DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended 31 December 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 DECEMBER 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	857,426	856,783	1,636,082	1,510,334
Operating expenses	(758,231)	(781,010)	(1,458,578)	(1,384,076)
Other operating income	21,252	17,499	47,720	44,677
Fair value gain on disposal of a joint venture	-	-	65,590	-
Share of profit after tax of equity-accounted joint ventures and associates	38,881	25,067	65,982	50,138
Finance costs	(14,561)	(6,803)	(25,673)	(13,881)
Profit before tax	144,767	111,536	331,123	207,192
Tax expense	(24,526)	(18,431)	(46,674)	(32,781)
Profit for the period	120,241	93,105	284,449	174,411
Profit for the period attributable to:				
Owners of the parent	115,763	91,358	276,688	172,694
Non-controlling interests	4,478	1,747	7,761	1,717
	120,241	93,105	284,449	174,411
Basic earnings per ordinary share (sen) (Note B12)	2.05	1.71	4.91	3.26
Diluted earnings per ordinary share (sen) (Note B12)	2.05	1.70	4.91	3.23

(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.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Profit for the period (Note B13)	120,241	93,105	284,449	174,411
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	(8,502)	20,937	(12,180)	33,643
Cash flow hedge	3,991	2,901	3,760	(293)
Share of other comprehensive (loss)/income of a joint venture	(11,894)	27,706	(10,995)	29,492
Other comprehensive (loss)/income for the period	(16,405)	51,544	(19,415)	62,842
Total comprehensive income for the period	103,836	144,649	265,034	237,253
Total comprehensive income attributable to:				
Owners of the parent	102,452	137,764	261,285	229,945
Non-controlling interests	1,384	6,885	3,749	7,308
	103,836	144,649	265,034	237,253

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTE	31/12/2017 RM'000	30/06/2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,069,538	584,139
Development of tank terminals		275,747	268,899
Intangible assets		351,681	173,913
Investments in joint ventures and associates	B11	1,984,927	1,961,606
Other investments		5,354	4,467
Deferred tax assets		69,726	64,574
		3,756,973	3,057,598
CURRENT ASSETS			
Inventories		78,008	83,857
Trade and other receivables	A16	859,092	1,233,934
Current tax assets		13,197	15,961
Cash and cash equivalents	A17	1,376,129	1,425,358
		2,326,426	2,759,110
TOTAL ASSETS		6,083,399	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		1,688,462	1,513,932
		3,369,124	3,111,486
Non-controlling interests		132,555	80,729
TOTAL EQUITY		3,501,679	3,192,215
NON-CURRENT LIABILITIES			
Borrowings	B7	1,104,762	1,008,611
Deferred tax liabilities		8,884	6,325
		1,113,646	1,014,936
CURRENT LIABILITIES			
Trade and other payables	A18	1,041,027	1,149,036
Borrowings	B7	359,845	415,104
Current tax liabilities		67,202	45,417
		1,468,074	1,609,557
TOTAL LIABILITIES		2,581,720	2,624,493
TOTAL EQUITY AND LIABILITIES		6,083,399	5,816,708
Net assets per share attributable to owners of the parent (sen)		59.8	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 31 DECEMBER 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	-	-	-	(15,403)	276,688	261,285	3,749	265,034
Appropriation : Final dividend for FY2017	-	-	-	-	(81,755)	(81,755)	-	(81,755)
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 31 December 2017	1,684,287	(3,625)	-	152,836	1,535,626	3,369,124	132,555	3,501,679
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	-	-	-	57,251	172,694	229,945	7,308	237,253
Appropriation : Final dividend for FY2016	-	-	-	-	(64,203)	(64,203)	-	(64,203)
Share options vested under ESOS	-	-	-	13,933	-	13,933	568	14,501
Share options exercised	2,679	-	29,244	(6,063)	-	25,860	(1,144)	24,716
Warrants exercised	7,605	-	114,837	(31,947)	-	90,495	-	90,495
Share issue expenses	-	-	(8)	-	-	(8)	-	(8)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(3,471)	(3,471)
Balance as at 31 December 2016	537,233	(3,625)	715,615	253,263	1,208,273	2,710,759	71,879	2,782,638

(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.)

INTERIM FINANCIAL REPORT

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

	6 MONTHS ENDED	
	31/12/2017	**31/12/2016**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	331,123	207,192
Adjustments for :		
Depreciation and amortisation expenses	46,818	39,603
Net interest income	(10,040)	(2,395)
Share of results of joint ventures and associates	(65,982)	(50,138)
Share options vested under ESOS	6,706	14,301
Other non-cash items	(72,832)	(22,520)
Operating profit before working capital changes	235,793	186,043
Changes in working capital :		
Net change in inventories and receivables	156,218	(58,909)
Net change in payables	(178,623)	172,674
Cash from operations	213,388	299,808
Dividend and Interest received	64,197	30,681
Tax paid	(31,271)	(30,657)
Tax refunded	6,464	2,217
Net cash from operating activities	252,778	302,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents acquired	(50,887)	(3,471)
Additions of intangible assets	(78,979)	(21,295)
Additions of other investment	(1,040)	-
Development of tank terminals	(6,849)	(12,777)
Investments in joint ventures and associates	(168,930)	(371,817)
Repayment of advances from joint venture	229,123	-
Net change in deposits with licensed banks	(6,967)	(4,195)
Proceeds from disposal of property, plant and equipment	17,025	27,883
Proceeds from disposal of other investment	-	554
Purchase of property, plant and equipment	(20,253)	(12,919)
Net cash used in investing activities	(87,757)	(398,037)

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

	6 MONTHS ENDED	
	31/12/2017	**31/12/2016**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(24,836)	(13,111)
Dividend paid	(81,755)	(64,203)
Additional shares subscription from non-controlling interests	6,000	-
(Net repayment)/Net drawndown of bank borrowings	(155,963)	176,921
Proceeds from issuances of shares	48,211	115,203
Net cash (used in)/from financing activities	(208,343)	214,810
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,322)	118,822
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	(12,075)	13,259
	1,401,461	956,384
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	1,358,139	1,075,206

(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 31 December 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

A final dividend of 1.45 sen per ordinary share, amounting to RM81,755,455 in respect of financial year ended 30 June 2017 was paid on 20 December 2017.

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 December 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 December 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	295,935	11,725	413	17,953	5,097	331,123
Included in the measure of segment profits are:						
Revenue from external customers	*1,223,358*	*51,630*	*122,681*	*119,244*	*119,169*	1,636,082
Inter-segment revenue	*701*	*9,575*	*3,326*	*298*	*867*	14,767
Depreciation and amortisation	*34,027*	*1,370*	*5,820*	*4,932*	*669*	46,818
Interest expense	*22,354*	-	*863*	*1,619*	-	24,836
Interest income	*33,923*	*927*	*12*	-	*14*	34,876
Share of results of joint ventures and associates	*65,982*	-	-	-	-	65,982
Segment assets	5,007,497	324,631	145,357	341,349	194,839	6,013,673
Deferred tax assets						69,726
Total assets						6,083,399
Included in the measure of segment assets are:						
Investments in joint ventures and associates	*1,984,927*	-	-	-	-	1,984,927
Additions to non-current assets:						
- Property, plant & equipment	*13,199*	*3,072*	*3,172*	*703*	*107*	20,253
- Intangible assets	*78,976*	-	*3*	-	-	78,979
- Development of tank terminals	*6,849*	-	-	-	-	6,849
- Joint ventures and associates	*168,930*	-	-	-	-	168,930
Segment liabilities	2,272,781	87,303	62,550	109,226	40,976	2,572,836
Deferred tax liabilities						8,884
Total liabilities						2,581,720

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.

In November 2017, Dialog Services, Inc ("DSI"), a dormant indirect wholly owned subsidiary, had obtained approval on application for a voluntary dissolution. DSI had been dissolved and ceased to be an indirect wholly owned subsidiary of the Group. The financial results of DSI are insignificant to the Group.

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

A13 Commitments

		31/12/2017 RM'000
i)	Capital commitments	
	Capital expenditure in respect of property, plant and equipment :	
	- approved but not contracted for	11,600
	Commitments of the Group in respect of tank terminal business	132,000
	Commitments of the Group in respect of upstream business	45,360
ii)	Operating lease commitments	
	a) The Group as lessee	
	- not later than one year	8,579
	- later than one year and not later than five years	13,092
	- after five years	10,820
		32,491
	b) The Group as lessor	
	- not later than one year	2,804
	- later than one year and not later than five years	674
		3,478

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,157.7 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 RM794.3 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 SGD143.0 million, equivalents to RM433.1 million (as at 30.06.2017: SGD156.3 million, equivalent to RM487.8 million) for project financing secured by a joint venture.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 31 December 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.

	6 MONTHS ENDED 31/12/2017 RM'000
Transactions with joint ventures and associate:	
Dividend income	30,000
Interest income	22,368
Subcontract works received	1,067,609
Tank rental and related expenses	685
Transactions with related parties:	
Provision of IT and related services	2,154
Rental of office premises	274

A16 Trade and other receivables

	31/12/2017 RM'000
Trade	
Trade receivables	289,525
Amounts due from customers for contract works	286,518
Amounts due from joint ventures and associates	202,056
	778,099
Others	
Other receivables, deposits and prepayments	78,268
Hedge derivative assets	2,725
	80,993
	859,092

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A17 Cash and cash equivalents

	31/12/2017 RM'000
Bank balances and deposits with licensed banks	1,376,129
Bank balances and deposits pledged to licensed banks	(17,990)
	1,358,139

A18 Trade and other payables

	31/12/2017 RM'000
Amounts due to customers for contract works	75,164
Trade payables	793,812
Accruals and other payables	172,032
Amounts due to joint ventures and associates	19
	1,041,027

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

B1 Performance analysis

The Group closed its 2nd quarter ended 31st December 2017 with another strong financial performance. While revenue for the current quarter maintained at RM857 million, the Group's net profit after tax registered an increase of 29.1% to RM120.2 million against the corresponding quarter last year. Year to date revenue and net profit after tax for the current financial year were RM1.64 billion and RM284.4 million, higher by 8.3% and 63.1%, respectively against same period last year.

The higher profit achieved in the current reporting quarter was mainly attributable to its Malaysian operations and the increased contributions from the Group's joint ventures and associates. 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. This contributed to higher share of joint ventures and associates results for the current quarter.

The revenue from its Malaysian operations for the current reporting quarter was higher by 9.5% against same period last financial year contributed by the midstream and downstream activities in particular engineering, construction and plant maintenance services for various projects. In addition, the Group's revenue for the current quarter included the consolidation of Langsat Terminals since they became subsidiaries in September 2017. In line with the higher revenue, the net profit contribution from Malaysian operations for the current reporting quarter grew by 24.9%.

The Group's International operations remained challenging and recorded lower revenue of 22.7% against same quarter last financial year. This was contributed by lower sales of specialist products and services in India, Russia and Australia, reduced engineering and construction activities in Singapore and fabrication activities in Australia and New Zealand.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM144.8 million was 22.3% lower when compared to RM186.4 million recorded in the preceding quarter. Included in the preceding quarter's results was a RM65.6 million fair value gain recorded on the disposal of a jointly controlled entity.

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 strategy and well structured business model 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.

The Group had 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 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 terminal business.

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 31/12/2017 RM'000	6 MONTHS ENDED 31/12/2017 RM'000
Current tax	26,014	49,811
Deferred tax	(1,535)	(2,745)
Over/(Under) provision in prior years	47	(392)
Total tax expense	24,526	46,674
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	23.2%	17.6%

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

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	625	1,798
Ringgit Malaysia	-	70,703
Unsecured:		
New Zealand Dollar	4,286	12,336
Ringgit Malaysia	-	221,250
Saudi Riyal	20,000	21,646
United States Dollar	7,929	32,112
		359,845
Long term borrowings:		
Secured:		
New Zealand Dollar	4,202	12,095
Ringgit Malaysia	-	211,865
United States Dollar	124,834	505,578
Unsecured:		
New Zealand Dollar	1,167	3,359
Ringgit Malaysia	-	317,750
Saudi Riyal	50,000	54,115
		1,104,762
		1,464,607

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 RM1,006.5 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 process. 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.

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 m^3 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 process. The Company is 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 does not recommend any interim dividend in respect of the current financial period.

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

B10 Derivative financial instruments

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

	Contract Value		Net fair value gains or (losses)
	FC'000	**RM'000**	**RM'000**
With maturity less than 1 year:			
Euro	204	1,005	(19)
New Zealand Dollar	13	38	0
Singapore Dollar	6,192	18,907	57
United States Dollar	11,047	45,215	(333)

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 RM162,264,994 (2017:RM71,594,000) and USD121,600,000 (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 October 2021 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 RM555.6 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 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		6 MONTHS ENDED	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit for the financial period attributable to owners of the Company (RM'000)	115,763	91,358	276,688	172,694
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,330,375	5,633,289	5,303,939

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		6 MONTHS ENDED	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit for the financial period attributable to owners of the Company (RM'000)	115,763	91,358	276,688	172,694
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,330,375	5,633,289	5,303,939
Effect of dilution due to:				
- Warrants ('000)	-	14,362	-	14,330
- ESOS ('000)	-	22,494	-	22,450
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,638,307	5,367,231	5,633,289	5,340,719

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

B13 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 31/12/2017 RM'000	6 MONTHS ENDED 31/12/2017 RM'000
This is arrived at after (charging)/crediting:		
Interest income	17,278	34,876
Interest expense	(14,075)	(24,836)
Depreciation and amortisation	(26,873)	(46,818)
Foreign exchange gain	1,070	1,677
Gain on disposal of property, plant and equipment	407	5,987
Property, plant and equipment written off	(122)	(130)
Rental income	2,004	3,928
Other miscellaneous income	615	1,382

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

Date: 14 February 2018