DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Year Ended
30 June 2018

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
		30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Revenue		607,126	968,945	3,110,579	3,392,884
Operating expenses		(506,371)	(892,150)	(2,721,238)	(3,115,040)
Other operating income		30,329	27,141	95,487	97,651
Fair value gain on deemed disposal of a joint venture	A16	-	-	65,590	-
Share of profit after tax of equity-accounted joint ventures and associates		31,387	28,352	129,121	107,046
Finance costs		(13,642)	(10,400)	(51,447)	(33,773)
Profit before tax		148,829	121,888	628,092	448,768
Tax expense		(27,353)	(21,008)	(99,799)	(75,654)
Profit for the year		121,476	100,880	528,293	373,114
Profit for the year attributable to:					
Owners of the parent		114,846	103,548	510,371	370,644
Non-controlling interests		6,630	(2,668)	17,922	2,470
		121,476	100,880	528,293	373,114
Basic earnings per ordinary share (sen)	B12	2.04	1.88	9.06	6.88
Diluted earnings per ordinary share (sen)	B12	2.04	1.87	9.06	6.85

(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 YEAR ENDED 30 JUNE 2018

	NOTE	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
		30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit for the year	B13	121,476	100,880	528,293	373,114
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(2,089)	(11,246)	(25,159)	20,774
Cash flow hedge		5,043	(1,805)	15,887	4,679
Share of other comprehensive (loss)/income of joint ventures		(2,940)	(9,753)	(18,287)	19,996
Other comprehensive income/(loss) for the year		14	(22,804)	(27,559)	45,449
Total comprehensive income for the year		121,490	78,076	500,734	418,563
Total comprehensive income attributable to:					
Owners of the parent		112,590	82,539	487,696	399,934
Non-controlling interests		8,900	(4,463)	13,038	18,629
		121,490	78,076	500,734	418,563

(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 30 JUNE 2018

	NOTE	30/06/2018 RM'000	30/06/2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,297,026	584,139
Development of tank terminals		306,018	268,899
Intangible assets		288,368	173,913
Investments in joint ventures and associates	B11	2,043,155	1,961,606
Other investments		6,583	4,467
Deferred tax assets		56,866	64,574
		3,998,016	3,057,598
CURRENT ASSETS			
Inventories		92,416	83,857
Trade and other receivables	A17	997,525	1,233,934
Current tax assets		12,311	15,961
Cash and cash equivalents	A18	1,264,966	1,425,358
		2,367,218	2,759,110
TOTAL ASSETS		6,365,234	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		1,820,279	1,513,932
		3,500,941	3,111,486
Non-controlling interests		98,528	80,729
TOTAL EQUITY		3,599,469	3,192,215
NON-CURRENT LIABILITIES			
Borrowings	B7	1,232,752	1,008,611
Deferred tax liabilities		5,846	6,325
		1,238,598	1,014,936
CURRENT LIABILITIES			
Trade and other payables	A19	1,074,755	1,149,036
Borrowings	B7	377,542	415,104
Current tax liabilities		74,870	45,417
		1,527,167	1,609,557
TOTAL LIABILITIES		2,765,765	2,624,493
TOTAL EQUITY AND LIABILITIES		6,365,234	5,816,708
Net assets per share attributable to owners of the parent (sen)		62.1	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.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	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 (loss)/income for the year	-	-	-	(22,675)	510,371	487,696	13,038	500,734
Appropriation :								
Final dividend for FY2017	-	-	-	-	(81,756)	(81,756)	-	(81,756)
Interim dividend for FY2018	-	-	-	-	(78,936)	(78,936)	-	(78,936)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(3,392)	(3,392)
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 interest	-	-	-	-	-	-	13,200	13,200
Acquisition of a subsidiary	-	-	-	-	-	-	42,076	42,076
Acquisition of shares from non-controlling interest	-	-	-	-	(15,657)	(15,657)	(47,123)	(62,780)
Balance as at 30 June 2018	1,684,287	(3,625)	-	145,564	1,674,715	3,500,941	98,528	3,599,469
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 year	-	-	-	29,290	370,644	399,934	18,629	418,563
Appropriation :								
Final dividend for FY2016	-	-	-	-	(64,203)	(64,203)	-	(64,203)
Interim dividend for FY2017	-	-	-	-	(66,875)	(66,875)	-	(66,875)
Share options vested under ESOS	-	-	-	28,789	-	28,789	2,793	31,582
Share options exercised	251,711	-	32,269	(45,682)	-	238,298	(1,257)	237,041
Warrants exercised	48,181	-	170,549	(57,068)	-	161,662	-	161,662
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,513)	(2,513)
Acquisition of shares from non-controlling interests	-	-	-	-	(834)	(834)	(2,667)	(3,501)
Acquisition of subsidiary	-	-	-	-	-	-	(2,874)	(2,874)
Share issue expenses	(14)	-	(8)	-	-	(22)	-	(22)
Transfer of reserves upon expiry	-	-	-	(2,179)	2,179	-	-	-
Transfer pursuant to Companies Act 2016 ***(Note 1)***	774,352	-	(774,352)	-	-	-	-	-
Balance as at 30 June 2017	1,601,179	(3,625)	-	173,239	1,340,693	3,111,486	80,729	3,192,215

Note 1
Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.

(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 YEAR ENDED 30 JUNE 2018

	12 MONTHS ENDED	
	30/06/2018 RM'000	**30/06/2017 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	628,092	448,768
Adjustments for :		
Depreciation and amortisation expenses	104,055	81,721
Net interest income	(13,525)	(9,158)
Share of results of joint ventures and associates	(129,121)	(107,046)
Share options vested under ESOS	6,706	31,330
Other non-cash items	(83,146)	(31,439)
Operating profit before working capital changes	513,061	414,176
Changes in working capital :		
Net change in inventories and receivables	15,041	(211,767)
Net change in payables	(141,762)	379,922
Cash from operations	386,340	582,331
Dividend and interest received	114,802	75,089
Tax paid	(66,538)	(68,683)
Tax refunded	7,046	3,019
Net cash from operating activities	441,650	591,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(50,887)	(8,065)
Acquisition of additional shares from non-controlling interests	(62,581)	(3,501)
Additions of intangible assets	(150,301)	(55,040)
Additions of other investment	(2,290)	-
Development of tank terminals	(37,119)	(17,953)
Investments in joint ventures and associates	(192,373)	(583,450)
Repayment of advances from/(Advances to) a joint venture	229,123	(249,997)
Net change in deposits with licensed banks	(12,827)	(10,491)
Proceeds from disposal of property, plant and equipment	43,028	28,337
Proceeds from disposal of other investment	-	554
Purchases of property, plant and equipment	(193,023)	(29,583)
Net cash used in investing activities	(429,250)	(929,189)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018 (CONT'D)

	12 MONTHS ENDED	
	30/06/2018	**30/06/2017**
	RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(50,956)	(32,264)
Dividend paid	(160,692)	(131,078)
Dividend paid to non-controlling interests	(3,392)	(2,513)
Additional shares subscription from non-controlling interests	13,200	-
(Net repayment)/Net drawdown of bank borrowings	(8,656)	534,536
Proceeds from issuances of shares	48,211	421,872
Net cash (used in)/from financing activities	(162,285)	790,553
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(149,885)	453,120
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	1,413,536	943,125
Effects of exchange rate changes on cash and cash equivalents	(22,625)	17,291
	1,390,911	960,416
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A18)	1,241,026	1,413,536

(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 year ended 30 June 2018.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in the prior financial year, which have a material effect in the current financial year.

A7 Debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year except for the exercise of 49,638,150 share options under the Employees' Share Option Scheme. The Employees' Share Option Scheme ("ESOS") expired on 29 July 2017.

A8 Dividends paid

i. 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.

ii. A interim dividend of 1.40 sen per ordinary share, amounting to RM78,936,300 in respect of financial year ended 30 June 2018 was paid on 28 June 2018.

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the financial year

There were no material events subsequent to the current financial year ended 30 June 2018 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONT'D

A11 Operating segments

The Group is principally involved in providing integrated technical services to the petroleum and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax as included in the internal management report reviewed by chief operating decision maker.

The Group's operating segments for the financial year ended 30 June 2018 are 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	545,466	12,088	13,265	49,163	8,110	628,092
Included in the measure of segment profits are:						
Revenue from external customers	*2,237,317*	*93,523*	*276,159*	*260,890*	*242,690*	3,110,579
Inter-segment revenue	*6,947*	*21,911*	*6,345*	*579*	*4,650*	40,432
Depreciation and amortisation	*79,347*	*2,717*	*11,524*	*9,214*	*1,253*	104,055
Interest expense	*46,369*	*14*	*1,535*	*3,038*	-	50,956
Interest income	*62,293*	*2,016*	*27*	*108*	*37*	64,481
Share of results of joint ventures and associates	*129,144*	*(23)*	-	-	-	129,121
Segment assets	5,325,307	345,698	149,556	318,948	168,859	6,308,368
Deferred tax assets						56,866
Total assets						6,365,234
Included in the measure of segment assets are:						
Investments in joint ventures and associates	*2,037,348*	*907*	*4,900*	-	-	2,043,155
Additions to non-current assets:						
- Property, plant & equipment	*178,968*	*3,787*	*8,325*	*1,292*	*651*	193,023
- Intangible assets	*150,272*	*15*	*14*	-	-	150,301
- Development of tank terminals	*37,119*	-	-	-	-	37,119
- Joint ventures and associates	*192,373*	-	-	-	-	192,373
Segment liabilities	2,462,405	83,396	63,867	98,774	51,477	2,759,919
Deferred tax liabilities						5,846
Total liabilities						2,765,765

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

In September 2017, the Company acquired from MISC Berhad ("MISC") the remaining 45% equity interest, which represented 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 took 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. ("DTSB"). In February 2018, DTSB incorporated a wholly owned subsidiary, namely Pengerang CTF Sdn. Bhd. ("PCTF"). The intended business activity of PCTF is to build, own and operate common tankage facilities including jetty and shared infrastructure to support the petroleum and petrochemical storage terminals in Pengerang Deepwater Terminals. PCTF's share capital as at 30 June 2018 is RM200,000 comprising of 200,000 shares.

In June 2018, DTSB acquired from Puma Energy Asia Pacific B.V. ("PUMA") the remaining 20% equity interest, which represented 4,000,000 ordinary shares and 2,200,000 ordinary shares, in Langsat Terminal (One) Sdn. Bhd. ("LGT 1") and Langsat Terminal (Two) Sdn. Bhd. ("LGT 2") respectively for a total cash consideration of RM62,581,352. In addition, DTSB also repaid PUMA and took over its portion of shareholders loan, including principal and accrued interest, amounting to RM32,418,648. Consequently, LGT 1 and LGT 2 became 100% owned subsidiaries of the Group.

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

In May 2018, Dialog International (L) Ltd ("DILL"), a dormant indirect subsidiary, completed its application for a members' voluntary winding up. DILL has been dissolved and has ceased to be an indirect subsidiary of the Group.

In June 2018, Dialog Services Europe Limited ("DSEL"), a dormant indirect wholly owned subsidiary, completed its application for a voluntary strike off. DSEL has been dissolved and has ceased to be an indirect wholly owned subsidiary of the Group.

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

A13 Commitments

	30/06/2018 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	400
- contracted but not provided for	2,000
	2,400
Commitments of the Group in respect of tank terminal business	309,000

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A13 Commitments - cont'd

	30/06/2018 RM'000
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	11,664
- later than one year and not later than five years	18,193
- after five years	11,991
	41,848
b) The Group as lessor	
- not later than one year	2,345
- later than one year and not later than five years	318
	2,663

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,155.7 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 RM791.3 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 SGD129.6 million, equivalents to RM383.5 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 year ended 30 June 2018 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.

	12 MONTHS ENDED 30/06/2018 RM'000
Transactions with joint ventures and associate:	
Dividend income	51,000
Interest income	39,662
Subcontract works received	1,545,158
Tank rental and related expenses	685
Transactions with related parties:	
Provision of IT and related services	9,997
Rental of office premises	548

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A16 Fair value gain on deemed disposal of a joint venture

During the current financial year, 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 became a wholly owned subsidiary. The Group then changed CTSB's name to Dialog Terminals Sdn. Bhd.

A17 Trade and other receivables

	30/06/2018 RM'000
Trade	
Trade receivables	365,448
Amounts due from customers for contract works	306,775
Amounts due from joint ventures	229,642
	901,865
Others	
Other receivables, deposits and prepayments	80,292
Hedge derivative assets	15,368
	95,660
	997,525

A18 Cash and cash equivalents

	30/06/2018 RM'000
Bank balances and deposits with licensed banks	1,264,966
Bank balances and deposits pledged to licensed banks	(23,940)
	1,241,026

A19 Trade and other payables

	30/06/2018 RM'000
Amounts due to customers for contract works	92,820
Trade payables	818,562
Accruals and other payables	162,759
Amounts due to joint ventures	21
Hedge derivative liabilities	593
	1,074,755

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

B1 Performance analysis

The Group delivered another commendable performance for the financial year ended 30th June 2018. While the revenue of RM3.11 billion recorded in the current financial year was lower by 8.3%, the net profit after tax was higher by 41.6% at RM528.3 million, from RM373.1 million recorded a year ago. The current year's net profit after tax included a RM65.6 million fair value gain arising from the acquisition and converting a jointly controlled entity into a wholly owned subsidiary in September 2017. As for the current reporting quarter against the previous corresponding quarter, net profit after tax rose by 20.4% to RM121.5 million, while revenue was lower by 37.3% at RM607.1 million.

The strong financial performance delivered in the current financial year was mainly contributed by the Malaysian operations which saw better performances delivered by the midstream and downstream activities - in particular from its engineering, construction and plant maintenance services performed in various projects. In addition, the Group's financial performance for the current financial year included the consolidation of Langsat Terminals' results, as they became subsidiaries in September 2017. Upstream activities also contributed to the better financial performance following the higher oil prices during the financial year under review.

The increase in the Group's share of joint ventures and associates net profits for the current financial year was mainly contributed by its associate company, Pengerang LNG (Two) Sdn. Bhd. which commenced commercial operations and received the first commercial Liquefied Natural Gas (LNG) cargo at its newly-commissioned regasification terminal at the Pengerang Deepwater Terminals in November 2017.

On the International front, the lower net profit contributions in the current financial year was mainly due to reduced engineering, construction and plant maintenance activities. This drop was partially offset by the increased activities at the Jubail Supply Base, Saudi Arabia.

B2 Variation of results against preceding quarter

There was no significant variance noted in the Group's profit before tax for the current financial quarter of RM148.8 million against RM148.1 million recorded in the preceding quarter.

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 Terminals Phase 1 is now being expanded by an additional 430,000 m^3. The construction of Phase 2 is partially completed and full completion is scheduled in early 2019. The Group had recently signed a Memorandum of Understanding ("MOU") with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI") to invest and develop common tankage facilities (including shared infrastructure) and deepwater marine facilities ("Jetty 3") to support and promote the petroleum and petrochemical storage and handling tank terminal business. Phase 3 will be developed on approximately 300 acres of the land located next to Phase 2 within Pengerang Deepwater Terminals with an indicative initial investment cost of RM2.5 billion. The land reclamation activities have started and we are in discussions with potential customers for Phase 3.

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

B3 Prospects – cont'd.

The development of the Pengerang Deepwater Terminals Phase 3 as above and future phases (which will be developed on the remaining approximately 500 acres comprising reclaimable land and the buffer zone), will provide more opportunities for services to be provided by the Group's engineering, construction, fabrication and plant maintenance divisions.

Further to the Group's acquisition of Langsat Terminal (One) and Langsat Terminal (Two), 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 logistics businesses, which includes storage tank terminals.

Barring any unforeseen circumstances, the Group is optimistic that its performance will remain strong for the financial year ending 30 June 2019.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2018 RM'000	12 MONTHS ENDED 30/06/2018 RM'000
Current tax	25,111	96,471
Deferred tax	2,181	7,519
Over/(Under) provision in prior years	61	(4,191)
Total tax expense	27,353	99,799
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	23.3%	20.0%

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

B6 Status of corporate proposals

Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI")

In April 2018, Dialog Pengerang Sdn. Bhd. ("DPgSB"), a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding ("MOU") with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Pengerang CTF Sdn. Bhd. ("PCTF"), which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities ("Jetty 3") to support and promote the petroleum and petrochemical storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial cost of investment is approximately RM2.5 billion. The Company, State Government of Johor Darul Ta'zim and SSI are currently in discussions to establish the joint venture.

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

B7 Borrowings and debt securities

As at 30 June 2018, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	629	1,712
Ringgit Malaysia	-	69,703
United States Dollar	18,057	72,950
Unsecured:		
New Zealand Dollar	4,286	11,671
Ringgit Malaysia	-	164,750
Saudi Riyal	20,000	21,467
United States Dollar	8,735	35,289
		377,542
Long term borrowings:		
Secured:		
New Zealand Dollar	3,886	10,583
Ringgit Malaysia	-	176,514
United States Dollar	112,479	454,415
Unsecured:		
New Zealand Dollar	1,024	2,789
Ringgit Malaysia	-	556,250
Saudi Riyal	30,000	32,201
		1,232,752
		1,610,294

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 year is RM1,116.3 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

The Group is not engaged in any material litigation and is not aware of any legal proceeding that might materially affect the financial position or business of the Group.

B9 Dividends

a) The Board of Directors, pursuant to the Company's Articles of Association, recommends a final dividend of 1.80 sen (previous corresponding year: 1.45 sen) per ordinary share in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.

b) The total dividend for current financial year of 3.20 sen per ordinary share amounting to approximately RM 180,436,300 comprises the following and represents an increase of 21% compared to previous financial year of 2.65 sen per ordinary share amounting to RM 148,629,903:-

(i) Interim dividend of 1.40 sen per ordinary share amounted to RM78,936,300

(ii) Proposed final dividend of 1.80 sen per ordinary share of approximately RM101,500,000

The total dividend for the current financial year is in line with the Company's dividend policy of payout ratio of at least 40% of profits attributable to shareholders of RM444.8 million (which excludes the fair value gain on deemed disposal of a joint venture of RM65.6 million).

B10 Derivative financial instruments

As at 30 June 2018, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value FC'000	Contract Value RM'000	Net fair value (losses) or gains RM'000
With maturity less than 1 year:			
Euro	254	1,222	(29)
New Zealand Dollar	17	46	1
Singapore Dollar	204	613	5
Sterling Pound	100	539	(8)
United States Dollar	14,462	57,802	767

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 in the Group recording a gain when the rates moved in its favour and recording a loss when the rates moved unfavourably 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 RM136,750,694 (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.

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

B11 Investments in joint ventures and associates

The investments in joint ventures and associates included unsecured advances amounting to RM581.0 million which bear interest at a rate 6.50% per annum.

The Company also provided a sponsor's undertaking to a joint venture as disclosed in A14.

B12 Earnings per share

The basic earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Profit for the financial year attributable to owners of the Company (RM'000)	114,846	103,548	510,371	370,644
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,515,213	5,635,778	5,384,311

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Profit for the financial year attributable to owners of the Company (RM'000)	114,846	103,548	510,371	370,644
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,515,213	5,635,778	5,384,311
Effect of dilution due to:				
- ESOS ('000)	-	24,684	-	25,694
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,638,307	5,539,897	5,635,778	5,410,005

INTERIM FINANCIAL REPORT

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

B13 Profit for the year

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2018 RM'000	12 MONTHS ENDED 30/06/2018 RM'000
This is arrived at after (charging)/crediting:		
Interest income	15,129	64,481
Interest expense	(13,323)	(50,956)
Depreciation and amortisation	(29,057)	(104,055)
Foreign exchange gain	1,909	3,049
Gain on disposal of property, plant and equipment	10,039	16,004
Property, plant and equipment written off	(45)	(117)
Rental income	1,419	8,450
Other miscellaneous income	1,878	3,620

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

Date: 16 August 2018