



**DIALOG GROUP BERHAD** (178694-V)  
(Incorporated in Malaysia)

Interim Financial Statements  
For The Financial Year Ended  
30 June 2017

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	968,945	717,089	3,392,884	2,534,483
Operating expenses	(892,150)	(668,237)	(3,115,040)	(2,270,027)
Other operating income	27,141	19,658	97,651	60,062
Share of profit after tax of equity-accounted joint ventures and associates	28,352	28,743	107,046	70,766
Finance costs	(10,400)	(7,014)	(33,773)	(26,558)
<b>Profit before tax</b>	121,888	90,239	448,768	368,726
Tax expense	(21,008)	(12,006)	(75,654)	(67,377)
<b>Profit for the year</b>	<u>100,880</u>	<u>78,233</u>	<u>373,114</u>	<u>301,349</u>
<b>Profit for the year attributable to:</b>				
Owners of the parent	103,548	77,932	370,644	294,929
Non-controlling interests	(2,668)	301	2,470	6,420
	<u>100,880</u>	<u>78,233</u>	<u>373,114</u>	<u>301,349</u>
Basic earnings per ordinary share (sen) (Note B13)	<u>1.88</u>	<u>1.48</u>	<u>6.88</u>	<u>5.70</u>
Diluted earnings per ordinary share (sen) (Note B13)	<u>1.87</u>	<u>1.46</u>	<u>6.85</u>	<u>5.62</u>

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

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30 JUNE 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the year (Note B14)</b>	100,880	78,233	373,114	301,349
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translations	(11,246)	23,208	20,774	39,942
Cash flow hedge	(1,805)	(14,129)	4,679	(5,865)
Share of other comprehensive income/(loss) of a joint venture	(9,753)	5,476	19,996	6,668
<b>Other comprehensive income for the year</b>	<u>(22,804)</u>	<u>14,555</u>	<u>45,449</u>	<u>40,745</u>
<b>Total comprehensive income for the year</b>	<u><u>78,076</u></u>	<u><u>92,788</u></u>	<u><u>418,563</u></u>	<u><u>342,094</u></u>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	82,539	89,876	399,934	331,543
Non-controlling interests	(4,463)	2,912	18,629	10,551
	<u><u>78,076</u></u>	<u><u>92,788</u></u>	<u><u>418,563</u></u>	<u><u>342,094</u></u>

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

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	NOTE	30/06/2017 RM'000	30/06/2016 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		584,139	582,810
Development of tank terminals		268,899	250,946
Intangible assets		173,913	155,283
Investments in joint ventures and associates	B11	1,961,606	1,290,649
Other investments		4,467	4,732
Deferred tax assets		64,574	61,233
		<b>3,057,598</b>	<b>2,345,653</b>
<b>CURRENT ASSETS</b>			
Inventories		83,857	86,095
Trade and other receivables	A16	1,233,934	746,377
Current tax assets		15,961	13,778
Cash and cash equivalents	A17	1,425,358	944,383
		<b>2,759,110</b>	<b>1,790,633</b>
<b>TOTAL ASSETS</b>		<b>5,816,708</b>	<b>4,136,286</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		1,601,179	526,949
Treasury shares		(3,625)	(3,625)
Reserves		1,513,932	1,891,413
		3,111,486	2,414,737
Non-controlling interests		80,729	68,618
<b>TOTAL EQUITY</b>		<b>3,192,215</b>	<b>2,483,355</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,008,611	713,537
Deferred tax liabilities		6,325	4,871
		<b>1,014,936</b>	<b>718,408</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A18	1,149,036	741,661
Borrowings	B7	415,104	161,545
Current tax liabilities		45,417	31,317
		<b>1,609,557</b>	<b>934,523</b>
<b>TOTAL LIABILITIES</b>		<b>2,624,493</b>	<b>1,652,931</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,816,708</b>	<b>4,136,286</b>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<b>57.8</b>	<b>46.7</b>

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

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Attributable to owners of the parent						Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000		
<b>Balance as at 1 July 2016</b>	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)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,512)	(2,512)
Share options vested under ESOS	-	-	-	28,790	-	28,790	2,792	31,582
Share options exercised	251,711	-	32,270	(45,683)	-	238,298	(1,257)	237,041
Warrants exercised	48,181	-	170,549	(57,068)	-	161,662	-	161,662
Share issue expenses	(14)	-	(9)	-	-	(23)	-	(23)
Transfer of reserves upon expiry	-	-	-	(2,179)	2,179	-	-	-
Transfer pursuant to Companies Act 2016 ( <b>Note 1</b> )	774,352	-	(774,352)	-	-	-	-	-
Acquisition of shares from non-controlling interests	-	-	-	-	(834)	(834)	(2,667)	(3,501)
Acquisition of subsidiary	-	-	-	-	-	-	(2,874)	(2,874)
<b>Balance as at 30 June 2017</b>	<b>1,601,179</b>	<b>(3,625)</b>	<b>-</b>	<b>173,239</b>	<b>1,340,693</b>	<b>3,111,486</b>	<b>80,729</b>	<b>3,192,215</b>
<b>Balance as at 1 July 2015</b>	508,329	(3,625)	318,279	237,025	919,749	1,979,757	66,891	2,046,648
Total comprehensive income for the year	-	-	-	36,614	294,929	331,543	10,551	342,094
Appropriation :								
Final dividend for FY2015	-	-	-	-	(62,239)	(62,239)	-	(62,239)
Interim dividend for FY2016	-	-	-	-	(52,657)	(52,657)	-	(52,657)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,173)	(2,173)
Share options vested under ESOS	-	-	-	14,734	-	14,734	597	15,331
Share options exercised	5,274	-	51,732	(12,217)	-	44,789	(1,634)	43,155
Warrants exercised	13,346	-	201,539	(56,067)	-	158,818	-	158,818
Share issue expenses	-	-	(8)	-	-	(8)	-	(8)
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(1,134)	(1,134)
Disposal of shares in a subsidiary	-	-	-	-	-	-	(4,480)	(4,480)
<b>Balance as at 30 June 2016</b>	<b>526,949</b>	<b>(3,625)</b>	<b>571,542</b>	<b>220,089</b>	<b>1,099,782</b>	<b>2,414,737</b>	<b>68,618</b>	<b>2,483,355</b>

**Note 1**

Pursuant to the Companies Act 2016 ("New Act"), the credit balance in the share premium account has been transferred to the share capital account.

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2017**

	<b>12 MONTHS ENDED</b>	
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	448,768	368,726
Adjustments for :		
Depreciation and amortisation expenses	81,721	60,854
Net interest (income)/expenses	(9,158)	6,691
Share of results of joint ventures and associates	(107,046)	(70,766)
Share options vested under ESOS	31,330	15,034
Other non-cash items	(31,340)	(3,956)
Operating profit before working capital changes	414,275	376,583
Changes in working capital :		
Net change in inventories and receivables	(191,867)	63,798
Net change in payables	403,114	53,629
<b>Cash from operations</b>	<b>625,522</b>	<b>494,010</b>
Dividend and interest received	75,089	53,980
Tax paid	(68,683)	(107,601)
Tax refunded	3,019	1,779
<b>Net cash from operating activities</b>	<b>634,947</b>	<b>442,168</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(8,065)	-
Acquisition of additional shares from non-controlling interests	(3,501)	(1,134)
Additions of intangible assets	(55,040)	(93,717)
Development of tank terminals	(17,952)	(21,041)
Deposits paid for land acquisition	(20,000)	-
Investments in joint ventures and associates	(583,450)	(314,932)
Advances to joint venture	(249,997)	-
Net change in deposits with licensed banks	(10,492)	(979)
Net cash on disposal of a subsidiary	-	7,048
Proceeds from disposal of property, plant and equipment	28,337	12,344
Proceeds from disposal of other investment	554	-
Purchase of property, plant and equipment	(29,583)	(34,814)
<b>Net cash used in investing activities</b>	<b>(949,189)</b>	<b>(447,225)</b>



**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)**

	<b>12 MONTHS ENDED</b>	
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(32,264)	(25,093)
Dividend paid	(131,078)	(114,896)
Dividend paid to non-controlling interests	(2,512)	(2,173)
Net drawdown of bank borrowings	534,536	7,369
Proceeds from issuances of shares	398,680	201,965
<b>Net cash from financing activities</b>	<u>767,362</u>	<u>67,172</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	453,120	62,115
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		
As previously reported	943,125	865,919
Effects of exchange rate changes on cash and cash equivalents	17,291	15,091
	<u>960,416</u>	<u>881,010</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A17)</b>	<u><u>1,413,536</u></u>	<u><u>943,125</u></u>

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

## INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT

## A EXPLANATORY NOTES PURSUANT TO MFRS 134

## A1 Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the reporting requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

## A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2016 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB. As per requirements under MFRS, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2016 except as discussed below:

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

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

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

## A3 Auditors’ report of preceding annual audited financial statements

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



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**INTERIM FINANCIAL REPORT**

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**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 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 year.

**A7 Debt and equity securities**

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

- i. exercise of 186,667,289 share options under the Employees' Share Option Scheme; and
- ii. exercise of 135,850,878 warrants.

Both the Employees' Share Option Scheme ("ESOS") and the exercise rights of the Warrants 2012/2017 ("warrants") had expired on 29 July 2017 and 10 February 2017 respectively.

**A8 Dividends paid**

- i. A final dividend of 1.2 sen per ordinary share, amounting to RM64,203,102 in respect of financial year ended 30 June 2016 was paid on 20 December 2016
- ii. An interim dividend of 1.2 sen per ordinary share, amounting to RM66,874,448 in respect of financial year ended 30 June 2017 was paid on 29 June 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 financial year**

There were no material events subsequent to the current financial year ended 30 June 2017 and up to the date of this report, which is likely to substantially affect the profits of the Group.

**INTERIM FINANCIAL REPORT**

**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 2017 is as follows:

	<b>Malaysia RM'000</b>	<b>Singapore RM'000</b>	<b>Australia &amp; New Zealand RM'000</b>	<b>Middle East RM'000</b>	<b>Other Countries RM'000</b>	<b>Total RM'000</b>
<b>Segment profits</b>	357,694	33,152	8,932	29,002	19,988	448,768
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	2,455,890	165,019	290,235	216,952	264,788	3,392,884
<i>Inter-segment revenue</i>	3,199	16,219	5,670	606	2,255	27,949
<i>Depreciation and amortisation</i>	55,667	2,639	11,243	10,550	1,622	81,721
<i>Interest expense</i>	26,275	49	1,863	4,002	75	32,264
<i>Interest income</i>	39,597	1,229	34	394	168	41,422
<i>Share of results of joint ventures and associates</i>	108,008	120	(1,082)	-	-	107,046
<b>Segment assets</b>	4,699,868	267,482	240,948	330,406	213,430	5,752,134
Deferred tax assets						64,574
<b>Total assets</b>						<u>5,816,708</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,961,133	-	473	-	-	1,961,606
<i>Additions to non-current assets:</i>						
- <i>Property, plant &amp; equipment</i>	14,441	3,144	8,828	2,846	324	29,583
- <i>Intangible assets</i>	54,671	7	289	-	73	55,040
- <i>Development of tank terminals</i>	17,952	-	-	-	-	17,952
- <i>Joint ventures and associates</i>	583,450	-	-	-	-	583,450
<b>Segment liabilities</b>	2,334,522	49,978	77,422	109,524	46,722	2,618,168
Deferred tax liabilities						6,325
<b>Total liabilities</b>						<u>2,624,493</u>

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**INTERIM FINANCIAL REPORT**

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D**

**A12 Changes in the composition of the Group**

- (i) In October 2016, Dialog (Labuan) Ltd (“DLL”), an indirect wholly owned subsidiary, had acquired the remaining 40% equity interest, representing 800,000 ordinary shares in Dialog Marine (Labuan) Ltd (“DMLL”) (formerly known as Dialog IPS Marine (Labuan) Ltd) from Integrated Petroleum Services Sdn Bhd (“IPS”) for a total cash consideration of USD830,457 (approximately equivalent to RM3,471,310). Pursuant to that, DLL's equity interest in DMLL increased from 60% to 100% and DMLL became an indirect wholly owned subsidiary of Dialog Group Berhad (“DIALOG”).
- (ii) In January 2017, Dialog Pengerang Sdn Bhd (“DPGSB”), a direct subsidiary company, had acquired the remaining 30% equity interest, representing 30,000 ordinary shares in Pengerang Marine Operations Sdn Bhd (“PMOSB”) for total cash consideration of RM30,000. Pursuant to that, DPGSB's equity interest in PMOSB increased from 70% to 100% and PMOSB became an indirect wholly owned subsidiary of DIALOG.
- (iii) In March 2017, Fitzroy Engineering Group Limited (“FEGL”), an indirect subsidiary company incorporated in New Zealand, had acquired the remaining 50% equity interest, representing 1,000 ordinary shares in Finline Services Limited (“Finline”) for total cash consideration of NZD665,000 (approximately equivalent to RM2,061,500). Pursuant to that, FEGL's equity interest in Finline increased from 50% to 100% and Finline became an 88% indirect owned subsidiary of DIALOG.
- (iv) In March 2017, Dialog Services Pte Ltd (“DSVPL”), an indirect subsidiary company incorporated in Singapore, had acquired the remaining 60% equity interest in EC-Dialog Pte Ltd (“EC-Dialog”) for total cash consideration of SGD2,200,000 (approximately equivalent to RM6,952,000). EC-Dialog has equity interest in Catalyst Handling Research & Engineering Limited (“CHREL”), Dialog Catalyst Services Sdn Bhd (“DCSSB”), Dialog Services Europe Limited (“DSEL”) and Dialog Services, Inc. (“DSI”). Arising from the acquisition, the companies have become indirect wholly owned subsidiary companies of DIALOG.
- (v) In June 2017, Dialog Services (Hong Kong) Limited (“DSHK”), a dormant indirect wholly owned subsidiary, had submitted for deregistration and had been deregistered by a notice published on 30 June 2017 under Gazette Notice No. 4381 pursuant to Section 751 of the Companies Ordinance (“the Gazette”). Accordingly, DSHK had been dissolved and ceased to be an indirect wholly owned subsidiary of DIALOG with effect from 30 June 2017.

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

**INTERIM FINANCIAL REPORT**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D**

**A13 Commitments**

	<b>30/06/2017</b>
	<b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	1,200
- contracted but not provided for	4,500
	<u>5,700</u>
Commitments of the Group in respect of tank terminal business	<u>285,000</u>
Commitments of the Group in respect of upstream business	<u>58,344</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	7,806
- later than one year and not later than five years	11,080
- after five years	12,003
	<u>30,889</u>
b) The Group as lessor	
- not later than one year	2,276
- later than one year and not later than five years	328
	<u>2,604</u>

**A14 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantees up to a total amount of RM1,527.2 million (as at 30.06.2016: RM1,153.9 million) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM957.0 million (as at 30.06.2016: RM364.9 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD156.3 million, equivalents to RM487.8 million (as at 30.06.2016: SGD181.6 million, equivalent to RM543.1 million) for project financing secured by a joint venture.

**INTERIM FINANCIAL REPORT**

**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 year ended 30 June 2017 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2016.

	<b>12 MONTHS ENDED 30/06/2017 RM'000</b>
Transactions with joint ventures and associate:	
Dividend income	36,304
Interest income	22,835
Subcontract works received	394,332
Purchases and cost of services rendered	(2,360)
Tank rental and related expenses	(2,840)
Transactions with related parties:	
Provision of IT and related services	4,915
Rental of office premises	548
	<u>548</u>

**A16 Trade and other receivables**

	<b>30/06/2017 RM'000</b>
<b>Trade</b>	
Trade receivables	332,627
Amounts due from customers for contract works	369,617
Amounts due from joint ventures and associates	214,060
	<u>916,304</u>
<b>Others</b>	
Other receivables, deposits and prepayments	66,286
Hedge derivative assets	1,347
Amounts due from joint venture	249,997
	<u>317,630</u>
	<u>1,233,934</u>

**A17 Cash and cash equivalents**

	<b>30/06/2017 RM'000</b>
Deposits, cash and bank balances	1,425,358
Deposits, cash and bank balances pledged to licensed banks	(11,822)
	<u>1,413,536</u>

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**INTERIM FINANCIAL REPORT**

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D****A18 Trade and other payables**

	<b>30/06/2017</b>
	<b>RM'000</b>
Amounts due to customers for contract works	45,916
Trade payables	952,884
Accruals and other payables	144,555
Amounts due to joint ventures and associates	3,208
Hedge derivative liabilities	2,473
	<hr/>
	1,149,036
	<hr/> <hr/>

**A19 Employees' Share Option Scheme ("ESOS")**

The Company had implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at an Extraordinary General Meeting held on 25 July 2007 and was in force for a period of ten years. The scheme expired on 29 July 2017.

In compliance with Malaysian Financial Reporting Standard, MFRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM31,330,000 was charged to statement of profit or loss for the current financial year (FY2016: RM15,034,000).

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**INTERIM FINANCIAL REPORT**

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**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 the financial year ended 30<sup>th</sup> June 2017 with revenue of RM3.39 billion, an increase of 33.9% from last year. Group's net profit after tax increased by 23.8% to RM373.1 million from RM301.3 million recorded last year. As for the current reporting quarter, the Group recorded revenue of RM 968.9 million with net profit after tax of RM100.9 million, higher by 35.1% and 28.9% respectively against corresponding quarter last year.

The strong financial result achieved in the current financial year was mainly attributable to higher contributions from the Group's joint ventures which recorded an increase by 51.1% to RM107 million from RM70.8 million recorded in previous financial year.

During the financial year under review, the Malaysia operation was busy in the midstream and downstream activities with engineering, construction and fabrication works from various on-going projects such as the Pengerang Deepwater Terminal Phase 2, Jetty Topside works for Samsung in Pengerang and the construction of plasticizer plant for UPC Chemicals in Kuantan. These well executed activities had contributed to the higher results delivered by the Malaysia operation despite the slower upstream activities experienced during the financial year.

The Group's International operation also recorded a better financial performance in the current financial year against last year primarily driven by the increased downstream activities in Singapore and Saudi Arabia.

**B2 Variation of results against preceding quarter**

The Group's profit before tax of RM121.9 million was 1.8% higher against RM119.7 million recorded in the preceding quarter. This was in line with the 6% higher revenue registered in the current financial 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.

With the on-going operations of Pengerang Deepwater Terminal Phase 1 and current construction of Phase 2, the Group is now working towards expanding Phase 1 as well as 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 the Group's engineering, construction, fabrication and plant maintenance services.

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.

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**INTERIM FINANCIAL REPORT**


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**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**
**B3 Prospects – cont'd.**

The Group continuously reviews its resources to ensure efficient and effective utilisation and will continue to look for new opportunities to enhance its recurring income streams. In order to sustain its continuous growth, the Group will further improve and strengthen the skills of its manpower.

Barring any unforeseen circumstances, the Group is optimistic that it will continue to deliver a strong performance 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 year.

**B5 Taxation**

	<b>INDIVIDUAL PERIOD</b>	<b>CUMULATIVE PERIOD</b>
	<b>3 MONTHS</b>	<b>12 MONTHS</b>
	<b>ENDED</b>	<b>ENDED</b>
	<b>30/06/2017</b>	<b>30/06/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax	17,373	76,858
Deferred tax	1,916	(2,024)
Under provision in prior years	1,719	820
	<u>21,008</u>	<u>75,654</u>
Total tax expense		
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	<u>22.5%</u>	<u>22.1%</u>

**B6 Status of corporate proposals**

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



## INTERIM FINANCIAL 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 June 2017, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollars	621	1,956
Ringgit Malaysia	-	20,004
Unsecured:		
Euro	499	2,445
New Zealand Dollars	4,386	13,820
Ringgit Malaysia	-	60,000
Saudi Riyal	20,000	22,963
United States Dollar	68,512	293,916
		<u>415,104</u>
Long term borrowings:		
Secured:		
New Zealand Dollars	4,515	14,228
Ringgit Malaysia	-	61,200
United States Dollar	97,587	418,648
Unsecured:		
New Zealand Dollars	1,310	4,127
Ringgit Malaysia	-	453,000
Saudi Riyal	50,000	57,408
		<u>1,008,611</u>
		<u><u>1,423,715</u></u>

The borrowings are mainly to part finance its investment in tank terminals and logistic business. Included in the borrowings for the current financial year is RM895.1 million (30.06.2016: RM545.7 million) obtained under Islamic financing facilities.

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**INTERIM FINANCIAL REPORT**

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

**B8 Material litigation**

As at the date of this announcement, there was no material litigation since the last audited annual statement of financial position except for the following:-

a) Notice of Arbitration between Tanjung Langsat Port Sdn Bhd (“TLP”) and Dialog E & C Sdn Bhd (“DECSB”)

DECSB, a wholly owned subsidiary of the Company had on 9 April 2014, received a Notice of Arbitration dated 7 April 2014 from TLP for arbitral proceedings pursuant to the provisions of the Engineering, Procurement, Construction and Commissioning Contract dated 18 October 2006 (“EPCC Contract”) and a Settlement Agreement dated 13 May 2011. The arbitration has been referred to the Kuala Lumpur Regional Centre for Arbitration.

TLP and DECSB entered into the EPCC Contract for the engineering, procurement, construction and commissioning of a 100,000 cubic metres oil terminal project (“Facility”) at Tanjung Langsat Port, Johor, Malaysia for a contract price of RM89.5 million. The terminal commenced operations after DECSB had completed the project and in accordance with the agreed scope of the contract, which also saw handover of the completed project to TLP. However, there was an unfortunate fire incident that took place at the terminal on 17 August 2008 leading to TLP's Notice of Arbitration.

TLP is claiming that the fire incident was caused by DECSB's breaches of its obligations under the EPCC Contract and alleging that it is entitled to the following sums which TLP had further amended its claim (less the sum of RM17 million being the settlement sum received by TLP from its insurers) as follows:

1. RM22,431,934.40 for repair and reconstruction costs of the Facility incurred by TLP;
2. RM2,291,596.71 for repair and reconstruction costs of the Facility payable by TLP;
3. All costs and expenses to be incurred by TLP in remedying and rectifying the defective design and/or construction of the Facility, which is currently estimated at RM8,000,000.00;
4. RM109,544,788.54 for loss of profits had the Facility been approved by Platts or alternatively, RM94,944,788.54 for loss of profits if the Facility remained unapproved by Platts;
5. An indemnity against all of TLP's liability towards TLP's dedicated user, which includes but is not limited to: (i) USD20,747,275.20 for value of the loss of product stored in the Facility; (ii) USD2,108,497.00 for additional costs, fees and expenses incurred; and (iii) USD118,374,250.00 for the dedicated user's loss of use of the Facility;
6. In the alternative to paragraph 5 above and subject to the settlement agreement between TLP and TLP's dedicated user becoming unconditional: (i) USD30,000,000.00 being the sum due to TLP's dedicated user under the settlement agreement; and (ii) RM6,170,746.16 for costs incurred by TLP in respect of all proceedings relating to TLP's dedicated user;
7. RM916,321.79 for the cost and expenses, including legal costs, incurred by TLP arising out of litigation and arbitration proceedings commenced by TLP against its insurer.
8. Interest on the sums referred to above until full settlement;
9. Costs; and
10. Such other reliefs as the tribunal deems fit.

The matter is pending arbitration process and hearing of the matter has been postponed to November 2017. The Company is of the opinion that the arbitration proceeding is not expected to have any impact on the operational and financial position of the Group for the financial year ending 30 June 2018.

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## INTERIM FINANCIAL REPORT

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### **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”)

Centralised Terminals Sdn Bhd (“CTSB”) through its 80% owned subsidiary Langsat Terminal (One) Sdn Bhd (“LgT-1”) had, on 8 October 2014, commenced arbitration proceedings against TLP.

CTSB is 55% owned by the Company and 45% owned by MISC Berhad, which is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. LgT-1, the claimant, is the owner and operator of the 476,000 m<sup>3</sup> 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 arbitral proceedings have been postponed 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**

- a) The Board of Directors, pursuant to the Company’s Articles of Association, recommends a final dividend of 1.45 sen (previous corresponding year: 1.2 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 2.65 sen per ordinary share amounting to approximately RM148,874,000 comprises the following and represents an increase of 20% compared to previous financial year of 2.2 sen per ordinary share amounting to RM116,860,364:-
  - (i) Interim dividend of 1.2 sen per ordinary share amounted to RM66,874,448
  - (ii) Proposed final dividend of 1.45 sen per ordinary share of approximately RM82,000,000

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 RM370.6 million.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B10 Derivative financial instruments**

As at 30 June 2017, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Fair value –
	FC'000	RM'000	net gains or (losses) RM'000
With maturity less than 1 year:			
Euro	1,055	5,081	89
New Zealand Dollar	264	825	(8)
Singapore Dollar	162	499	(6)
Sterling Pound	306	1,699	7
United States Dollar	10,183	45,086	1,121

These forward contracts are mainly to hedge the foreign currency risk associated with trade receivables and trade payables.

There is no significant change to the financial derivatives in respect of the following since the last financial year ended 30 June 2016:

- the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- the cash requirement of the financial derivatives; and
- 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 RM71,594,000 (2016:RM91,594,000) and USD119,000,000 (2016:USD68,000,000) from floating interest rate to fixed rate to hedge against interest rate fluctuations. The effective periods for these interest rate swaps are from March 2014 to June 2018 and January 2018 to January 2023 respectively.

**B11 Investments in joint ventures and associates**

The investments in joint ventures and associates included unsecured advances amounted to RM514.6 million which bear interest at rates ranging from 4.50% to 6.50% per annum. The advances together with the interest receivable thereon amounted to RM523.8 million as at 30 June 2017.

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

## INTERIM FINANCIAL REPORT

**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:

	<b>As at 30/06/2017 RM'000</b>	<b>As at 30/06/2016 RM'000</b>
Total retained profits of the Company & its subsidiaries		
- Realised	1,336,570	1,206,155
- Unrealised	42,218	22,454
	<u>1,378,788</u>	<u>1,228,609</u>
Total share of retained profits from associates		
- Realised	(2,517)	(1,632)
- Unrealised	-	-
Total share of retained profits from joint ventures		
- Realised	173,106	101,968
- Unrealised	8,760	9,696
<b>Total before consolidation adjustments</b>		
- Realised	1,507,159	1,306,491
- Unrealised	50,978	32,150
	1,558,137	1,338,641
Less: Consolidation adjustments	<u>(217,444)</u>	<u>(238,859)</u>
<b>Total retained profits as per consolidated accounts</b>	<u><u>1,340,693</u></u>	<u><u>1,099,782</u></u>

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.

## INTERIM FINANCIAL REPORT

**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 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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Profit for the financial year attributable to owners of the Company (RM'000)	103,548	77,932	370,644	294,929
Weighted average number of ordinary shares in issue ('000)	5,515,213	5,249,222	5,384,311	5,171,122

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 and Warrants are exercised at the beginning of the financial year. 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 year and exercise price.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Profit for the financial year attributable to owners of the Company (RM'000)	103,548	77,932	370,644	294,929
Weighted average number of ordinary shares in issue ('000)	5,515,213	5,249,222	5,384,311	5,171,122
Effect of dilution due to:				
- Warrants ('000)	-	33,316	-	34,666
- ESOS ('000)	24,684	37,851	25,694	38,630
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,539,897	5,320,389	5,410,005	5,244,418

## INTERIM FINANCIAL REPORT

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

## B14 Profit for the year

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2017 RM'000	12 MONTHS ENDED 30/06/2017 RM'000
This is arrived at after (charging)/crediting:		
Interest income	14,631	41,422
Interest expense	(10,004)	(32,264)
Depreciation and amortisation	(21,157)	(81,721)
Foreign exchange gain	5,407	20,196
Gain on disposal of other investment	-	85
Gain on disposal of property, plant and equipment	26	22,452
Property, plant and equipment written off	(13)	(91)
Rental income	6,222	11,492
Bad debt written off	(137)	(137)
Impairment loss for goodwill	(15)	(27)
Other miscellaneous income	1,019	2,259

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

Date: 16 August 2017