278,807	1,228,609
Total share of retained profits from associates		
- Realised	(1,821)	(1,632)
- Unrealised	-	-
Total share of retained profits from joint ventures		
- Realised	122,557	101,968
- Unrealised	13,535	9,696
Total before consolidation adjustments		
- Realised	1,375,342	1,306,491
- Unrealised	37,736	32,150
	1,413,078	1,338,641
Less: Consolidation adjustments	(231,960)	(238,859)
Total retained profits as per consolidated accounts	1,181,118	1,099,782

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		3 MONTHS ENDED	
	30/09/2016	**30/09/2015**	**30/09/2016**	**30/09/2015**
Profit for the financial period attributable to owners of the Company (RM'000)	81,336	60,072	81,336	60,072
Weighted average number of ordinary shares in issue ('000)	5,277,503	5,084,642	5,277,503	5,084,642

Diluted earnings per ordinary share for the current financial period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS and Warrants are exercised at the beginning of the financial period. The ordinary shares to be issued under ESOS and Warrants are based on the assumed proceeds on the difference between average share price for the financial period and exercise price.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2016	**30/09/2015**	**30/09/2016**	**30/09/2015**
Profit for the financial period attributable to owners of the Company (RM'000)	81,336	60,072	81,336	60,072
Weighted average number of ordinary shares in issue ('000)	5,277,503	5,084,642	5,277,503	5,084,642
Effect of dilution due to:				
- Warrants ('000)	24,784	62,604	24,784	62,604
- ESOS ('000)	30,341	50,915	30,341	50,915
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,332,628	5,198,161	5,332,628	5,198,161

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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 30/09/2016 RM'000	3 MONTHS ENDED 30/09/2016 RM'000
This is arrived at after (charging)/crediting:		
Interest income	7,160	7,160
Interest expense	(6,724)	(6,724)
Depreciation and amortisation	(18,596)	(18,596)
Foreign exchange gain	223	223
Gain on disposal of property, plant and equipment	17,765	17,765
Property, plant and equipment written off	(32)	(32)
Rental income	1,959	1,959
Impairment loss for goodwill	(12)	(12)
Other miscellaneous income	115	115

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

Date: 22 November 2016