DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Period Ended 30 September 2012

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
Revenue	416,950	355,238	416,950	355,238
Operating expenses	(375,879)	(317,552)	(375,879)	(317,552)
Other operating income	4,697	3,313	4,697	3,313
Share of results of jointly controlled entities and associates	12,175	13,379	12,175	13,379
Finance costs	(1,708)	(972)	(1,708)	(972)
Profit before tax	56,235	53,406	56,235	53,406
Income tax expense	(11,010)	(9,938)	(11,010)	(9,938)
Profit for the period	45,225	43,468	45,225	43,468
Profit attributable to:				
Owners of the Company	46,791	44,542	46,791	44,542
Non-controlling interests	(1,566)	(1,074)	(1,566)	(1,074)
	45,225	43,468	45,225	43,468
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.03	2.07	2.03	2.07
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	2.00	2.05	2.00	2.05

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
Profit for the period (Note B15)	45,225	43,468	45,225	43,468
Other comprehensive income:				
Foreign currency translations	(9,238)	7,974	(9,238)	7,974
Cash flow hedge	(88)	(31)	(88)	(31)
Fair value of other investments	4,241	-	4,241	-
Other comprehensive income for the period	(5,085)	7,943	(5,085)	7,943
Total comprehensive income for the period	40,140	51,411	40,140	51,411
Total comprehensive income attributable to:				
Owners of the Company	41,839	52,591	41,839	52,591
Non-controlling interests	(1,699)	(1,180)	(1,699)	(1,180)
	40,140	51,411	40,140	51,411

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

	NOTE	30/09/2012 RM'000	30/06/2012 RM'000	01/07/2011 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		335,917	333,107	223,718
Development of tank terminals		115,602	62,647	–
Intangible assets		35,829	36,178	33,631
Interest in jointly controlled entities and associates	B12	448,970	371,939	147,962
Other investments		37,579	31,105	2,414
Deferred tax assets		17,210	16,706	13,887
		991,107	851,682	421,612
CURRENT ASSETS				
Inventories		91,790	97,816	65,091
Trade and other receivables	A16	561,693	515,840	313,080
Current tax assets		2,550	4,932	3,258
Cash and cash equivalents	A17	435,136	579,550	278,463
		1,091,169	1,198,138	659,892
TOTAL ASSETS		2,082,276	2,049,820	1,081,504
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		240,672	240,614	199,582
Treasury shares		(24,819)	(24,819)	(24,589)
Reserves		1,022,698	977,806	408,119
		1,238,551	1,193,601	583,112
Non-controlling interests		41,481	44,427	36,800
TOTAL EQUITY		1,280,032	1,238,028	619,912
NON-CURRENT LIABILITIES				
Borrowings	B8	297,475	254,788	58,421
Deferred tax liabilities		2,561	2,794	3,931
		300,036	257,582	62,352
CURRENT LIABILITIES				
Trade and other payables	A18	408,710	464,779	327,842
Borrowings	B8	73,403	69,105	51,629
Current tax payable		20,095	20,326	19,769
		502,208	554,210	399,240
TOTAL LIABILITIES		802,244	811,792	461,592
TOTAL EQUITY AND LIABILITIES		2,082,276	2,049,820	1,081,504

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Attributable to owners of the Company							
	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 2012								
- as previously stated	240,614	(24,819)	302,537	179,338	495,931	1,193,601	44,427	1,238,028
- effect of convergence to MFRS (Note A2)	–	–	–	531	(531)	–	–	–
As restated	240,614	(24,819)	302,537	179,869	495,400	1,193,601	44,427	1,238,028
Total comprehensive income for the period	–	–	–	(4,952)	46,791	41,839	(1,699)	40,140
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,356)	(1,356)
Share options granted under ESOS	–	–	–	2,684	–	2,684	116	2,800
Share options exercised	58	–	679	(191)	–	546	(7)	539
Warrant exercise	–*	–	–*	–*	–	–*	–	–*
Share issue expenses	–	–	(119)	–	–	(119)	–	(119)
Balance as at 30 September 2012	240,672	(24,819)	303,097	177,410	542,191	1,238,551	41,481	1,280,032

* Less than RM1,000.

	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 2011								
- as previously stated	199,582	(24,589)	21,503	5,829	380,787	583,112	36,800	619,912
- effect of convergence to MFRS (Note A2)	–	–	–	531	(531)	–	–	–
As restated	199,582	(24,589)	21,503	6,360	380,256	583,112	36,800	619,912
Total comprehensive income for the period	–	–	–	8,049	44,542	52,591	(1,180)	51,411
Share options granted under ESOS	–	–	–	2,908	–	2,908	192	3,100
Share options exercised	54	–	703	(195)	–	562	(35)	527
Share issue expenses	–	–	(1)	–	–	(1)	–	(1)
Shares repurchased	–	(230)	–	–	–	(230)	–	(230)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	68	68
Acquisition of a subsidiary	–	–	–	–	–	–	3,634	3,634
Balance as at 30 September 2011	199,636	(24,819)	22,205	17,122	424,798	638,942	39,479	678,421

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	30/09/2012 RM'000	30/09/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	56,235	53,406
Adjustments for :		
Depreciation and amortisation expenses	9,568	6,693
Interest income and expense	(1,870)	(677)
Share of results of jointly controlled entities and associates	(12,175)	(13,379)
Share options granted under ESOS	2,763	3,100
Other non-cash items	46	(632)
Operating profit before working capital changes	54,567	48,511
Changes in working capital :		
Net change in inventories and receivables	(10,276)	2,478
Net change in payables	(55,062)	(64,734)
Cash used in operations	(10,771)	(13,745)
Dividend and interest received	3,050	1,009
Interest paid	(410)	(436)
Tax paid	(10,598)	(12,788)
Tax refund	461	426
Net cash used in operating activities	(18,268)	(25,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	–	(2,832)
Development of tank terminals	(52,955)	–
Deposits paid for land acquisition	(31,909)	–
Investment in jointly controlled entities	(66,300)	(24,115)
Net change in deposits with licensed banks	–	(718)
Net cash on disposal of a subsidiary	(265)	–
Proceeds from disposal of property, plant and equipment	323	334
Purchase of property, plant and equipment	(17,400)	(24,785)
Purchase of other investment	(2,729)	–
Net cash used in investing activities	(171,235)	(52,116)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2012 (CONT'D)

	30/09/2012 RM'000	30/09/2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,146)	(488)
Dividend paid to non-controlling interests	(1,356)	–
Ordinary shares contributed by non-controlling interests of certain subsidiaries	–	68
Net drawdown of bank borrowings	47,675	13,404
Proceeds from issuances of shares	539	527
Share issue expenses	(119)	(1)
Shares repurchased	–	(230)
Net cash generated from financing activities	45,593	13,280
NET DECREASE IN CASH AND CASH EQUIVALENTS	(143,910)	(64,370)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	578,384	274,326
Effects of exchange rate changes on cash and cash equivalents	(505)	415
As restated	577,879	274,741
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	433,969	210,371

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2012 and accompanying explanatory notes attached to the Interim Financial Statements.)

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and 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 of the Bursa Malaysia Securities Berhad ("Bursa"). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

These interim financial statements are the Group's first MFRS compliant interim financial statements for the three months ended 30 September 2012 and hence *MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The MFRS are effective for the Group from 1 July 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant interim financial statements are 1 July 2011. The Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1 and the impact of the transition to MFRS framework is described in Note A2 below.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012. 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 2012.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with Financial Reporting Standards ("FRS") issued by MASB. As the requirements under FRS and MFRS are similar, 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 2012 except as discussed below:

Exchange translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation losses of RM531,000 were adjusted to retained earnings.

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 FRS 134 – CONT'D

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 30 September 2012.

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

During the financial period, the issued and paid-up share capital has been increased from RM240,613,581 to RM240,671,774 by the allotment of 581,938 new ordinary shares of RM0.10 each pertaining to the following:

i. exercise of 581,738 share options under the Employees' Share Option Scheme; and
ii. exercise of 200 warrants.

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

A8 Dividends paid

No dividend has been paid by the Company during the current financial period.

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 2012 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 FRS 134 – CONT'D

A11 Operating segments

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

The Group's operating segments for the financial period ended 30 September 2012 is as follows:

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Other Asia RM'000	Other Countries RM'000	Total RM'000
Segment profits/(losses)	48,808	1,226	2,819	4,690	(1,308)	56,235
Included in the measure of segment profits/(losses)are:						
Revenue from external customers	209,858	25,788	67,366	112,079	1,859	*416,950*
Inter-segment revenue	*379*	*66,966*	*1,944*	*478*	*-*	*69,767*
Depreciation and amortisation	*2,699*	*1,762*	*1,904*	*3,013*	*190*	*9,568*
Interest expenses	*529*	*106*	*339*	*576*	*6*	*1,556*
Interest income	*3,304*	*56*	*15*	*51*	*-*	*3,426*
Share of results in jointly controlled entities and associates	*12,024*	*(19)*	*170*	*-*	*-*	*12,175*
Segment assets	1,044,743	682,386	116,989	206,864	14,084	2,065,066
Deferred tax assets						17,210
Total assets						2,082,276
Included in measure of segment assets are:						
Investment in jointly control entities and associates	*441,975*	*2,775*	*4,220*	*-*	*-*	*448,970*
Additions to non-current assets:						
- Property, plant & equipment	*8,711*	*699*	*2,280*	*5,606*	*272*	*17,568*
- Development of tank terminals	*52,955*	*-*	*-*	*-*	*-*	*52,955*
- Jointly controlled entities	*66,300*	*-*	*-*	*-*	*-*	*66,300*
Segment liabilities	456,403	129,621	47,144	148,441	15,074	799,683
Deferred tax liabilities						2,561
Total liabilities						802,244

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A12 Changes in the composition of the Group

In August 2012, Dialog E&C Sdn Bhd, a wholly-owned subsidiary of the Company, disposed off its entire 100% equity interest, representing 500,000 ordinary shares of RM1.00 each in Dialog Engineering Sdn Bhd ("DESB") for cash consideration of RM500,000.

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

A13 Commitments

	30/09/2012 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	80,000
- contracted but not provided for	36,800
	116,800
Commitments of the Group in respect of tank terminal business	200,000
Commitment in respect of investment in a subsidiary	1,200
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	12,106
- later than one year and not later than five years	12,727
- after five years	6,646
	31,479
b) The Group as lessor	
- not later than one year	391
- later than one year and not later than five years	239
	630

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM453,871,000 (as at 30.06.2012: RM457,768,000) 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 RM188,013,000 (as at 30.06.2012: RM201,722,000).

The Company has also given corporate guarantees amounting to RM1,100,000 (as at 30.06.2012: RM1,100,000) to third parties for supply of goods and warehouse licenses for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM1,100,000 (as at 30.06.2012: RM1,100,000).

In addition, the Company also provides the following undertakings:

i) an undertaking letter to a jointly controlled entity for the provision of cash flow deficiency support up to RM37.4 million (as at 30.06.2012: RM37.4 million) for banking facilities secured by a subsidiary company of a jointly controlled entity; and

ii) sponsor's undertaking to certain financial institutions up to USD51.8 million, approximately RM158.6 million (as at 30.06.2012: USD51.8 million, approximately RM164.9 million) in relation to term loan facility granted to a jointly controlled entity.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 30 September 2012 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2012 and the approved shareholders' mandate in the circular dated 28 October 2011 for recurrent related party transactions.

	3 months ended 30/09/2012 RM'000
Transactions with jointly controlled entities:	
Interest income	663
Subcontract works received	114,130
Purchases and services received	(2,413)
Tank rental expenses	(621)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,297
Services rendered	259
Provision of intellectual property rights	70

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A16 Trade and other receivables

	30/09/2012 RM'000
Amount due from customers for contract works	124,724
Trade receivables	241,142
Other receivables, deposits and prepayments	75,369
Amount due from jointly controlled entities	120,409
Hedge derivative assets	49
	561,693

As at the date of this report, the Group has subsequently collected RM105.0 million (44%) and RM45.2 million (38%) from the trade receivables and jointly controlled entities respectively.

A17 Cash and cash equivalents

	30/09/2012 RM'000
Deposits, cash and bank balances	435,136
Deposits pledged to licensed banks	(1,167)
	433,969

A18 Trade and other payables

	30/09/2012 RM'000
Amount due to customers for contract works	9,298
Trade payables	331,943
Accruals and other payables	63,868
Amount due to jointly controlled entities and associates	3,517
Hedge derivative liabilities	84
	408,710

A19 Employees' Share Option Scheme ("ESOS")

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

In compliance with Malaysian Financial Reporting Standard, MFRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM2,763,000 was charged to income statements for the current financial period (FY2012: RM3,100,000).

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

The Group registered total revenue of RM416.9 million in the current quarter compared with RM355.2 million in the previous year's corresponding quarter, an increase of 17%. Higher revenue was recorded mainly in Malaysia, Middle East, Russia and Indonesia. The EPCC works at Pengerang Independent Deepwater Terminal project in Malaysia and increased sales from Specialist Products & Services to overseas countries were amongst other contributing factors to this favourable result for the quarter under review.

In addition, the Group's newly completed integrated offshore supply base in Jubail Commercial Port, Kingdom of Saudi Arabia, has commenced its operation and started contributing to the Group's revenue.

Singapore operation however registered lower revenue due to lesser engineering & construction and plant maintenance works undertaken during the financial quarter under review.

In line with higher revenue achieved, the Group's profit after tax also increased by 4% from RM43.5 million in Q1 FY2012 to RM45.2 million this quarter.

B2 Variation of results against preceding quarter

The Group registered a profit before tax of RM56.2 million against RM63.9 million in the preceding quarter. This was mainly attributable to lower contribution from Plant Maintenance activities in Malaysia and Singapore.

B3 Prospects

Being an integrated technical services provider to the oil, gas and petrochemical industry, the Group is poised to benefit from the robust oil and gas industry's outlook as the Group will continue to strategically grow its core businesses comprising specialist products and services, EPCC, fabrication, plant maintenance services, logistics and upstream services businesses.

In the upstream arena, the Group will continue to extend its capabilities to include the rejuvenation and re-development of mature oil fields as well as the development of marginal fields. These will create robust platforms that will yield long-term sustainable revenue from incremental oil and gas production. The increased upstream activities from mature and marginal field activities will also provide the Group opportunities to participate in the value chain in the field development cycle, particularly in relation to the provision of subsurface, operations and maintenance, facilities engineering, fabrication and installation services, among other services.

The above will increase the Group's sustainable and recurring income for the future and will help reinforce the Group's position as a leading integrated technical services provider.

The Group's strategy of expanding the investment in Pengerang Deepwater Terminal also bodes well for the engineering and construction business as it will lend to a strengthening of its capabilities and core skills.

Going forward, the Group will continue to work hard to build upon its achievement to date. Barring any unforeseen circumstances, the Group is confident that it will continue to deliver a healthy performance for the financial year ending 30 June 2013.

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

B4 Profit forecast and profit guarantee

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

B5 Taxation

	3 months ended 30/09/2012 RM'000
Current tax	11,767
Deferred tax	(1,432)
Over provision in prior year	675
Total tax expense	11,010
Effective tax rates (excluding share of results of jointly controlled entities and associates)	25%

B6 Status of corporate proposals

In June 2012, Dialog D & P Sdn Bhd ("DDPSB"), a wholly owned subsidiary of the Company, entered into a Memorandum of Understanding ("MOU") with Halliburton Energy Services (M) Sdn. Bhd. ("HESSB") to jointly cooperate to pursue projects and/or opportunities in the re-development of mature oil fields in Malaysia ("Projects").

The MOU provides a framework for the parties to identify, explore, pursue and to participate in the target Projects. The MOU also confirms the respective parties' rights for the provision of certain work, goods and services in the target Projects. DDPSB will participate as the local partner in the re-development of mature oil fields by contributing its engineering strengths and resources.

On 19 November 2012, DDPSB entered into a Subscription and Shareholders' Agreement ("SHA") with Asia Energy Services Sdn Bhd ("AES"), a wholly owned subsidiary of Halliburton International, Inc, to subscribe 50% equity interest into Halliburton Bayan Petroleum Sdn Bhd ("HBP") to jointly manage an Oilfield Services Contract ("OSC").

HBP had on 7 November 2012 entered into an OSC as an independent technical service contractor, with Petronas Carigali Sdn Bhd, to provide Contractor Services required to enhance the recoverable reserves from the Bayan Field. The Bayan Field is located offshore Bintulu, Sarawak and the estimated total project value is USD 1.2 billion with a term of 24 years.

Under the SHA, DDPSB and AES shall carry out the rights and obligations under the OSC in respect of the redevelopment of the Bayan Field, which involves providing Contractor Services required to enhance the recoverable reserves through Production Enhancement Activities, Oil Development and Prospect Appraisal over the Bayan Field.

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

B7 Status of utilisation of proceeds

As at 14 November 2012, the status of utilisation of the proceeds raised from the Rights Issues with Warrants exercise in financial year ended 30 June 2012 is as follow:

	Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
i)	Upstream oil and gas activities, including risk services contract	330,725	93,801	36 months
ii)	Development of Pengerang independent deepwater tank terminals	100,062	100,062	36 months
iii)	Working capital	40,062	40,062	24 months
iv)	Defraying estimated expenses	5,400	4,276	Immediate
	Total	476,249	238,201	

B8 Borrowings and debt securities

As at 30 September 2012, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	760	42
New Zealand Dollars	3,049	7,774
Ringgit Malaysia		4,847
Saudi Riyal	15,142	12,469
Singapore Dollars	342	854
Sterling Pound	1,371	6,649
Thai Baht	33,000	3,281
United States Dollars	4,094	12,487
Unsecured:		
Singapore Dollars	10,000	25,000
		73,403
Long term borrowings:		
Secured:		
New Zealand Dollars	4	10
Ringgit Malaysia		36,303
Sterling Pound	33	164
Saudi Riyal	89,858	73,998
Unsecured:		
Ringgit Malaysia		187,000
		297,475
		370,878

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

B9 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.

B10 Derivative financial instruments

As at 30 September 2012, the Group has the following outstanding forward foreign exchange contracts with maturity less than 1 year:

	Contract Value		Fair value – net gains or (losses)
	FC'000	**RM'000**	**RM'000**
Forward foreign exchange contracts:			
United States Dollar	635	1,992	40
New Zealand Dollar	300	733	(32)
Singapore Dollar	92	231	2
Euro	830	3,293	(29)
Australian Dollar	2,517	8,143	(13)
Sterling Pound	174	861	(2)

These forward contracts are to hedge the foreign currency risk associated with its trade receivables, trade payables and advances to a foreign subsidiary.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 30 June 2012:

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.

B11 Dividends

During the current financial period, the Board recommends a final single tier dividend of 20% per ordinary share of RM0.10 each in respect of the previous financial year for approval from the shareholders at the forthcoming Annual General Meeting. Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 30 November 2012 and the date of payment will be on 19 December 2012.

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

B12 Advances to a jointly controlled entity

Included in the interest in jointly controlled entities and associates was unsecured advances amounted to RM59.0 million given to a jointly controlled entity. The advances bear interest at rates ranging from 4.29% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM62.2 million as at 30 September 2012.

The Company also provided financial guarantees as disclosed in A14.

B13 Retained Profits

The breakdown of retained profits of the Group as at date of statement of financial position, into realised and unrealised is as follow:

	As at 30/09/2012 RM'000	**As at 30/06/2012 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	549,282	516,790
- Unrealised	12,047	6,623
	561,329	523,413
Total share of retained profits from associates		
- Realised	21	41
- Unrealised	(1)	(2)
Total share of retained profits from jointly controlled entities		
- Realised	112,460	100,976
- Unrealised	(17,639)	(18,062)
Total before consolidation adjustments		
- Realised	661,763	617,807
- Unrealised	(5,593)	(11,441)
	656,170	606,366
Less: Consolidation adjustments	(113,979)	(110,966)
Total retained profits as per consolidated accounts	542,191	495,400

The above consolidation adjustments are mainly on adjustment for issuance of bonus shares in FY2010, non-controlling interests' share of equity and unrealised profits from E&C works provided to jointly controlled entities.

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 Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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

B14 Earnings per share

The basic earnings per 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 (adjusted for bonus element on rights issue of 2 for 10 for the previous corresponding period).

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Profit for the financial period attributable to owners of the Company (RM'000)	46,791	44,542	46,791	44,542
Weighted average number of ordinary shares in issue ('000)	2,308,110	2,150,587	2,308,110	2,150,587

Diluted earnings per 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 (adjusted for bonus element on rights issue of 2 for 10 in previous corresponding period). 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 period. The ordinary shares to be issued under ESOS 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		3 MONTHS ENDED	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Profit for the financial period attributable to owners of the Company (RM'000)	46,791	44,542	46,791	44,542
Weighted average number of ordinary shares in issue ('000)	2,308,110	2,150,587	2,308,110	2,150,587
Effect of dilution due to:				
- ESOS	27,932	19,261	27,932	19,261
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	2,336,042	2,169,848	2,336,042	2,169,848

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

B15 Profit for the period

	3 months ended 30/09/2012 RM'000
This is arrived at after (charging)/crediting:	
Interest income	3,426
Interest expense	(1,556)
Depreciation and amortisation	(9,568)
Loss on disposal of a subsidiary	(6)
Foreign exchange loss	(193)
Gain on forward exchange contract	81

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

Date: 20 November 2012