DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended 31 March 2017

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

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Revenue	913,605	641,403	2,423,939	1,817,394
Operating expenses	(838,814)	(568,324)	(2,222,890)	(1,601,790)
Other operating income	25,833	15,750	70,510	40,404
Share of profit after tax of equity-accounted joint ventures and associates	28,556	14,955	78,694	42,023
Finance costs	(9,492)	(6,707)	(23,373)	(19,544)
Profit before tax	119,688	97,077	326,880	278,487
Tax expense	(21,865)	(16,873)	(54,646)	(55,371)
Profit for the period	97,823	80,204	272,234	223,116
Profit for the period attributable to:				
Owners of the parent	94,402	78,919	267,096	216,997
Non-controlling interests	3,421	1,285	5,138	6,119
	97,823	80,204	272,234	223,116
Basic earnings per ordinary share (sen) (Note B13)	1.74	1.52	5.00	4.22
Diluted earnings per ordinary share (sen) (Note B13)	1.72	1.49	4.94	4.15

(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 31 MARCH 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Profit for the period (Note B14)	97,823	80,204	272,234	223,116
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	(1,623)	(46,293)	32,020	16,734
Cash flow hedge	6,777	11,899	6,484	8,264
Share of other comprehensive income/(loss) of a joint venture	257	(35,409)	29,749	1,192
Other comprehensive income for the period	5,411	(69,803)	68,253	26,190
Total comprehensive income for the period	103,234	10,401	340,487	249,306
Total comprehensive income attributable to:				
Owners of the parent	87,450	14,755	317,395	241,667
Non-controlling interests	15,784	(4,354)	23,092	7,639
	103,234	10,401	340,487	249,306

(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 31 MARCH 2017

	NOTE	31/03/2017 RM'000	30/06/2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		587,081	582,810
Development of tank terminals		267,446	250,946
Intangible assets		166,112	155,283
Investments in joint ventures and associates	B11	1,973,731	1,290,649
Other investments		4,540	4,732
Deferred tax assets		66,026	61,233
		3,064,936	2,345,653
CURRENT ASSETS			
Inventories		71,280	86,095
Trade and other receivables	A16	949,227	746,377
Current tax assets		21,096	13,778
Cash and cash equivalents	A17	1,282,723	944,383
		2,324,326	1,790,633
TOTAL ASSETS		5,389,262	4,136,286
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,379,394	526,949
Treasury shares		(3,625)	(3,625)
Reserves		1,530,089	1,891,413
		2,905,858	2,414,737
Non-controlling interests		82,339	68,618
TOTAL EQUITY		2,988,197	2,483,355
NON-CURRENT LIABILITIES			
Borrowings	B7	886,202	713,537
Deferred tax liabilities		6,449	4,871
		892,651	718,408
CURRENT LIABILITIES			
Trade and other payables	A18	1,082,753	741,661
Borrowings	B7	371,668	161,545
Current tax liabilities		53,993	31,317
		1,508,414	934,523
TOTAL LIABILITIES		2,401,065	1,652,931
TOTAL EQUITY AND LIABILITIES		5,389,262	4,136,286
Net assets per share attributable to owners of the parent (sen)		54.4	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.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

	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	-	-	-	50,299	267,096	317,395	23,092	340,487
Appropriation : Final dividend for FY2016	-	-	-	-	(64,203)	(64,203)	-	(64,203)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,512)	(2,512)
Share options vested under ESOS	-	-	-	26,063	-	26,063	929	26,992
Share options exercised	29,915	-	32,270	(11,135)	-	51,050	(2,247)	48,803
Warrants exercised	48,181	-	170,549	(57,068)	-	161,662	-	161,662
Share issue expenses	(3)	-	(9)	-	-	(12)	-	(12)
Transfer of reserves upon expiry	-	-	-	(2,179)	2,179	-	-	-
Transfer pursuant to Companies Act 2016 ***(Note 1)***	774,352		(774,352)	-	-	-	-	-
Acquisition of shares from non-controlling interests	-	-	-	-	(834)	(834)	(2,667)	(3,501)
Acquisition of subsidiary	-	-	-	-	-	-	(2,874)	(2,874)
Balance as at 31 March 2017	1,379,394	(3,625)	-	226,069	1,304,020	2,905,858	82,339	2,988,197
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 vested 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 shares in a 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

Note 1
With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit balance in the share premium account of RM774,352,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act.

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	9 MONTHS ENDED	
	31/03/2017	**31/03/2016**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	326,880	278,487
Adjustments for :		
Depreciation and amortisation expenses	60,564	42,781
Net interest (income)/expenses	(4,531)	6,330
Share of results of joint ventures and associates	(78,694)	(42,023)
Share options vested under ESOS	26,693	10,726
Other non-cash items	(26,001)	(2,668)
Operating profit before working capital changes	304,911	293,633
Changes in working capital :		
Net change in inventories and receivables	(170,499)	59,822
Net change in payables	337,501	55,826
Cash from operations	471,913	409,281
Dividend and interest received	37,908	24,460
Tax paid	(45,183)	(87,995)
Tax refunded	2,679	1,004
Net cash from operating activities	467,317	346,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(8,065)	-
Acquisition of additional shares from non-controlling interests	(3,501)	(1,134)
Additions of intangible assets	(37,074)	(85,985)
Development of tank terminals	(16,500)	(14,388)
Investments in joint ventures and associates	(590,800)	(230,164)
Net change in deposits with licensed banks	(2,389)	(251)
Net cash on disposal of a subsidiary	-	7,048
Proceeds from disposal of property, plant and equipment	28,304	2,626
Proceeds from disposal of other investment	554	-
Purchase of property, plant and equipment	(18,029)	(30,502)
Net cash used in investing activities	(647,500)	(352,750)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017 (CONT'D)

	9 MONTHS ENDED	
	31/03/2017	**31/03/2016**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(22,260)	(12,863)
Dividend paid	(64,203)	(62,239)
Dividend paid to non-controlling interests	(2,512)	(439)
Net drawndown/(repayment) of bank borrowings	372,100	(39,858)
Proceeds from issuances of shares	210,465	153,365
Share issue expenses	(12)	(7)
Net cash from financing activities	493,578	37,959
NET INCREASE IN CASH AND CASH EQUIVALENTS	313,395	31,959
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	21,991	5,228
	965,116	871,147
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	1,278,511	903,106

(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	*Investment 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.

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.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

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 2017.

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

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

i. exercise of 50,357,315 share options under the Employees' Share Option Scheme; and

ii. exercise of 135,850,878 warrants.

The exercise rights of the warrants 2012/2017 ("Warrants") expired on 10 February 2017. 389,419,456 Warrants or approximately 99% of the total Warrants issued together with Rights Issue in 2012 on the basis of one (1) Warrant for every two (2) Right Shares subscribed, have been successfully converted into ordinary shares.

A8 Dividends paid

A final dividend of 1.2 sen per ordinary share, amounting to RM64,203,102 in respect of financial year ended 30 June 2016 was paid on 20 December 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 interim period

There were no material events subsequent to the current financial period ended 31 March 2017 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 2017 is as follows:

	Malaysia RM'000	Singapore RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits	251,853	26,825	28,034	20,168	326,880
Included in the measure of segment profits are:					
Revenue from external customers	*1,718,863*	*124,188*	*177,100*	*403,788*	2,423,939
Inter-segment revenue	*206,655*	*8,145*	*606*	*6,125*	221,531
Depreciation and amortisation	*40,993*	*2,007*	*8,006*	*9,558*	60,564
Interest expense	*17,649*	*49*	*3,108*	*1,454*	22,260
Interest income	*25,318*	*929*	*394*	*150*	26,791
Share of results of joint ventures and associates	*79,656*	*120*	-	*(1,082)*	78,694
Segment assets	4,244,617	301,703	365,177	411,739	5,323,236
Deferred tax assets					66,026
Total assets					5,389,262
Included in the measure of segment assets are:					
Investments in joint ventures and associates	*1,973,233*	-	-	*498*	1,973,731
Additions to non-current assets:					
- Property, plant & equipment	*7,183*	*2,312*	*991*	*7,543*	18,029
- Intangible assets	*36,789*	*7*	-	*278*	37,074
- Development of tank terminals	*16,500*	-	-	-	16,500
- Joint ventures and associates	*590,800*	-	-	-	590,800
Segment liabilities	2,077,324	66,691	130,119	120,482	2,394,616
Deferred tax liabilities					6,449
Total liabilities					2,401,065

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

(i) In October 2016, Dialog (Labuan) Ltd ("DLL"), an indirect wholly owned subsidiary, had acquired the remaining 40% equity interest, representing 800,000 ordinary shares of USD1.00 each in Dialog Marine (Labuan) Ltd ("DMLL") (formerly known as Dialog IPS Marine (Labuan) Ltd) from Integrated Petroleum Services Sdn Bhd ("IPS") for a total cash consideration of USD830,457 (approximately equivalent to RM3,471,310). Pursuant to that, DLL's equity interest in DMLL increased from 60% to 100% and DMLL became a indirect wholly owned subsidiary of Dialog Group Berhad ("DIALOG").

(ii) In January 2017, Dialog Pengerang Sdn Bhd ("DPGSB"), a direct subsidiary company, had acquired the remaining 30% equity interest, representing 30,000 ordinary shares in Pengerang Marine Operations Sdn Bhd ("PMOSB") for total cash consideration of RM30,000. Pursuant to that, DPGSB's equity interest in PMOSB increased from 70% to 100% and PMOSB became a indirect wholly owned subsidiary of DIALOG.

(iii) In March 2017, Fitzroy Engineering Group Limited ("FEGL"), an indirect subsidiary company incorporated in New Zealand, had acquired the remaining 50% equity interest, representing 1,000 ordinary shares in Fineline Services Limited ("Fineline") from Kenneth Ronald Martin, Deborah Mooney and 16 Beach Road Trustees Limited (collectively to be referred as "Vendors") for total cash consideration of NZD665,000 (approximately equivalent to RM2,061,500). Pursuant to that, FEGL's equity interest in Fineline increased from 50% to 100% and Fineline became an 88% indirect owned subsidiary of DIALOG. The investment was classified as investment in subsidiaries.

Fineline, a company incorporated in New Zealand and involved in the provision of steel related works, currently supports and complements DIALOG's business activities in New Zealand.

(iv) In March 2017, Dialog Services Pte Ltd ("DSVPL"), an indirect subsidiary company incorporated in Singapore, had acquired the remaining 60% equity interest in EC-Dialog Pte Ltd ("EC-Dialog") from Winsome Management & Services Pte Ltd, Wong Ming Wah and Tan Geok Tee (collectively to be referred as "Vendors") for total cash consideration of SGD2,200,000 (approximately equivalent to RM6,952,000).

EC-Dialog has equity interest in Catalyst Handling Research & Engineering Limited ("CHREL"), Dialog Catalyst Services Sdn Bhd ("DCSSB"), Dialog Services Europe Limited ("DSEL") and Dialog Services, Inc. ("DSI"). Arising from the Acquisition, the above companies have become indirect wholly owned subsidiary companies of DIALOG.

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

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A13 Commitments

		31/03/2017 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	6,700
	- contracted but not provided for	1,300
		8,000
	Commitments of the Group in respect of tank terminal business	195,400
	Commitments of the Group in respect of upstream business	88,400
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	7,907
	- later than one year and not later than five years	9,820
	- after five years	9,227
		26,954
	b) The Group as lessor	
	- not later than one year	1,425
	- later than one year and not later than five years	196
		1,621

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,562.6 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 RM632.9 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 SGD162.6 million, equivalents to RM513.8 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 31 March 2017 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.

	9 MONTHS ENDED 31/03/2017 RM'000
Transactions with joint ventures and associate:	
Dividend income	18,304
Interest income	13,579
Subcontract works received	274,637
Purchases and cost of services rendered	(2,360)
Tank rental and related expenses	(2,126)
Transactions with related parties:	
Provision of IT and related services	3,185
Rental of office premises	411

A16 Trade and other receivables

	31/03/2017 RM'000
Amounts due from customers for contract works	494,503
Trade receivables	308,255
Other receivables, deposits and prepayments	42,808
Amounts due from joint ventures and associates (trade)	102,950
Hedge derivative assets	711
	949,227

As at date of this report, the Group has subsequently collected a total of RM153 million representing 50% of the total outstanding trade receivables.

A17 Cash and cash equivalents

	31/03/2017 RM'000
Deposits, cash and bank balances	1,282,723
Deposits, cash and bank balances pledged to licensed banks	(4,212)
	1,278,511

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A18 Trade and other payables

	31/03/2017 RM'000
Amounts due to customers for contract works	63,922
Trade payables	929,321
Accruals and other payables	88,802
Amounts due to joint ventures and associates	708
	1,082,753

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 RM26,693,000 was charged to statement of profit or loss for the current financial period (Q3FY2016: RM10,726,000).

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

B1 Performance analysis

The Group registered another commendable result for the third quarter ended 31st March 2017 with revenue of RM913.6 million and net profit after tax of RM97.8 million. These represent an increase of 42.4% in revenue and 22.0% in net profit after tax against same corresponding period last year. Year to date revenue and net profit after tax for the current financial year are RM2.42 billion and RM272.2 million, higher by 33.4% and 22.0%, respectively against last year.

The strong financial performance achieved in the current reporting quarter was mainly attributable to higher contributions from the Group's joint ventures in particular from Pengerang Independent Terminals. The Group's share of joint ventures results for the current quarter increased by 90.7% to RM28.6 million from RM15.0 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 in Pengerang and the construction of plasticizer plant for UPC Chemicals in Kuantan.

The Group's International operation also recorded higher revenue in the current financial quarter against same quarter last year attributable to increased engineering and construction activities in Singapore and higher sales in specialist products and services in India, Russia and Middle East.

The higher revenue from both Malaysia and International operation had resulted to higher net profit after tax contribution for the Group in the current financial quarter against same quarter last year.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM119.7 million was 7.3% higher against RM111.5 million recorded in the preceding quarter. This was in tandem with the higher revenue recorded in the current financial period.

B3 Prospects

As a leading integrated technical services provider to the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry, DIALOG remains confident that its business model is well structured and can withstand the current oil price volatility and currency movements. The Group's financial track record has proven that DIALOG's business is well risk-managed and sustainable.

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 Phase 3, 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 170 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 31/03/2017 RM'000	9 MONTHS ENDED 31/03/2017 RM'000
Current tax	14,968	59,485
Deferred tax	6,403	(3,940)
Under/(Over) provision in prior years	494	(899)
Total tax expense	21,865	54,646
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	24.0%	22.0%

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 31 March 2017, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollars	619	1,916
Ringgit Malaysia	-	20,010
Unsecured:		
Euro	499	2,360
New Zealand Dollars	4,736	14,665
Ringgit Malaysia	-	60,000
Saudi Riyal	15,000	17,696
Sterling Pounds	1,196	6,588
Thai Baht	7,000	900
United States Dollar	56,003	247,533
		371,668
Long term borrowings:		
Secured:		
New Zealand Dollars	4,671	14,464
Ringgit Malaysia	-	66,200
United States Dollar	57,846	255,680
Unsecured:		
New Zealand Dollars	1,381	4,277
Ringgit Malaysia	-	463,000
Saudi Riyal	70,000	82,581
		886,202
		1,257,870

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 RM905.5 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 which TLP had further amended its claim (less the sum of RM17 million being the settlement sum received by TLP from its insurers) as follows:

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. RM109,544,788.54 for loss of profits had the Facility been approved by Platts or alternatively, RM94,944,788.54 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. In the alternative to paragraph 5 above and subject to the settlement agreement between TLP and TLP's dedicated user becoming unconditional: (i) USD30,000,000.00 being the sum due to TLP's dedicated user under the settlement agreement; and (ii) RM6,170,746.16 for costs incurred by TLP in respect of all proceedings relating to TLP's dedicated user;
7. RM916,321.79 for the cost and expenses, including legal costs, incurred by TLP arising out of litigation and arbitration proceedings commenced by TLP against its insurer.
8. Interest on the sums referred to above until full settlement;
9. Costs; and
10. Such other reliefs as the tribunal deems fit.

The matter is pending arbitration process and hearing of the matter has been postponed to November 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 hearing was completed in February 2017 and decision is expected in June 2017.

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 of Directors declared an interim dividend of 1.2 sen (previous corresponding period: 1.0 sen) per ordinary share in respect of the financial year ending 30 June 2017.

The entitlement of the interim dividend will be determined based on the shareholders registered in the record of depositors as at 14 June 2017 and the date of payment will be on 29 June 2017.

b) The total dividend for current period to date is 1.2 sen per ordinary share.

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

B10 Derivative financial instruments

As at 31 March 2017, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Fair value – net gains or (losses)
	FC'000	**RM'000**	**RM'000**
With maturity less than 1 year:			
Australian Dollar	297	993	10
Euro	1,024	4,881	(37)
New Zealand Dollar	458	1,431	16
Singapore Dollar	152	483	1
Sterling Pound	1,329	7,409	(84)
United States Dollar	10,410	43,559	(2,470)

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 RM76,594,000 (2016:RM91,594,000) and USD119,000,000 (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

The investments in joint ventures and associates included unsecured advances amounted to RM541.5 million which bear interest at rates ranging from 4.00% to 6.50% per annum. The advances together with the interest receivable thereon amounted to RM555.3 million as at 31 March 2017.

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 31/03/2017 RM'000	As at 30/06/2016 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	1,326,067	1,206,155
- Unrealised	35,070	22,454
	1,361,137	1,228,609
Total share of retained profits from associates		
- Realised	(2,341)	(1,632)
- Unrealised	-	-
Total share of retained profits from joint ventures		
- Realised	168,202	101,968
- Unrealised	3,967	9,696
Total before consolidation adjustments		
- Realised	1,491,928	1,306,491
- Unrealised	39,037	32,150
	1,530,965	1,338,641
Less: Consolidation adjustments	(226,945)	(238,859)
Total retained profits as per consolidated accounts	1,304,020	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 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
Profit for the financial period attributable to owners of the Company (RM'000)	94,402	78,919	267,096	216,997
Weighted average number of ordinary shares in issue ('000)	5,416,269	5,204,498	5,340,836	5,145,279

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

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 9 MONTHS ENDED	
	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
Profit for the financial period attributable to owners of the Company (RM'000)	94,402	78,919	267,096	216,997
Weighted average number of ordinary shares in issue ('000)	5,416,269	5,204,498	5,340,836	5,145,279
Effect of dilution due to:				
- Warrants ('000)	-	42,920	-	43,554
- ESOS ('000)	70,078	36,378	66,115	36,650
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,486,347	5,283,796	5,406,951	5,225,483

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 31/03/2017 RM'000	9 MONTHS ENDED 31/03/2017 RM'000
This is arrived at after (charging)/crediting:		
Interest income	11,284	26,791
Interest expense	(9,149)	(22,260)
Depreciation and amortisation	(20,961)	(60,564)
Foreign exchange gain	12,313	14,789
Gain on disposal of other investment	-	85
Gain on disposal of property, plant and equipment	158	22,425
Property, plant and equipment written off	(21)	(78)
Rental income	1,360	5,270
Impairment loss for goodwill	-	(12)
Other miscellaneous income	738	1,240

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

Date: 16 May 2017