DIALOG

DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
30 September 2017

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue	778,656	653,551	778,656	653,551
Operating expenses	(700,347)	(603,066)	(700,347)	(603,066)
Other operating income	26,468	27,178	26,468	27,178
Fair value gain on disposal of a joint venture	65,590	-	65,590	-
Share of profit after tax of equity-accounted joint ventures and associates	27,101	25,071	27,101	25,071
Finance costs	(11,112)	(7,078)	(11,112)	(7,078)
Profit before tax	186,356	95,656	186,356	95,656
Tax expense	(22,148)	(14,350)	(22,148)	(14,350)
Profit for the period	164,208	81,306	164,208	81,306
Profit for the period attributable to:				
Owners of the parent	160,925	81,336	160,925	81,336
Non-controlling interests	3,283	(30)	3,283	(30)
	164,208	81,306	164,208	81,306
Basic earnings per ordinary share (sen) (Note B13)	2.86	1.54	2.86	1.54
Diluted earnings per ordinary share (sen) (Note B13)	2.86	1.53	2.86	1.53

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Profit for the period (Note B14)	164,208	81,306	164,208	81,306
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	(3,678)	12,706	(3,678)	12,706
Cash flow hedge	(231)	(3,194)	(231)	(3,194)
Share of other comprehensive income of a joint venture	899	1,786	899	1,786
Other comprehensive income for the period	(3,010)	11,298	(3,010)	11,298
Total comprehensive income for the period	161,198	92,604	161,198	92,604
Total comprehensive income attributable to:				
Owners of the parent	158,833	92,181	158,833	92,181
Non-controlling interests	2,365	423	2,365	423
	161,198	92,604	161,198	92,604

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	NOTE	30/09/2017 RM'000	30/06/2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,090,685	584,139
Development of tank terminals		272,153	268,899
Intangible assets		323,285	173,913
Investments in joint ventures and associates	B11	1,918,436	1,961,606
Other investments		5,460	4,467
Deferred tax assets		68,413	64,574
		3,678,432	3,057,598
CURRENT ASSETS			
Inventories		84,273	83,857
Trade and other receivables	A16	1,143,959	1,233,934
Current tax assets		10,575	15,961
Cash and cash equivalents	A17	1,421,892	1,425,358
		2,660,699	2,759,110
TOTAL ASSETS		6,339,131	5,816,708
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,684,287	1,601,179
Treasury shares		(3,625)	(3,625)
Reserves		1,667,765	1,513,932
		3,348,427	3,111,486
Non-controlling interests		131,171	80,729
TOTAL EQUITY		3,479,598	3,192,215
NON-CURRENT LIABILITIES			
Other payable		35,167	-
Borrowings	B7	1,051,442	1,008,611
Deferred tax liabilities		9,198	6,325
		1,095,807	1,014,936
CURRENT LIABILITIES			
Trade and other payables	A18	1,055,661	1,149,036
Borrowings	B7	655,038	415,104
Current tax liabilities		53,027	45,417
		1,763,726	1,609,557
TOTAL LIABILITIES		2,859,533	2,624,493
TOTAL EQUITY AND LIABILITIES		6,339,131	5,816,708
Net assets per share attributable to owners of the parent (sen)		59.5	57.8

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2017 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 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 2017	1,601,179	(3,625)	-	173,239	1,340,693	3,111,486	80,729	3,192,215
Total comprehensive income for the period	-	-	-	(2,092)	160,925	158,833	2,365	161,198
Share options vested under ESOS	-	-	-	4,826	-	4,826	1,880	6,706
Share options exercised	83,109	-		(9,826)	-	73,283	(1,880)	71,403
Share issue expenses	(1)	-	-	-	-	(1)	-	(1)
Additional shares subscription from non-controlling interests	-	-	-	-		-	6,000	6,000
Acquisition of subsidiary	-	-	-	-	-	-	42,077	42,077
Balance as at 30 September 2017	1,684,287	(3,625)	-	166,147	1,501,618	3,348,427	131,171	3,479,598
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

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	3 MONTHS ENDED	
	30/09/2017	30/09/2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	186,356	95,656
Adjustments for :		
Depreciation and amortisation expenses	19,945	18,596
Net interest income	(6,837)	(436)
Share of results of joint ventures and associates	(27,101)	(25,071)
Share options vested under ESOS	6,706	7,150
Other non-cash items	(71,941)	(17,696)
Operating profit before working capital changes	107,128	78,199
Changes in working capital :		
Net change in inventories and receivables	151,623	(119,361)
Net change in payables	(134,529)	198,442
Cash from operations	124,222	157,280
Interest received	16,919	6,497
Tax paid	(16,764)	(18,180)
Tax refunded	6,464	2,462
Net cash from operating activities	130,841	148,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents acquired	(50,887)	-
Additions of intangible assets	(42,515)	(5,229)
Additions of other investment	(1,040)	(95)
Development of tank terminals	(3,254)	(3,230)
Investments in joint ventures and associates	(98,945)	(164,440)
Advances to joint venture	(53,480)	-
Net change in deposits with licensed banks	(3,455)	(1,701)
Proceeds from disposal of property, plant and equipment	16,159	19,278
Purchase of property, plant and equipment	(10,989)	(8,589)
Net cash used in investing activities	(248,406)	(164,006)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2017 (CONT'D)

	3 MONTHS ENDED	
	30/09/2017	**30/09/2016**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,761)	(6,724)
Additional shares subscription from non-controlling interests	6,000	-
Net drawndown of bank borrowings	68,652	58,455
Proceeds from issuances of shares	48,211	36,931
Net cash from financing activities	112,102	88,662
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,463)	72,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	1,413,536	943,125
Effects of exchange rate changes on cash and cash equivalents	(1,266)	4,545
	1,412,270	947,670
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	1,406,807	1,020,385

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2017 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 2017. 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 2017.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2017 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 2017 except as discussed below:

As of 1 July 2017, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs

Title		**Effective Date**
Amendments to MFRS 112	*Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107	*Disclosure Initiative*	1 January 2017
Amendments to MFRS 12	*Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017

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 30 September 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 exercise of 49,638,150 share options under the Employees' Share Option Scheme. The Employees' Share Option Scheme ("ESOS") had expired on 29 July 2017.

A8 Dividends paid

There was no dividend 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 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 30 September 2017 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 before tax	172,322	3,032	(2,592)	8,340	5,254	186,356
Included in the measure of segment profits are:						
Revenue from external customers	*553,426*	*36,351*	*60,879*	*54,607*	*73,393*	778,656
Inter-segment revenue	*444*	*5,711*	*1,361*	-	*618*	8,134
Depreciation and amortisation	*13,413*	*679*	*2,955*	*2,545*	*353*	19,945
Interest expense	*9,476*	*12*	*456*	*817*	-	10,761
Interest income	*17,223*	*361*	*7*	-	*7*	17,598
Share of results of joint ventures and associates	*27,116*	-	*(15)*	-	-	27,101
Segment assets	5,253,641	327,898	146,825	335,134	207,220	6,270,718
Deferred tax assets						68,413
Total assets						6,339,131
Included in the measure of segment assets are:						
Investments in joint ventures and associates	*1,917,990*	-	*446*	-	-	1,918,436
Additions to non-current assets:						
- Property, plant & equipment	*6,968*	*2,454*	*1,055*	*484*	*28*	10,989
- Intangible assets	*42,515*	-	-	-	-	42,515
- Development of tank terminals	*3,254*	-	-	-	-	3,254
- Joint ventures and associates	*98,945*	-	-	-	-	98,945
Segment liabilities	2,547,054	85,680	63,859	108,786	44,956	2,850,335
Deferred tax liabilities						9,198
Total liabilities						2,859,533

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

In September 2017, the Company had acquired from MISC Berhad ("MISC") the remaining 45% equity interest, representing 4,500,000 ordinary shares and 10,800 redeemable preference shares in Centralised Terminals Sdn. Bhd. ("CTSB") for a total cash consideration of RM137,015,577. In addition, the Company also repaid MISC and take over its portion of shareholders loan, including principal and accrued interest, amounting to RM55,984,423. Pursuant to that, CTSB became a wholly owned subsidiary of the Group. The Group then changed CTSB's name to Dialog Terminals Sdn. Bhd.

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

A13 Commitments

		30/09/2017 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	13,700
	Commitments of the Group in respect of tank terminal business	187,000
	Commitments of the Group in respect of upstream business	47,264
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	7,020
	- later than one year and not later than five years	10,799
	- after five years	11,544
		29,363
	b) The Group as lessor	
	- not later than one year	3,448
	- later than one year and not later than five years	1,247
		4,695

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,508.0 million (as at 30.06.2017: RM1,527.2 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 RM1,052.4 million (as at 30.06.2017: RM957.0 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD149.8 million, equivalents to RM465.9 million (as at 30.06.2017: SGD156.3 million, equivalent to RM487.8 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 ended 30 September 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 2017.

	3 MONTHS ENDED 30/09/2017 RM'000
Transactions with joint ventures and associate:	
Interest income	11,202
Subcontract works received	410,446
Tank rental and related expenses	685
Transactions with related parties:	
Provision of IT and related services	804
Rental of office premises	137

A16 Trade and other receivables

	30/09/2017 RM'000
Trade	
Trade receivables	307,935
Amounts due from customers for contract works	283,511
Amounts due from joint ventures and associates	192,600
	784,046
Others	
Other receivables, deposits and prepayments	64,238
Amounts due from a joint venture	295,675
	359,913
	1,143,959

A17 Cash and cash equivalents

	30/09/2017 RM'000
Bank balances and deposits with licensed banks	1,421,892
Bank balances and deposits pledged to licensed banks	(15,085)
	1,406,807

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A18 Trade and other payables

	30/09/2017 RM'000
Amounts due to customers for contract works	72,579
Trade payables	827,560
Accruals and other payables	154,182
Amounts due to joint ventures and associates	19
Hedge derivative liabilities	1,321
	1,055,661

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

B1 Performance analysis

The Group delivered a strong financial performance for its 1st quarter ended 30th September 2017 with revenue increased by 19.1% to RM778.7 million while net profit after tax doubled to RM164.2 million from RM81.3 million recorded in corresponding quarter last year.

The revenue from Malaysian operation for the current reporting quarter increased by 24.4% mainly contributed by the midstream and downstream activities in particular the engineering & construction and plant maintenance activities from various projects. However, the higher revenue recorded from these activities was partially offset by the slower upstream activities and lower sales in specialist products and services.

The International operation remained healthy this period and recorded 7.9% increase in revenue. The higher revenue from sales of specialist products and technical services recorded in Indonesia, Thailand and India were partially offset by lower engineering and construction activities in Singapore.

The profit after tax contributions from jointly controlled entities and associates for the current reporting quarter was RM27.1 million, higher by 8.1% against corresponding period last year. This was attributable to increased contributions from the Group's terminal operations in Pengerang, Tanjung Langsat and Kertih.

During the reporting quarter, the Group acquired the remaining 45% equity interest in a jointly controlled entity, Centralised Terminals Sdn. Bhd. ("CTSB"). Following this acquisition, the Group recorded a RM65.6 million fair value gain and CTSB is now a wholly owned subsidiary. CTSB is now known as Dialog Terminals Sdn. Bhd.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM186.4 million was 52.9% higher against RM121.9 million recorded in the preceding quarter. This was mainly attributable to the fair value gain recorded on a disposal of a jointly controlled entity during 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 on-going operations of 1.3 million m^3 Pengerang Deepwater Terminal Phase 1 is now being expanded by an additional 430,000 m^3. The construction of Phase 2 is on schedule. We are also securing new potential partners for Phase 3, which will include the development of industrial land and more petroleum and petrochemical storage terminals. Phase 3 and future phases will be developed on a total of approximately 800 acres comprising reclaimable land and the buffer zone. Further development of the Pengerang Deepwater Terminal will provide more opportunities for services to be provided by the Group's engineering, construction, fabrication and plant maintenance divisions.

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

B3 Prospects – cont'd.

In September 2017, the Group increased its stake in Langsat Terminal (One) and Langsat Terminal (Two), both engaged in the provision of centralised tankage and terminal facilities in Tanjung Langsat, Johor. The Group is planning to expand Langsat Terminal (Three) into a 300,000 m^3 storage facilities in line with the Group's strategy to grow sustainable and recurring income thereby further enhancing shareholders' value in the long term.

In November 2017, the Group's associate company, Pengerang LNG (Two) Sdn Bhd, achieved its commercial operation and received the first commercial Liquefied Natural Gas (LNG) cargo at its newly-commissioned regasification terminal at the Pengerang Deepwater Terminal, which is part of Phase 2 development. This will contribute positively to the Group's earnings.

In the upstream sector, the Group is actively developing new reserves from the existing contracts. At the same time, the Group is also on the lookout for viable production assets, which may become available for possible acquisition.

Moving forward, the Group will continue to grow its core businesses with recurring income especially in expanding its logistics businesses, which includes storage tank terminals and the supply base.

Barring any unforeseen circumstances, the Group is optimistic that its performance will remain strong for the financial year ending 30 June 2018.

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 30/09/2017 RM'000	3 MONTHS ENDED 30/09/2017 RM'000
Current tax	23,798	23,798
Deferred tax	(1,211)	(1,211)
Under provision in prior years	(439)	(439)
Total tax expense	22,148	22,148
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	13.9%	13.9%

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

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	623	1,897
Ringgit Malaysia	-	56,936
Unsecured:		
New Zealand Dollar	4,286	13,062
Ringgit Malaysia	-	215,000
Saudi Riyal	20,000	22,558
Sterling Pound	622	3,419
United States Dollar	81,082	342,166
		655,038
Long term borrowings:		
Secured:		
New Zealand Dollar	4,359	13,285
Ringgit Malaysia	-	233,745
United States Dollar	110,484	466,243
Unsecured:		
New Zealand Dollar	1,238	3,774
Ringgit Malaysia	-	278,000
Saudi Riyal	50,000	56,395
		1,051,442
		1,706,480

The borrowings are mainly to part finance the Group's investment in tank terminals and logistic business. Included in the borrowings for the current financial period is RM940.5 million (30.06.2017: RM895.1 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 arbitration proceedings have been suspended pending settlement negotiations. 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 2018.

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 (cont'd):-

b) Arbitration Proceedings against Tanjung Langsat Port Sdn Bhd ("TLP")

The Company's now wholly owned subsidiary, Dialog Terminals Sdn Bhd (formerly known as Centralised Terminals Sdn Bhd) through its 80% owned subsidiary Langsat Terminal (One) Sdn Bhd ("LgT-1") had, on 8 October 2014, commenced arbitration proceedings against TLP.

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 arbitration proceedings have been suspended pending settlement negotiations. 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 2018.

B9 Dividends

The Board of Directors, pursuant to the Company's Articles of Association, had recommended a final dividend of 1.45 sen (previous corresponding year: 1.2 sen) per ordinary share 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 4 December 2017 and the date of payment will be on 20 December 2017.

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

B10 Derivative financial instruments

As at 30 September 2017, the Group has the following outstanding forward foreign exchange

	Contract Value		Net fair value gains
	FC'000	**RM'000**	**RM'000**
With maturity less than 1 year:			
Euro	260	1,283	14
New Zealand Dollar	104	326	8
Singapore Dollar	1,362	4,254	14
Sterling Pound	76	417	14
United States Dollar	3,815	16,338	93

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 2017:

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 RM66,594,000 (2017:RM71,594,000) and USD119,000,000 (2017:USD119,000,000) 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 RM511.0 million which bear interest at rate 6.50% per annum.

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 30/09/2017 RM'000	As at 30/06/2017 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	1,551,787	1,336,570
- Unrealised	31,245	42,218
	1,583,032	1,378,788
Total share of retained profits from associates		
- Realised	(3,137)	(2,517)
- Unrealised	-	-
Total share of retained profits from joint ventures		
- Realised	201,404	173,106
- Unrealised	6,905	8,760
Total before consolidation adjustments		
- Realised	1,750,054	1,507,159
- Unrealised	38,150	50,978
	1,788,204	1,558,137
Less: Consolidation adjustments	(286,586)	(217,444)
Total retained profits as per consolidated accounts	1,501,618	1,340,693

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 3 MONTHS ENDED	
	30/09/2017	**30/09/2016**	**30/09/2017**	**30/09/2016**
Profit for the financial period attributable to owners of the Company (RM'000)	160,925	81,336	160,925	81,336
Weighted average number of ordinary shares in issue ('000)	5,628,271	5,277,503	5,628,271	5,277,503

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 3 MONTHS ENDED	
	30/09/2017	**30/09/2016**	**30/09/2017**	**30/09/2016**
Profit for the financial period attributable to owners of the Company (RM'000)	160,925	81,336	160,925	81,336
Weighted average number of ordinary shares in issue ('000)	5,628,271	5,277,503	5,628,271	5,277,503
Effect of dilution due to:				
- Warrants ('000)	-	24,784	-	24,784
- ESOS ('000)	-	30,341	-	30,341
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,628,271	5,332,628	5,628,271	5,332,628

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 30/09/2017 RM'000	3 MONTHS ENDED 30/09/2017 RM'000
This is arrived at after (charging)/crediting:		
Interest income	17,598	17,598
Interest expense	(10,761)	(10,761)
Depreciation and amortisation	(19,945)	(19,945)
Foreign exchange gain	607	607
Gain on disposal of property, plant and equipment	5,580	5,580
Property, plant and equipment written off	(8)	(8)
Rental income	1,924	1,924
Other miscellaneous income	767	767

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

Date: 21 November 2017