



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

Interim Financial Statements
For The Financial Period Ended
31 March 2013

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	RM'000	RM'000	RM'000	RM'000
Revenue	636,569	420,038	1,556,586	1,133,896
Operating expenses	(595,848)	(381,538)	(1,432,181)	(1,021,228)
Other operating income	4,447	4,769	12,767	11,175
Share of results of jointly controlled entities and associates	11,508	13,897	35,698	40,398
Finance costs	(3,521)	(1,164)	(7,210)	(3,157)
Profit before tax	53,155	56,002	165,660	161,084
Income tax expense	(10,418)	(10,931)	(32,342)	(30,531)
Profit for the period	42,737	45,071	133,318	130,553
Profit attributable to:				
Owners of the Company	46,762	41,393	141,063	127,387
Non-controlling interests	(4,025)	3,678	(7,745)	3,166
	42,737	45,071	133,318	130,553
Basic earnings per ordinary share of RM0.10 each (sen) (Note B14)	1.95	1.75	5.90	5.73
Diluted earnings per ordinary share of RM0.10 each (sen) (Note B14)	1.93	1.74	5.83	5.68

(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 31 MARCH 2013**

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<u>3 MONTHS ENDED</u>		<u>9 MONTHS ENDED</u>	
	<u>31/03/2013</u>	<u>31/03/2012</u>	<u>31/03/2013</u>	<u>31/03/2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period (Note B15)	42,737	45,071	133,318	130,553
Other comprehensive income:				
Foreign currency translations	(1,869)	(5,526)	(8,025)	(187)
Cash flow hedge	(346)	529	(305)	453
Fair value of other investments	4,920	3,615	15,056	3,376
Other comprehensive income for the period	<u>2,705</u>	<u>(1,382)</u>	<u>6,726</u>	<u>3,642</u>
Total comprehensive income for the period	<u>45,442</u>	<u>43,689</u>	<u>140,044</u>	<u>134,195</u>
Total comprehensive income attributable to:				
Owners of the Company	49,707	39,916	148,210	131,443
Non-controlling interests	(4,265)	3,773	(8,166)	2,752
	<u>45,442</u>	<u>43,689</u>	<u>140,044</u>	<u>134,195</u>

(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.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
31 MARCH 2013**

	NOTE	31/03/2013 RM'000	30/06/2012 RM'000	01/07/2011 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		378,770	333,107	223,718
Development of tank terminals		192,663	62,647	–
Intangible assets		34,970	36,178	33,631
Interest in jointly controlled entities and associates	B12	612,056	371,939	147,962
Other investments		48,725	31,105	2,414
Deferred tax assets		21,847	16,706	13,887
		<u>1,289,031</u>	<u>851,682</u>	<u>421,612</u>
CURRENT ASSETS				
Inventories		93,182	97,816	65,091
Trade and other receivables	A16	737,832	515,840	313,080
Current tax assets		7,743	4,932	3,258
Cash and cash equivalents	A17	431,865	579,550	278,463
		<u>1,270,622</u>	<u>1,198,138</u>	<u>659,892</u>
TOTAL ASSETS		<u>2,559,653</u>	<u>2,049,820</u>	<u>1,081,504</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		242,502	240,614	199,582
Treasury shares		(24,819)	(24,819)	(24,589)
Reserves		1,101,077	977,806	408,119
		1,318,760	1,193,601	583,112
Non-controlling interests		38,374	44,427	36,800
TOTAL EQUITY		<u>1,357,134</u>	<u>1,238,028</u>	<u>619,912</u>
NON-CURRENT LIABILITIES				
Borrowings	B8	532,385	254,788	58,421
Deferred tax liabilities		2,555	2,794	3,931
		<u>534,940</u>	<u>257,582</u>	<u>62,352</u>
CURRENT LIABILITIES				
Trade and other payables	A18	519,285	464,779	327,842
Borrowings	B8	124,163	69,105	51,629
Current tax payable		24,131	20,326	19,769
		<u>667,579</u>	<u>554,210</u>	<u>399,240</u>
TOTAL LIABILITIES		<u>1,202,519</u>	<u>811,792</u>	<u>461,592</u>
TOTAL EQUITY AND LIABILITIES		<u>2,559,639</u>	<u>2,049,820</u>	<u>1,081,504</u>
Net assets per share attributable to owners of the Company (sen)		<u>55.1</u>	<u>51.7</u>	<u>27.2</u>

(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 31 MARCH 2013**

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	–	–	–	7,147	141,063	148,210	(8,166)	140,044
Appropriation :								
Final dividend for FY2012	–	–	–	–	(47,990)	(47,990)	–	(47,990)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(1,356)	(1,356)
Share options granted under ESOS	–	–	–	8,051	–	8,051	349	8,400
Share options exercised	1,885	–	19,968	(4,909)	–	16,944	(294)	16,650
Warrant exercise	3	–	113	(30)	–	86	–	86
Share issue expenses	–	–	(121)	–	–	(121)	–	(121)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	2,448	2,448
Disposal of shares in a subsidiary	–	–	–	–	(21)	(21)	966	945
Balance as at 31 March 2013	242,502	(24,819)	322,497	190,128	588,452	1,318,760	38,374	1,357,134
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	–	–	–	4,056	127,387	131,443	2,752	134,195
Appropriation :								
Final dividend for FY2011	–	–	–	–	(35,691)	(35,691)	–	(35,691)
Share options granted under ESOS	–	–	–	8,596	–	8,596	504	9,100
Share options exercised	1,139	–	12,752	(3,246)	–	10,645	(263)	10,382
Rights shares issued	39,687	–	268,505	168,057	–	476,249	–	476,249
Warrants exercised	36	–	1,151	(308)	–	879	–	879
Share issue expenses	–	–	(4,151)	–	–	(4,151)	–	(4,151)
Shares repurchased	–	(230)	–	–	–	(230)	–	(230)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	999	999
Dividend paid to non-controlling interest	–	–	–	–	–	–	(92)	(92)
Acquisition of a subsidiary	–	–	–	–	–	–	3,634	3,634
Balance as at 31 March 2012	240,444	(24,819)	299,760	183,515	471,952	1,170,852	44,334	1,215,186

(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.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013

	31/03/2013	31/03/2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	165,660	161,084
Adjustments for :		
Depreciation and amortisation expenses	27,595	20,515
Interest income, net	(2,915)	(3,757)
Share of results of jointly controlled entities and associates	(35,698)	(40,398)
Share options granted under ESOS	8,290	9,100
Other non-cash items	(457)	(754)
Operating profit before working capital changes	162,475	145,790
Changes in working capital :		
Net change in inventories and receivables	(172,263)	(79,118)
Net change in payables	57,137	17,638
Cash generated from operations	47,349	84,310
Dividend and interest received	30,697	27,585
Tax paid	(38,882)	(37,574)
Tax refund	1,434	434
Net cash from operating activities	40,598	74,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	–	(2,832)
Deposits paid for land acquisition	(31,909)	–
Investment in jointly controlled entities	(248,787)	(157,942)
Net change in deposits with licensed banks	1,052	281
Net cash on disposal of a subsidiary	(265)	–
Proceeds from disposal of a jointly controlled entity	5,988	–
Proceeds from partial disposal of a subsidiary	945	–
Proceeds from disposal of property, plant and equipment	432	857
Purchase of property, plant and equipment	(76,877)	(93,610)
Development of tank terminals	(130,016)	(52,991)
Purchase of other investment	(2,729)	(22,910)
Net cash used in investing activities	(482,166)	(329,147)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013 (CONT'D)

	31/03/2013 RM'000	31/03/2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,776)	(1,400)
Dividend paid	(47,990)	(35,691)
Dividend paid to non-controlling interests	(1,356)	(92)
Ordinary shares contributed by non-controlling interests of certain subsidiaries	2,448	999
Net drawdown of bank borrowings	325,167	153,223
Proceeds from issuances of shares	16,736	487,510
Share issue expenses	(121)	(4,151)
Shares repurchased	–	(230)
Net cash from financing activities	<u>288,108</u>	<u>600,168</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(153,460)	345,776
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	(494)	(1,202)
As restated	<u>577,890</u>	<u>273,124</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	<u>424,430</u>	<u>618,900</u>

(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.)

INTERIM FINANCIAL REPORT

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 nine months ended 31 March 2013 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.

INTERIM FINANCIAL REPORT

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 31 March 2013.

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 RM242,502,366 by the allotment of 18,887,855 new ordinary shares of RM0.10 each pertaining to the following:

- i. exercise of 18,852,052 share options under the Employees' Share Option Scheme; and
- ii. exercise of 35,803 warrants.

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

A8 Dividends paid

A final single tier dividend of 20% per ordinary shares of RM0.10 each, amounting to RM47,990,349 in respect of financial year ended 30 June 2012 was paid on 19 December 2012.

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 31 March 2013 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 31 March 2013 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)	159,897	(15,143)	11,561	10,461	(1,116)	165,660
<i>Included in the measure of segment profits/(losses) are:</i>						
<i>Revenue from external customers</i>	825,908	132,600	202,987	375,735	19,356	1,556,586
<i>Inter-segment revenue</i>	10,990	260,363	4,832	1,070	143	277,398
<i>Depreciation and amortisation</i>	8,047	5,482	4,887	8,626	553	27,595
<i>Interest expenses</i>	2,700	1,433	429	2,199	15	6,776
<i>Interest income</i>	9,240	192	74	185	-	9,691
<i>Share of results in jointly controlled entities and associates</i>	35,379	(54)	373	-	-	35,698
Segment assets	1,732,572	346,347	132,634	310,184	16,069	2,537,806
Deferred tax assets						21,847
Total assets						<u>2,559,653</u>
<i>Included in measure of segment assets are:</i>						
<i>Investment in jointly control entities and associates</i>	604,298	2,739	5,019	-	-	612,056
<i>Additions to non-current assets:</i>						
<i>- Property, plant & equipment</i>	38,323	8,723	4,653	25,790	403	77,892
<i>- Development of tank terminals</i>	130,016	-	-	-	-	130,016
<i>- Jointly controlled entities</i>	248,787	-	-	-	-	248,787
Segment liabilities	729,610	184,480	65,928	206,862	13,084	1,199,964
Deferred tax liabilities						2,555
Total liabilities						<u>1,202,519</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A12 Changes in the composition of the Group

- i) In August 2012, Dialog E&C Sdn Bhd (“DECSB”), 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.
- ii) In October 2012, Dialog (Labuan) Ltd (“DLL”), a wholly-owned subsidiary of the Company, incorporated Dialog IPS Marine (Labuan) Ltd (“DIPSM”) in the Federal Territory of Labuan, Malaysia with an issued and paid-up share capital of USD2 comprising of 2 ordinary shares. In November 2012, DLL entered into a Shareholders' Agreement with Integrated Petroleum Services Sdn Bhd (“IPS”) to subscribe into the enlarged share capital of DIPSM of USD2 million comprising of 2 million ordinary shares. DLL holds 60% equity stake in DIPSM and the balance 40% equity stake is held by IPS. DIPSM is involved in logistic services for the marketing of specialist products in the oil, gas and petrochemical industry.
- iii) In October 2012, DECSB incorporated Dialog Offshore Engineering Sdn Bhd (“DOESB”) with an issued and paid-up share capital of RM1,000 comprising of 1,000 ordinary shares of RM1.00 each. Subsequently, in March 2013, DECSB entered into a shareholders' agreement with Richtech Engineering (Hong Kong) Company Limited (“RICHTECH”) to subscribe into the enlarged share capital of DOESB of RM1 million comprising of 1 million ordinary shares of RM1.00 each. DECSB holds 55% equity stake in DOESB and the balance 45% equity stake is held by RICHTECH.

DECSB and RICHTECH will collaborate and leverage on their respective expertise and services to provide front end and detailed engineering design, consulting and project management relating to engineering design and other related support services for the upstream oil and gas industry.
- iv) In October 2012, Dialog System Sdn Bhd, a wholly-owned subsidiary of the Company, disposed of its entire 50% equity interest, representing 1,500,001 ordinary shares of RM1.00 each, in Tracerco Asia Sdn Bhd to Johnson Matthey Investments Limited for a total cash consideration of RM5,988,371.
- v) In November 2012, Dialog Pengerang Sdn Bhd, a wholly-owned subsidiary of the Company, incorporated Pengerang Marine Operations Sdn Bhd (“PMOSB”) with an issued and paid-up share capital of RM2 comprising of 2 ordinary shares of RM1.00 each. PMOSB shall be involved in the provision of related marine services, operate and maintain marine facilities and jetties within the port and harbour at Pengerang, Johor.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A12 Changes in the composition of the Group (cont'd)

- vi) In November 2012, Dialog D&P Sdn Bhd ("Dialog D&P"), a wholly-owned subsidiary of the Company, 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") representing 2,500,000 ordinary shares of RM1.00 each to jointly manage an Oilfield Services Contract ("OSC"). The subscription was completed in December 2012.

HBP had in November 2012 entered into an OSC as an independent technical service contractor, with Petronas Carigali Sdn Bhd ("PCSB"), 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, AES and Dialog D&P 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.

- vii) In December 2012, the Company's subsidiaries, Fitzroy Engineering Group Limited (87.5% owned) and Dialog Systems (Asia) Pte Ltd (100% owned), have respectively subscribed for 90% and 10% of Fitzroy Tower Services Limited's ("FTSL") share capital of NZD100,000 comprising of 100,000 ordinary shares. FTSL is a newly incorporated company in New Zealand to undertake maintenance services including painting works, blasting and its associated works, mainly for tower pylons in New Zealand and Australia.

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

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A13 Commitments

	31/03/2013
	RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	33,600
- contracted but not provided for	44,000
	<u>77,600</u>
Commitments of the Group in respect of tank terminal business	<u>160,000</u>
Commitment in respect of investment in a subsidiary	<u>600</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	16,501
- later than one year and not later than five years	10,772
- after five years	9,800
	<u>37,073</u>
b) The Group as lessor	
- not later than one year	365
- later than one year and not later than five years	155
	<u>520</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM670,121,000 (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 RM400,739,000 (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 a third party 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 party 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 RM160.1 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.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 31 March 2013 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 29 October 2012 for recurrent related party transactions.

	9 months ended 31/03/2013 RM'000
Transactions with jointly controlled entities:	
Dividend income	21,000
Interest income	1,974
Subcontract works received	234,152
Purchases and cost of services rendered	(977)
Tank rental and related expenses	(2,550)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	6,139
Services rendered	5,981
Provision of intellectual property rights	70

A16 Trade and other receivables

	31/03/2013 RM'000
Amount due from customers for contract works	141,405
Trade receivables (Note a)	304,555
Other receivables, deposits and prepayments	80,450
Amount due from jointly controlled entities and associates (trade) (Note b)	211,363
Hedge derivative assets	59
	737,832

- a) As at date of this report, the Group has subsequently collected a total of RM121.3 million (40%) from the outstanding trade receivables.
- b) Included in the above is an amount due from Pengerang Independent Terminals Sdn Bhd ("PITSB"), a jointly controlled entity, for E&C work provided by the Group amounted to RM192.7 million. Subsequent to the reporting period, PITSB has achieved a financial close for its project financing, a Dual Currency Facilities of up to RM350.0 million and SGD437.5 million, from Ambank (M) Berhad, Malayan Banking Berhad and DBS Bank Limited, Labuan Branch.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A17 Cash and cash equivalents

	31/03/2013 RM'000
Deposits, cash and bank balances	431,865
Deposits pledged to licensed banks	(103)
Bank overdrafts	<u>(7,332)</u>
	<u>424,430</u>

A18 Trade and other payables

	31/03/2013 RM'000
Amount due to customers for contract works	17,821
Trade payables	413,056
Accruals and other payables	86,432
Amount due to jointly controlled entities and associates	1,616
Hedge derivative liabilities	<u>360</u>
	<u>519,285</u>

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 RM8,290,000 was charged to income statements for the current financial period (FY2012: RM9,100,000).

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

The Group's revenue for the current quarter and nine months' period ended 31 March 2013 increased by 52% and 37% respectively when compared to the same period last year. The increasing EPCC activities at Pengerang Deepwater Terminal in Pengerang, Johor explained the higher revenue for Malaysia operation during the period under review. In addition, increased fabrication activities and the consistent performance of the Specialist Products and Services division had also contributed to the better performance by Malaysia operation.

Revenue from International operation was also higher against same period last year. This was mainly attributable to the increased E&C activities in Singapore and higher revenue recorded in Indonesia, India, Middle East and Russia as a result of increased sales of Specialist Products and Services.

The Group's profit after tax for the current quarter was lower by 5% compared to same quarter last year. As for the nine months' period, it was higher by 2% to RM133.3 million. Despite the significant increase in revenue, the Group's profit after tax was affected by the additional cost overrun experienced by a plant maintenance project undertaken in Singapore.

B2 Variation of results against preceding quarter

Revenue for the current quarter was 27% higher when compared to the preceding quarter. However, profit before tax was lower by 6% from RM56.3 million to RM53.2 million mainly attributable to the additional cost overrun experienced by a plant maintenance project undertaken in Singapore during this quarter.

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.

The Group's strategy of expanding the investment in Pengerang Deepwater Terminal bodes well for the engineering and construction business as it will lend to a strengthening of its capabilities and core skills. During the construction period, the Group will benefit from contributions via EPCC and fabrication activities. The first phase of the project is scheduled to be operational for the first oil commissioning in 2014 and this shall mark the start of additional recurring earnings for the Group. The Group is also securing potential partners for subsequent phases including a liquefied natural gas ("LNG") storage terminal. In addition, the Group's EPCC and fabrication arms are also expected to benefit from other refinery and petrochemical projects which are being planned in Pengerang, Johor.

INTERIM FINANCIAL REPORT

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

B3 Prospects (cont'd)

In the upstream sector, the Group will continue to extend its capabilities to include the development of marginal fields and the rejuvenation and re-development of mature oil fields. BC Petroleum Sdn Bhd's ("BCP"), a 32% owned jointly controlled entity, has successfully drilled 4 wells and is currently drilling the fifth in their pre-development work programme. Halliburton Bayan Petroleum Sdn Bhd ("HBP"), a 50% owned jointly controlled entity, has commenced activities for the redevelopment of the Bayan Field and it is expected to build and expand the Group's capabilities in the area of mature fields. Both these projects will yield long-term sustainable earnings and provide the Group with opportunities to participate in the field development cycle, particularly in relation to the provision of subsurface, operations and maintenance, facilities engineering, fabrication and installation and other services.

The completion of the Jubail Supply Base resulted in the delivery of drilling base oil to Saudi Aramco. In addition, the significant increase in drilling activities in the region and our success in securing the supply of drilling base oil contracts and to further strengthen its position, the Group has acquired a marine vessel to enable more efficient and smooth delivery of products as well as improve cost effectiveness in the Group's logistic services.

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.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/03/2013 RM'000	9 months ended 31/03/2013 RM'000
Current tax	11,934	40,463
Deferred tax	127	(6,308)
Over provision in prior year	(1,643)	(1,813)
Total tax expense	10,418	32,342
Effective tax rates on profit before tax excluding share of results of jointly controlled entities and associates	25.0%	24.9%

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 SECURITIES BERHAD – CONT'D

B7 Status of utilisation of proceeds

As at 9 May 2013, the status of utilisation of the proceeds raised from the Rights Issue with Warrants completed in the 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	117,497	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	<u>476,249</u>	<u>261,897</u>	

B8 Borrowings and debt securities

As at 31 March 2013, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Indian Rupees	170	9
New Zealand Dollars	5,495	14,288
Ringgit Malaysia		6,207
Saudi Riyal	15,142	12,518
Singapore Dollars	3,831	9,578
Sterling Pound	728	3,427
Thai Baht	71,748	7,584
United States Dollars	11,393	35,320
Unsecured:		
United States Dollars	2,500	7,750
Singapore Dollars	10,993	27,482
		<u>124,163</u>
Long term borrowings:		
Secured:		
Indian Rupees	425	24
Ringgit Malaysia		207,467
Saudi Riyal	89,858	74,284
Singapore Dollars	198	496
Sterling Pound	24	114
Unsecured:		
Ringgit Malaysia		<u>250,000</u>
		<u>532,385</u>
		<u>656,548</u>

The borrowings of the Group are mainly for part finance of its investment in tank terminals, logistic business and trade financing in respect of specialist products and services.

INTERIM FINANCIAL REPORT

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 Dividends

- a) The Board of Directors declared an interim single tier dividend of 11% (previous corresponding period: 11%) per ordinary share in respect of the financial year ending 30 June 2013.

The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 12 June 2013 and the date of payment will be on 27 June 2013.

- b) The total dividend for the current financial period to date is 11% per ordinary share of RM0.10 each.

B11 Derivative financial instruments

As at 31 March 2013, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Fair value – net gains or (losses)
	FC'000	RM'000	RM'000
With maturity less than 1 year:			
Australian Dollar	1,119	3,607	5
Japanese Yen	113,078	3,777	(66)
New Zealand Dollar	1,385	3,493	(94)
Singapore Dollar	1,747	4,365	3
Sterling Pound	1,431	6,844	(171)
United States Dollar	348	1,076	(8)
With maturity more than 1 year but less than 3 years			
New Zealand Dollar	424	1,084	(15)

These forward contracts are to hedge the foreign currency risk associated with 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.

INTERIM FINANCIAL REPORT

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

B12 Interest in jointly controlled entities and associates

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 4.26% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM61.5 million as at 31 March 2013.

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 31/03/2013 RM'000	As at 30/06/2012 RM'000
Total retained profits of the Company & its subsidiaries		
- Realised	594,309	516,790
- Unrealised	17,606	6,623
	611,915	523,413
Total share of retained profits from associates		
- Realised	(16)	41
- Unrealised	-*	(2)
Total share of retained profits from jointly controlled entities		
- Realised	114,256	100,976
- Unrealised	(16,588)	(18,062)
Total before consolidation adjustments		
- Realised	708,549	617,807
- Unrealised	1,018	(11,441)
	709,567	606,366
Less: Consolidation adjustments	(121,115)	(110,966)
Total retained profits as per consolidated accounts	588,452	495,400

* Less than RM1,000

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.

INTERIM FINANCIAL REPORT

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.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Profit for the financial period attributable to owners of the Company (RM'000)	46,762	41,393	141,063	127,387
Weighted average number of ordinary shares in issue ('000)	2,400,985	2,379,215	2,392,344	2,223,459

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. 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		9 MONTHS ENDED	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Profit for the financial period attributable to owners of the Company (RM'000)	46,762	41,393	141,063	127,387
Weighted average number of ordinary shares in issue ('000)	2,400,985	2,379,215	2,392,344	2,223,459
Effect of dilution due to:				
- Warrant	–*	577	–*	2,448
- ESOS	25,701	17,616	25,936	17,717
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	2,426,686	2,397,408	2,418,280	2,243,624

* Not included in the calculation of diluted earnings per share due to antidilutive effect.

INTERIM FINANCIAL REPORT

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

B15 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 months ended 31/03/2013	9 months ended 31/03/2013
	RM'000	RM'000
This is arrived at after (charging)/crediting:		
Interest income	3,063	9,691
Interest expense	(3,409)	(6,776)
Depreciation and amortisation	(9,152)	(27,595)
Foreign exchange gain / (loss)	397	(212)
Loss on forward exchange contract	(2)	–*
Gain on disposal of a jointly controlled entity	–	168
Loss on disposal of a subsidiary	–	(6)
Gain on disposal of plant and equipment	71	94
Rental income	436	1,420
Other miscellaneous income	522	1,743

* – Less than RM1,000

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

Date: 15 May 2013