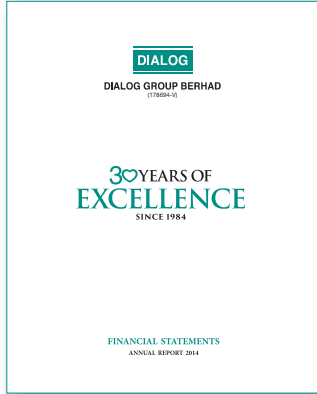


**DIALOG**

**DIALOG GROUP BERHAD**  
(178694-V)

**3♥ YEARS OF  
EXCELLENCE**  
SINCE 1984

**FINANCIAL STATEMENTS**  
ANNUAL REPORT 2014



DIALOG commenced operations in 1984 with just five staff. From humble beginnings, we have grown into one of Malaysia's leading integrated technical services provider to the oil, gas and petrochemical industry. Today, we are listed on the Main Market of Bursa Malaysia with a market capitalisation of about RM8 billion and a staff strength of over 2,600 in 11 countries.

Truly a global player serving a diverse range of customers throughout the world, we are highly regarded and trusted as a dependable provider of a comprehensive range of services. Our commitment to hard work and the dedication of our people has sustained our business operations over the last 30 years and we look forward to many more years of excellence in the future.

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the petroleum and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 10 to the financial statements, are the provision of logistic services in tank terminals and supply base, upstream services, specialist products and services, engineering & construction, fabrication, plant maintenance & catalyst handling services and ePayment technology & solutions.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	228,773	113,526
Attributable to:		
Owners of the parent	215,869	113,526
Non-controlling interests	12,904	–
	228,773	113,526

## DIRECTORS' REPORT

### DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

- (a) Final single tier cash dividend of 2.20 sen per ordinary share of RM0.10 each, amounting to RM53,419,718 in respect of the previous financial year was paid on 19 December 2013;
- (b) Interim single tier cash dividend of 1.10 sen per ordinary share of RM0.10 each, amounting to RM26,793,197 in respect of the current financial year was paid on 26 June 2014;
- (c) Special single tier share dividend of one (1) treasury share for every one hundred and twenty five (125) existing ordinary shares of RM0.10 each held, totalling 19,499,939 shares purchased for RM21,194,484 (determined based on the weighted average cost of treasury shares and equivalent to 0.90 sen per ordinary share of RM0.10 each) in respect of the current financial year. The special share dividend was distributed to the entitled shareholders on 25 July 2014. The market value of the dividend at distribution date was RM71,369,777; and
- (d) Proposed final single tier cash dividend of 1.10 sen per ordinary share of RM0.10 each, amounting to approximately RM54,099,100 in respect of the current financial year (based on enlarged share capital of 4,918,100,000 shares after one-for-one bonus issue, which was completed on 25 July 2014) as recommended by the Directors subsequent to the end of the reporting period for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM243,081,113 to RM245,884,275 by way of issuance of 28,031,622 new ordinary shares of RM0.10 each pursuant to the following:

- (i) 26,473,723 options exercised under the Employees' Share Option Scheme (ESOS) at exercise prices ranging from RM0.39 to RM2.13 per ordinary share for cash; and
- (ii) 1,557,899 warrants exercised at an exercise price of RM2.40 each for cash, which resulted in 1,557,899 ordinary shares of RM0.10 each being allotted and issued.

The newly issued ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

## EMPLOYEES' SHARE OPTION SCHEME

The Company implements an ESOS, which is in force for a period of ten (10) years until 29 July 2017 ('the option period'). The main features of the ESOS are as follows:

- (a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;
- (b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;
- (c) The option price under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;
- (d) The actual number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:
  - (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and
  - (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.
- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares of between 10%-70% per year over the vesting periods of two (2) to five (5) years;
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

## DIRECTORS' REPORT

### EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The number of unissued ordinary shares of RM0.10 each under options at the respective option prices was as follows:

	<----- Number of options over ordinary shares of RM0.10 each ----->					
	Balance as at 1.7.2013	Granted	Retracted*	Exercised	Balance as at 30.6.2014 <sup>^</sup>	Exercisable as at 30.6.2014
<b>Option price:</b>						
RM0.93	733,518	-	-	(155,452)	578,066	578,066
RM1.04	9,805,837	-	(149,476)	(5,938,012)	3,718,349	3,652,892
RM0.81	2,737,497	-	(67,109)	(2,201,729)	468,659	447,611
RM0.39	2,405,049	-	(51,860)	(1,998,453)	354,736	350,159
RM0.47	5,796,140	-	-	(1,372,770)	4,423,370	2,135,420
RM0.64	11,421,022	-	(224,201)	(4,122,886)	7,073,935	2,754,402
RM0.94	25,482,780	-	(906,460)	(5,447,039)	19,129,281	1,737,649
RM1.37	4,583,876	-	(26,146)	(743,724)	3,814,006	591,287
RM2.04	42,283,022	-	(1,806,613)	(3,280,555)	37,195,854	3,390,547
RM1.78	2,146,437	-	(275,705)	(274,303)	1,596,429	152,917
RM2.11	17,597,000	-	(999,000)	(879,800)	15,718,200	818,200
RM2.13	1,400,000	-	(385,000)	(59,000)	956,000	48,000
RM2.38	-	6,000,000	(348,400)	-	5,651,600	-
RM2.79	-	4,000,000	(149,200)	-	3,850,800	-
RM2.98	-	46,000,000	(560,000)	-	45,440,000	-
	126,392,178	56,000,000	(5,949,170)	(26,473,723)	149,969,285	16,657,150

\* Due to resignation or rejection of the options granted.

<sup>^</sup> Exercisable by the grantee upon achieving the vesting conditions set by the ESOS Committee and are subject to the allotment of shares between 10% – 70% per year over vesting periods of 2 to 5 years.

Since the implementation of the ESOS until the end of the financial year, a total of 228,620,515 options had been granted to the eligible employees of the Group of which a total of 58,147,109 options had been granted to the Executive Directors of the Company and persons connected to the Executive Directors. A total of 78,651,230 options had been exercised since implementation of the ESOS until the end of the financial year of which 19,951,798 options had been exercised by the Executive Directors of the Company and persons connected to the Executive Directors.

During the financial year and since the implementation of the ESOS until the end of the financial year, the Executive Directors and senior management of the Company and its subsidiaries had been granted 7% and 35% respectively of the total options available under the ESOS.

## EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The Company had been granted exemption by the Companies Commission of Malaysia vide its letter dated 7 August 2014 from having to disclose the list of option holders and the number of options granted to them during the financial year pursuant to Section 169 (11) of the Companies Act, 1965 in Malaysia except for information on employees who were individually granted in aggregate 1,904,043 options and above.

Other than those disclosed in the Directors' interests, the following employees are granted 1,904,043 options and above:

	Number of options over ordinary shares of RM0.10 each			Balance as at 30.6.2014
	Balance as at 1.7.2013	Granted	Exercised	
Loy Ah Wei	3,172,526	–	–	<b>3,172,526</b>
Mustaffa Kamal Bin Abu Bakar	1,335,942	600,000	(502,117)	<b>1,433,825</b>
Tan Lek Lek	1,129,049	400,000	(354,957)	<b>1,174,092</b>
Chong Chong Wooi	984,144	400,000	(423,047)	<b>961,097</b>
Chan Fok Kyong	1,030,557	202,000	(360,509)	<b>872,048</b>
Ho Kam Yong	802,731	87,000	(369,781)	<b>519,950</b>

## WARRANTS 2012/2017

On 15 February 2012, the Company listed and quoted 198,436,934 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every two (2) Rights Shares subscribed.

The Warrants are constituted by the Deed Poll dated 15 December 2011 ('Deed Poll').

Salient features of the Warrants are as follows:

- Each Warrant entitles the registered holder thereof ('Warrant holder(s)') to subscribe for one (1) new ordinary share of RM0.10 in the Company at an exercise price of RM2.40 during the 5-year period expiring on 12 February 2017 ('Exercise Period'), subject to the adjustments as set out in the Deed Poll;
- At the expiry of the Exercise Period, any Warrants, which have not been exercised shall automatically lapse and cease to be valid for any purposes; and
- Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

## DIRECTORS' REPORT

### WARRANTS 2012/2017 (CONTINUED)

Movements in the Warrants since the listing and quotation thereof are as follows:

	<b>Number of Warrants</b>
As of 15 February 2012	198,436,934
Exercised in financial year 2012	(366,468)
Exercised in financial year 2013	(2,582,914)
Exercised in financial year 2014	(1,557,899)
Exercised subsequent to 30 June 2014 but before the special share dividend and bonus issue	(847,181)
Adjustment arising from the special share dividend and bonus issue	196,169,677
Exercised subsequent to the special share dividend and bonus issue	(3,050,000)
As of 9 October 2014	386,202,149

### REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 21 November 2013, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

- (i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;
- (ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings and share premium of the Company at the time of purchase; and
- (iii) The Directors may retain the shares so repurchased as treasury shares and may resell the treasury shares and/or distribute them as share dividend and/or cancel them in a manner they deem fit in accordance with the provisions of the Companies Act, 1965 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 2,458,842,752 (2013: 2,430,811,130) issued and fully paid ordinary shares of RM0.10 each as at 30 June 2014, 22,834,971 (2013: 22,834,971) ordinary shares of RM0.10 each purchased for RM24,819,097 (2013: RM24,819,097) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.10 each in issue after deducting the treasury shares is 2,436,007,781 (2013: 2,407,976,159).



## DIRECTORS OF THE COMPANY

The Directors who have held office since the date of the last report are as follows:

Tan Sri Dr Ngau Boon Keat  
 Chan Yew Kai  
 Datuk Oh Chong Peng  
 Kamariyah Binti Hamdan  
 Ja'afar Bin Rihan  
 Siti Khairon Binti Shariff  
 Chew Eng Kar  
 Zainab Binti Mohd Salleh

In accordance with Article 96 of the Company's Articles of Association, Chan Yew Kai, Chew Eng Kar and Ja'afar Bin Rihan retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Datuk Oh Chong Peng retires at the conclusion of the forthcoming Annual General Meeting and a resolution will be proposed for his re-appointment as director under the provision of Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the following Annual General Meeting of the Company.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations during the financial year ended 30 June 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.10 each			Balance as at 30.6.2014
	Balance as at 1.7.2013	Bought	Sold	
<b>Shares in the Company</b>				
<u>Direct interests:</u>				
Tan Sri Dr Ngau Boon Keat	31,099,192	4,968,120	–	<b>36,067,312</b>
Chan Yew Kai	8,273,315	692,483	–	<b>8,965,798</b>
Kamariyah Binti Hamdan	886,731	74,884	–	<b>961,615</b>
Chew Eng Kar	2,791,618	478,739	(100,000)	<b>3,170,357</b>
Zainab Binti Mohd Salleh	2,422,422	537,428	(390,000)	<b>2,569,850</b>
<u>Indirect interests:</u>				
Tan Sri Dr Ngau Boon Keat	534,924,627	247,818	–	<b>535,172,445</b>
Kamariyah Binti Hamdan	122,663	10,352	–	<b>133,015</b>
Chew Eng Kar	3,944,735	–	–	<b>3,944,735</b>

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS (CONTINUED)

	Number of options over ordinary shares of RM0.10 each			Balance as at 30.6.2014
	Balance as at 1.7.2013	Granted	Exercised	
<b>Share options in the Company</b>				
<u>Direct interests:</u>				
Tan Sri Dr Ngau Boon Keat	14,446,768	5,000,000	(4,968,120)	<b>14,478,648</b>
Chan Yew Kai	9,391,486	3,500,000	(692,483)	<b>12,199,003</b>
Chew Eng Kar	3,788,951	2,500,000	(478,739)	<b>5,810,212</b>
Zainab Binti Mohd Salleh	2,948,159	2,000,000	(537,428)	<b>4,410,731</b>
<u>Indirect interests:</u>				
Tan Sri Dr Ngau Boon Keat	1,094,535	450,000	(247,818)	<b>1,296,717</b>

	Balance as at 1.7.2013	Number of Warrants 2012/2017			Balance as at 30.6.2014
		Bought	Exercised	Sold	
<b>Warrants in the Company</b>					
<u>Direct interests:</u>					
Tan Sri Dr Ngau Boon Keat	3,142,416	–	–	–	<b>3,142,416</b>
Chan Yew Kai	632,746	–	–	–	<b>632,746</b>
Kamariyah Binti Hamdan	74,884	–	(74,884)	–	<b>–</b>
Chew Eng Kar	193,430	–	–	–	<b>193,430</b>
Zainab Binti Mohd Salleh	100	–	–	–	<b>100</b>
<u>Indirect interests:</u>					
Tan Sri Dr Ngau Boon Keat	50,592,652	–	–	–	<b>50,592,652</b>
Kamariyah Binti Hamdan	10,352	–	(10,352)	–	<b>–</b>
Chew Eng Kar	166,860	–	–	(20,000)	<b>146,860</b>

By virtue of Tan Sri Dr Ngau Boon Keat's substantial interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the following:

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests, and
- (b) certain Directors who received remunerations from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 39 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS as mentioned in Note 37 to the financial statements.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not been any item, transaction or event of a material or unusual nature which has arisen and which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

#### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 44 to the financial statements.

### **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant events subsequent to the end of the reporting period are disclosed in Note 45 to the financial statements.

### **AUDITORS**

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.



**Tan Sri Dr Ngau Boon Keat**  
Director



**Datuk Oh Chong Peng**  
Director

Petaling Jaya  
9 October 2014

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 15 to 136 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 46 to the financial statements on page 137 has been compiled in accordance with the Guidance on 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,



**Tan Sri Dr Ngau Boon Keat**  
Director



**Datuk Oh Chong Peng**  
Director

Petaling Jaya  
9 October 2014

## STATUTORY DECLARATION

I, Zainab Binti Mohd Salleh, being the Director primarily responsible for the financial management of Dialog Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared by the abovenamed at  
Petaling Jaya this 9 October 2014




Before me:

No. 420 (Jrd 1600)  
Jalan SS 20-21, Damansara Jaya  
47400 Petaling Jaya  
Selangor Darul Ehsah

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Dialog Group Berhad, which comprise statements of financial position as at 30 June 2014 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 136.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD (CONTINUED)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**BDO**  
AF : 0206  
Chartered Accountants



**Rejeesh A/L Balasubramaniam**  
2895/08/16 (J)  
Chartered Accountant



# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2014

	Note	Group		Company	
		30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	483,140	382,349	–	–
Development of tank terminals	8	409,268	285,432	–	–
Intangible assets	9	43,923	38,455	–	–
Investments in subsidiaries	10	–	–	840,506	694,856
Investments in associates	11	3,170	3,006	–	–
Investments in joint ventures	12	745,470	630,748	83,976	81,202
Other investments	13	62,782	41,478	–	–
Deferred tax assets	14	33,103	24,487	–	–
Amount owing by a subsidiary	15	–	–	309,505	213,200
		<b>1,780,856</b>	1,405,955	<b>1,233,987</b>	989,258
<b>Current assets</b>					
Inventories	16	106,279	77,715	–	–
Trade and other receivables	17	784,546	597,884	506	115
Amounts owing by subsidiaries	15	–	–	27,831	92,550
Amounts owing by associates	19	–	148	–	–
Amounts owing by joint ventures	20	72,883	118,120	2	2
Current tax assets		2,506	6,555	295	565
Cash and bank balances	21	503,242	630,898	119,548	226,977
		<b>1,469,456</b>	1,431,320	<b>148,182</b>	320,209
<b>TOTAL ASSETS</b>		<b>3,250,312</b>	2,837,275	<b>1,382,169</b>	1,309,467
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	22	245,884	243,081	245,884	243,081
Treasury shares	22	(24,819)	(24,819)	(24,819)	(24,819)
Reserves	23	1,338,463	1,134,174	779,351	725,301
		<b>1,559,528</b>	1,352,436	<b>1,000,416</b>	943,563
Non-controlling interests		51,219	38,493	–	–
<b>TOTAL EQUITY</b>		<b>1,610,747</b>	1,390,929	<b>1,000,416</b>	943,563

## STATEMENTS OF FINANCIAL POSITION

### AS AT 30 JUNE 2014 (CONTINUED)

	Note	Group		Company	
		30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	24	<b>836,703</b>	690,914	<b>347,200</b>	333,800
Deferred tax liabilities	14	<b>4,418</b>	5,390	–	–
		<b>841,121</b>	696,304	<b>347,200</b>	333,800
<b>Current liabilities</b>					
Trade and other payables	27	<b>634,393</b>	618,393	<b>941</b>	922
Amounts owing to subsidiaries	28	–	–	<b>12,418</b>	31,182
Amounts owing to associates	19	<b>795</b>	775	–	–
Amounts owing to joint ventures	20	<b>688</b>	937	–	–
Borrowings	24	<b>123,561</b>	108,278	–	–
Share dividend payable	35	<b>21,194</b>	–	<b>21,194</b>	–
Current tax liabilities		<b>17,813</b>	21,659	–	–
		<b>798,444</b>	750,042	<b>34,553</b>	32,104
<b>TOTAL LIABILITIES</b>		<b>1,639,565</b>	1,446,346	<b>381,753</b>	365,904
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,250,312</b>	2,837,275	<b>1,382,169</b>	1,309,467

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>	30	<b>2,551,690</b>	2,237,180	<b>109,036</b>	94,910
Cost of sales and services		<b>(2,282,901)</b>	(2,016,217)	–	–
Gross profit		<b>268,789</b>	220,963	<b>109,036</b>	94,910
Other operating income		<b>20,639</b>	17,383	<b>21,469</b>	15,355
Marketing and distribution costs		<b>(4,816)</b>	(3,791)	–	–
Administration expenses		<b>(46,893)</b>	(31,155)	<b>(915)</b>	(1,064)
Other operating expenses		<b>(2,646)</b>	(2,064)	–	–
Finance costs		<b>(12,006)</b>	(10,879)	<b>(15,502)</b>	(8,988)
Share of profit of joint ventures and associates		<b>53,435</b>	41,875	–	–
<b>Profit before tax</b>	31	<b>276,502</b>	232,332	<b>114,088</b>	100,213
Tax expense	33	<b>(47,729)</b>	(47,025)	<b>(562)</b>	(444)
<b>Profit for the financial year</b>		<b>228,773</b>	185,307	<b>113,526</b>	99,769
<b>Profit for the financial year attributable to:</b>					
Owners of the parent		<b>215,869</b>	193,298	<b>113,526</b>	99,769
Non-controlling interests		<b>12,904</b>	(7,991)	–	–
		<b>228,773</b>	185,307	<b>113,526</b>	99,769

Earnings per ordinary share attributable to equity holders of the Company:

#### Before special share dividend and bonus issue<sup>#</sup>

Basic earnings per ordinary share of RM0.10 each (sen)	34	<b>8.91</b>	8.07
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Diluted earnings per ordinary share of RM0.10 each (sen)	34	<b>8.64</b>	7.94
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#### After special share dividend and bonus issue<sup>#</sup>

Basic earnings per ordinary share of RM0.10 each (sen)	34	<b>4.41</b>	3.97
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Diluted earnings per ordinary share of RM0.10 each (sen)	34	<b>4.27</b>	3.91
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<sup>#</sup> The special share dividend and bonus issue were completed subsequent to the end of the reporting period, as disclosed in Note 45 (a) to the financial statements.

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Profit for the financial year</b>		<b>228,773</b>	185,307	<b>113,526</b>	99,769
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		24,718	(6,560)	–	–
Fair value (loss)/gain on cash flow hedge		(1,385)	670	–	–
Fair value gain on available-for-sale financial assets	13(b)	13,039	10,205	–	–
Share of other comprehensive income/(loss) of a joint venture	12(e)	12,739	(2,168)	–	–
<b>Other comprehensive income for the financial year, net of tax</b>		<b>49,111</b>	2,147	–	–
<b>Total comprehensive income for the financial year</b>		<b>277,884</b>	187,454	<b>113,526</b>	99,769
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		263,300	195,995	113,526	99,769
Non-controlling interests		14,584	(8,541)	–	–
		<b>277,884</b>	187,454	<b>113,526</b>	99,769

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

----- Attributable to owners of the parent ----->

GROUP	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share options reserve RM'000	Warrants reserve RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent	Non-controlling interests	Total equity
											RM'000	RM'000	RM'000
Balance as at 1 July 2012		240,614	(24,819)	302,537	12,420	167,746	1,580	73	(1,950)	495,400	1,193,601	44,427	1,238,028
Profit for the financial year		-	-	-	-	-	-	-	-	193,298	193,298	(7,991)	185,307
Foreign currency translations		-	-	-	-	-	(6,016)	-	-	-	(6,016)	(544)	(6,560)
Fair value gain on cash flow hedge		-	-	-	-	-	-	676	-	-	676	(6)	670
Fair value gain on available-for-sale financial assets	13(b)	-	-	-	-	-	-	-	10,205	-	10,205	-	10,205
Share of other comprehensive loss of a joint venture		-	-	-	-	-	-	(2,168)	-	-	(2,168)	-	(2,168)
Total comprehensive income		-	-	-	-	-	(6,016)	(1,492)	10,205	193,298	195,995	(8,541)	187,454
<b>Transactions with owners</b>													
Previous financial year:													
Final dividend		-	-	-	-	-	-	-	-	(47,990)	(47,990)	-	(47,990)
Current financial year:													
Interim dividend	35	-	-	-	-	-	-	-	-	(26,488)	(26,488)	-	(26,488)
Share options granted under ESOS		-	-	-	10,140	-	-	-	-	-	10,140	405	10,545
Ordinary shares issued pursuant to:													
- ESOS	22	2,209	-	25,060	(6,146)	-	-	-	-	-	21,123	(305)	20,818
- warrants exercised	22	258	-	8,127	-	(2,187)	-	-	-	-	6,198	-	6,198
Issuance of shares by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	2,898	2,898
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,356)	(1,356)
Dilution of interest in a subsidiary	10(g)	-	-	-	-	-	-	-	-	(21)	(21)	965	944
Share issue expenses		-	-	(122)	-	-	-	-	-	-	(122)	-	(122)
Total transactions with owners		2,467	-	33,065	3,994	(2,187)	-	-	-	(74,499)	(37,160)	2,607	(34,553)
Balance as at 30 June 2013		243,081	(24,819)	335,602	16,414	165,559	(4,436)	(1,419)	8,255	614,199	1,352,436	38,493	1,390,929

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (CONTINUED)

<----- Attributable to owners of the parent ----->													
GROUP	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share options reserve RM'000	Warrants reserve RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent	Non- controlling interests	Total equity RM'000
											RM'000	RM'000	RM'000
Balance as at 1 July 2013		243,081	(24,819)	335,602	16,414	165,559	(4,436)	(1,419)	8,255	614,199	1,352,436	38,493	1,390,929
Profit for the financial year		-	-	-	-	-	-	-	-	215,869	215,869	12,904	228,773
Foreign currency translations		-	-	-	-	-	23,038	-	-	-	23,038	1,680	24,718
Fair value loss on cash flow hedge		-	-	-	-	-	-	(1,385)	-	-	(1,385)	-	(1,385)
Fair value gain on available-for-sale financial assets	13(b)	-	-	-	-	-	-	-	13,039	-	13,039	-	13,039
Share of other comprehensive income of a joint venture		-	-	-	-	-	9,351	3,388	-	-	12,739	-	12,739
Total comprehensive income		-	-	-	-	-	32,389	2,003	13,039	215,869	263,300	14,584	277,884
<b>Transactions with owners</b>													
Previous financial year:													
Final dividend	35	-	-	-	-	-	-	-	-	(53,419)	(53,419)	-	(53,419)
Current financial year:													
Interim dividend	35	-	-	-	-	-	-	-	-	(26,793)	(26,793)	-	(26,793)
Special share dividend payable	35	-	-	(21,194)	-	-	-	-	-	-	(21,194)	-	(21,194)
Share options granted under ESOS		-	-	-	13,056	-	-	-	-	-	13,056	504	13,560
Ordinary shares issued pursuant to:													
- ESOS	22	2,647	-	36,235	(10,423)	-	-	-	-	-	28,459	(983)	27,476
- warrants exercised	22	156	-	4,902	-	(1,320)	-	-	-	-	3,738	-	3,738
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,778)	(1,778)
Acquisition of a subsidiary	10(e); 12(f)	-	-	-	(14)	-	-	-	-	-	(14)	399	385
Share issue expenses		-	-	(41)	-	-	-	-	-	-	(41)	-	(41)
Total transactions with owners		2,803	-	19,902	2,619	(1,320)	-	-	-	(80,212)	(56,208)	(1,858)	(58,066)
Balance as at 30 June 2014		245,884	(24,819)	355,504	19,033	164,239	27,953	584	21,294	749,856	1,559,528	51,219	1,610,747

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

COMPANY	Note	<----- Non-distributable ----->					Distributable Retained earnings RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share options reserve RM'000	Warrants reserve RM'000		
Balance as at 1 July 2012		240,614	(24,819)	302,502	13,129	167,746	181,661	880,833
Profit for the financial year		-	-	-	-	-	99,769	99,769
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	99,769	99,769
<b>Transactions with owners</b>								
Previous financial year:								
Final dividend		-	-	-	-	-	(47,990)	(47,990)
Current financial year:								
Interim dividend	35	-	-	-	-	-	(26,488)	(26,488)
Share options granted under ESOS		-	-	-	10,545	-	-	10,545
Ordinary shares issued pursuant to:								
- ESOS	22	2,209	-	25,060	(6,451)	-	-	20,818
- warrants exercised	22	258	-	8,127	-	(2,187)	-	6,198
Share issue expenses		-	-	(122)	-	-	-	(122)
Total transactions with owners		2,467	-	33,065	4,094	(2,187)	(74,478)	(37,039)
Balance as at 30 June 2013		243,081	(24,819)	335,567	17,223	165,559	206,952	943,563

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (CONTINUED)

COMPANY	Note	<----- Non-distributable ----->					Distributable Retained earnings RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share options reserve RM'000	Warrants reserve RM'000		
Balance as at 1 July 2013		243,081	(24,819)	335,567	17,223	165,559	206,952	943,563
Profit for the financial year		-	-	-	-	-	113,526	113,526
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	113,526	113,526
<b>Transactions with owners</b>								
Previous financial year:								
Final dividend	35	-	-	-	-	-	(53,419)	(53,419)
Current financial year:								
Interim dividend	35	-	-	-	-	-	(26,793)	(26,793)
Special share dividend payable	35	-	-	(21,194)	-	-	-	(21,194)
Share options granted under ESOS		-	-	-	13,560	-	-	13,560
Ordinary shares issued pursuant to:								
- ESOS	22	2,647	-	36,235	(11,406)	-	-	27,476
- warrants exercised	22	156	-	4,902	-	(1,320)	-	3,738
Share issue expenses		-	-	(41)	-	-	-	(41)
Total transactions with owners		2,803	-	19,902	2,154	(1,320)	(80,212)	(56,673)
Balance as at 30 June 2014		245,884	(24,819)	355,469	19,377	164,239	240,266	1,000,416

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>276,502</b>	232,332	<b>114,088</b>	100,213
Adjustments for:					
Amortisation of intangible assets	9	<b>3,246</b>	2,428	–	–
Depreciation of property, plant and equipment	7	<b>35,094</b>	34,789	–	–
(Gain)/Loss on disposals of:					
– property, plant and equipment		<b>(1,291)</b>	(825)	–	–
– a joint venture	12(f)	<b>(877)</b>	(168)	–	–
– a subsidiary	10(f)	–	6	–	–
Impairment losses on receivables	17(d)	–	121	–	–
Interest expense		<b>10,970</b>	10,036	<b>15,493</b>	8,988
Interest income		<b>(10,278)</b>	(12,736)	<b>(19,884)</b>	(15,648)
Property, plant and equipment written off	7	<b>116</b>	177	–	–
Reversal of impairment losses on receivables	17(d)	–	(223)	–	–
Share options granted under ESOS		<b>13,232</b>	10,356	–	–
Share of profit of joint ventures and associates		<b>(53,435)</b>	(41,875)	–	–
(Gain)/Loss on foreign exchange – unrealised		<b>(2,665)</b>	(65)	<b>(1,466)</b>	365
Operating profit before working capital changes		<b>270,614</b>	234,353	<b>108,231</b>	93,918
(Increase)/Decrease in inventories		<b>(26,819)</b>	19,997	–	–
(Increase)/Decrease in trade and other receivables		<b>(146,083)</b>	(54,744)	<b>(391)</b>	1,861
Decrease/(Increase) in amounts owing by/(to) associates		<b>168</b>	(117)	–	–
Decrease/(Increase) in amounts owing by joint ventures		<b>57,585</b>	(9,971)	–	–
(Decrease)/Increase in trade and other payables		<b>(9,313)</b>	155,843	<b>19</b>	12
Cash generated from operations		<b>146,152</b>	345,361	<b>107,859</b>	95,791
Interest received		<b>7,642</b>	12,085	<b>19,884</b>	15,648
Interest paid		<b>(2,127)</b>	(2,114)	<b>(15,493)</b>	(8,988)
Dividend received		<b>34,313</b>	42,000	–	–
Tax paid		<b>(63,087)</b>	(55,400)	<b>(302)</b>	(1,090)
Tax refunded		<b>7,258</b>	2,152	<b>10</b>	–
Net cash from operating activities		<b>130,151</b>	344,084	<b>111,958</b>	101,361

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisitions/Additions of:					
- subsidiaries, net of cash and cash equivalents acquired	10(e)	1,675	-	-	-
- interests in subsidiaries		-	-	(93,834)	(219,684)
- interests in joint ventures		(93,039)	(291,543)	(2,774)	(651)
Development of tank terminals	8(c)	(48,408)	(222,785)	-	-
Deposits paid for land acquisition		(84,000)	(110,817)	-	-
Disposal of shares in a subsidiary	10(g)	-	944	-	-
Purchases of:					
- property, plant and equipment	7(b)	(124,468)	(92,121)	-	-
- intangible assets	9	(5,480)	(2,198)	-	-
- other investments	13(b)	(7,342)	(2,729)	-	-
Proceeds from:					
- disposals of property, plant and equipment		3,878	1,568	-	-
- disposal of a subsidiary, net of cash and cash equivalents disposed	10(f)	-	(265)	-	-
- disposal of a joint venture	12(g)	-	5,988	-	-
Advances to subsidiaries		-	-	(87,140)	(117,837)
Upliftment/(Placements) of deposits pledged to licensed banks		3,730	(2,798)	-	-
Net cash used in investing activities		(353,454)	(716,756)	(183,748)	(338,172)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest paid		(8,843)	(7,922)	-	-
Dividends paid to non-controlling interests		(1,778)	(1,356)	-	-
Dividends paid to ordinary shareholders of the Company		(80,212)	(74,478)	(80,212)	(74,478)
Issuance of shares by subsidiaries to non-controlling interests		-	2,898	-	-
Proceeds from ordinary shares issued pursuant to:					
- warrants		3,738	6,198	3,738	6,198
- ESOS		27,476	20,818	27,476	27,269
Repayments of hire purchase creditors		(567)	(1,466)	-	-
Drawdown of loans, net		158,048	474,192	13,400	203,800
Share issue expenses paid		(41)	(122)	(41)	(122)
Net cash from/(used in) financing activities		97,821	418,762	(35,639)	162,667
Net (decrease)/increase in cash and cash equivalents		(125,482)	46,090	(107,429)	(74,144)
Effect of exchange rate changes on cash and cash equivalents		3,691	325	-	-
Cash and cash equivalents at beginning of financial year		624,799	578,384	226,977	301,121
Cash and cash equivalents at end of financial year	21	503,008	624,799	119,548	226,977

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

### 1. CORPORATE INFORMATION

Dialog Group Berhad (the Company) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Dialog Tower, No.15, Jalan PJU7/5, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 30 June 2014 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures. These financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 9 October 2014.

### 2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the petroleum and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 10 to the financial statements, are the provision of logistic services in tank terminals and supply base, upstream services, specialist products and services, engineering & construction, fabrication, plant maintenance & catalyst handling services and ePayment technology & solutions.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 15 to 136 have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the provisions of the Companies Act 1965, in Malaysia. However, Note 46 to the financial statements set out on page 137 has been prepared in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

#### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

### 4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.3 Business combinations (continued)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) if the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.9(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

#### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.4 Property, plant and equipment and depreciation (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual rates used are as follows:

Leasehold land	up to 99 years
Buildings	15 – 50 years
Furniture, fittings and office equipment	15% – 50%
Plant, machinery, equipment and cabin	5% – 20%
Vessel	15 years
Motor vehicles	20%
Renovation and electrical installation	15% – 33%

Freehold land has unlimited useful life and is not depreciated.

Property, plant and equipment under construction represent building and plant and equipment under construction. Property, plant and equipment under construction are not depreciated until such time when the assets are available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.10 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.5 Development of tank terminals

Development of tank terminals comprises land reclamation, dredging, site preparation cost and other expenditure that is directly attributable to the development of tank terminals. Development of tank terminals are stated at cost less any accumulated impairment losses.

Development of tank terminals is reclassified as property, plant and equipment upon completion and when it is determined for own use or investment in joint ventures when the investors to the joint ventures are identified.

At the end of each reporting period, the carrying amount of development of tank terminals is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.10 to the financial statements on impairment of non-financial assets).

#### 4.6 Leases and hire purchase

##### (a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in the profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

##### (b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

##### (c) Leases of land

For leases of land, the leases are classified as operating or finance leases in the same way as leases of other assets.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.7 Construction contracts

Contract costs comprise costs related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers for contract work. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers for contract work.

### 4.8 Investments

#### (a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments in subsidiaries shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Advances by the Company to the subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are for the purposes of providing the subsidiaries with a long term source of additional capital. It is, in substance, an addition to the Company's investment in the subsidiaries and accordingly, is accounted for under MFRS 127 *Separate Financial Statements* as part of investments in subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.8 Investments (continued)

##### (b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group's net investment in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate to the extent that there is no impairment.

When the Group's share of losses in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. The Group's share of results of associates is based on the audited financial statements made up to 30 June 2014.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.8 Investments (continued)

#### (b) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### (c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The Group and the Company recognise in relation to its interest in joint arrangements as joint ventures.

##### *Joint venture*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost less impairment losses, if any.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*. The interests in joint arrangements is the carrying amount of investment under the equity method together with any long term interest that, in substance, form part of the Group's net interest in the joint ventures.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.8 Investments (continued)

##### (c) Joint arrangements (continued)

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When necessary, in applying the equity method, adjustments are made to the financial statements of the joint ventures to ensure consistency of accounting policies with those of the Group.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) the structure of the joint arrangement;
- (ii) the legal form of joint arrangements structured through a separate vehicle;
- (iii) the contractual terms of the joint arrangement agreement; and
- (iv) any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

The most recent available financial statements of the joint ventures are used by the Group in applying the equity method. The Group's share of results of joint ventures is based on the audited financial statements made up to 30 June 2014 except for Kertih Terminals Sdn. Bhd., Halliburton Bayan Petroleum Sdn. Bhd., BC Petroleum Sdn. Bhd. and Fineline Services Limited, which are based on unaudited financial statements made up to 30 June 2014.

Upon disposal of an investment in joint venture the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 4.9 Intangible assets

##### (a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.9 Intangible assets (continued)

#### (a) Goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the Group's share of the net fair value of net assets of the associate's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

#### (b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.9 Intangible assets (continued)

##### (b) Other intangible assets (continued)

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition which is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

##### *Development costs*

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Capitalised development costs are amortised on a straight line basis over a period of fifteen (15) years commencing from the date they are available for use and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset to determine whether impairment is required in accordance with Note 4.10 to the financial statements. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in the profit or loss as incurred.

##### *Intellectual property*

Intellectual property relates to skilled sets on welding process and procedures used in fabrication activities acquired through business combination and is initially measured at cost. After initial recognition, intellectual property is stated at cost less accumulated amortisation and any accumulated impairment losses.

Intellectual property is amortised on a straight line basis over a period of ten (10) years commencing from the date of acquisition and is assessed for any indication that the assets may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset to determine whether impairment is required in accordance with Note 4.10 to the financial statements. The amortisation expense on intellectual property is recognised in profit or loss.

##### *Computer software*

Computer software of the Group is amortised over its estimated useful life of two (2) years using the straight line method. The computer software is stated at cost less accumulated amortisation and any impairment losses.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.10 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries, associates and joint ventures), construction contract assets, inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the allocated goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.11 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in-first-out basis. The cost of trading inventories and construction materials comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.12 Financial instruments (continued)

#### (a) Financial assets

After initial recognition, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets for the purpose of subsequent measurement.

The Group's financial assets include cash and deposits with licensed banks, loan and receivables and other investments. The financial assets of the Group are classified into the following categories:

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

#### (ii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.12 Financial instruments (continued)

##### (a) Financial assets (continued)

###### (iii) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and bank balances include cash and cash equivalents, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or market place convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.12 Financial instruments (continued)

#### (b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

##### (ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.12 Financial instruments (continued)

###### (b) Financial liabilities (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

###### (c) Hedge accounting

###### *Cash flow hedge*

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.12 Financial instruments (continued)

#### (d) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the liability in profit or loss.

When the Company repurchases its own shares, the shares repurchased would be accounted for using the treasury shares method.

Where the treasury shares method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.13 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

##### (a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivables to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

##### (b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor and disappearance of an active trading market, as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are completed, after which such expenses are charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during the extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 4.15 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or joint arrangements on distributions to the Group and the Company, and real property gains tax payable on disposal of properties.

Taxes in the statement of profits or loss and other comprehensive income comprise current tax and deferred tax.

#### (a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties, if any.

#### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.15 Income taxes (continued)

##### (b) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

#### 4.16 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise this contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

### 4.18 Employee benefits

#### (a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

#### (b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.18 Employee benefits (continued)

##### (c) Share-based payments

The Company operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will be vested.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share options reserve until the options are exercised, upon which it will be transferred to share premium. The share option reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

#### 4.19 Foreign currencies

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional and presentation currency.

##### (b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into the functional currency of each company in the Group at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into the respective functional currency at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.19 Foreign currencies (continued)

#### (c) Foreign operations

Financial statements of foreign operations are translated at end of each reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising from monetary items that in substance form part of the net investment of the Company in foreign operation are recognised in profit or loss in the separate financial statements of the Company. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

### 4.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

#### (a) Construction contracts

Profits from contracts works are recognised on a percentage of completion method. Percentage of completion is determined based on completion of physical proportion of the contract work.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contracts costs are recognised as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 4.20 Revenue recognition (continued)

##### (b) Services

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of each reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

##### (c) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods has been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

##### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

##### (e) Interest income

Interest income is recognised as it accrues, using the effective interest method.

##### (f) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

#### 4.21 Earnings per share

##### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

##### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

#### 4.22 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segment's results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group determines that the operating segments are based on geographical location of its customers and assets.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.23 Fair value measurements

The fair value of an asset or a liability, (except for share-based payment and lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

##### 5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (MASB) during the financial year.

Title	Effective Date
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits (2011)</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs <i>Annual Improvements 2009 – 2011 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

There is no material impact upon the adoption of these Standards during the financial year other than the following:

**(a) MFRS 10 is mandatory for annual periods beginning on or after 1 January 2013.**

This Standard supersedes MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities*, and introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from involvement with the investee; and
- (iii) ability to use power over investee to affect its returns.

Other changes introduced by MFRS 10 include:

- (i) the introduction the concept of 'de facto' control for entities with less than a fifty percent (50%) ownership interest in an entity, but which have a large shareholding compared to other shareholders;
- (ii) potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable; and
- (iii) specific guidance for the concept of 'silos', where groups of assets (and liabilities) within one entity are ring-fenced.

There is no impact upon the adoption of this Standard during the financial year.

## 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONTINUED)

### 5.1 New MFRSs adopted during the financial year (continued)

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (MASB) during the financial year (continued).

#### (b) MFRS 12 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Notes 10, 11 and 12 to the financial statements.

#### (c) MFRS 13 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSs have now been relocated to MFRS 13.

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONTINUED)

#### 5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been early adopted by the Group and Company.

Title	Effective Date
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2010 – 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2011 – 2013 Cycle</i>	1 July 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	Deferred
MFRS 9 <i>Financial Instruments (2009)</i>	Deferred
MFRS 9 <i>Financial Instruments (2010)</i>	Deferred
MFRS 9 <i>Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)</i>	Deferred
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 116 and MFRS 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 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.



## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of each reporting period.

### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### (a) Classification of leasehold land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

#### (b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

#### (c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

#### (d) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

#### (e) Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls Dialog Systems (Thailand) Ltd., Dialog Technology & Services Limited and ePetrol Services Sdn. Bhd. even though it owns less than fifty percent (50%) of the voting rights. This is due to the Group having control over the Board and the power to govern the relevant activities of these entities via shareholders agreements.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 6.2 Critical judgements made in applying accounting policies (continued)

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements. (continued)

#### (f) Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether there are any factors that give the Group rights to the net assets of the joint arrangements (in which case it is classified as a joint venture), or rights to specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). These factors include:

- (i) structure;
- (ii) legal form;
- (iii) contractual agreement; and
- (iv) other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles provide rights to the net assets and are therefore, classified as joint ventures.

### 6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 4.4 to the financial statements reflects the Group's estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

#### (b) Impairment of goodwill on consolidation

The Group tests goodwill for impairment annually in accordance with its accounting policy. See accounting policy Note 4.9(a) to the financial statements on impairment of goodwill.

For the purposes of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgement is required in the estimation of the present value of future cash flows generated by the cash-generating units, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill. The key assumptions used are disclosed in Note 9 to the financial statements.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 6.3 Key sources of estimation uncertainty (continued)

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. (continued)

#### (c) Impairment of intangible assets

The Group reviews the carrying amounts of the intangible assets as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value-in-use is estimated. Determining the value-in-use of intangible assets requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets.

Significant judgement is required in the estimation of the present value of future cash flows generated by the intangible assets, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of intangible assets.

#### (d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit would be available against which the unused tax losses and the capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### (e) Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. Value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has also been used to determine the discount rate for the cash flows and the future growth of the business.

#### (f) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the impairment of receivables. Where the expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

## NOTES TO THE FINANCIAL STATEMENTS

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### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 6.3 Key sources of estimation uncertainty (continued)

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. (continued)

##### (g) Employee's share option scheme

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. The Group is also required to use judgement in determining the most appropriate inputs to the valuation model including volatility and dividend yield. The assumptions and model used are disclosed in Note 37 to the financial statements.

##### (h) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 42 to the financial statements.

##### (i) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- (i) Level 1: Quoted prices in active markets for identical items (unadjusted);
- (ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- (iii) Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures these elements in the financial statements at fair value:

- (i) available-for-sale financial assets, Note 13 to the financial statements;
- (ii) derivative financial instruments, Note 17 and Note 27 to the financial statements; and
- (iii) financial instruments, Note 41 to the financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2013 RM'000	Additions RM'000	Acquisition of a subsidiary (Note 10e) RM'000	Disposals RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassi- fications RM'000	Balance as at 30.6.2014 RM'000
<b>Carrying amount</b>									
Freehold land	53,054	-	-	-	-	-	-	-	53,054
Leasehold land	5,472	-	-	-	-	(48)	-	-	5,424
Buildings	42,044	34,048	-	-	-	(2,582)	3,293	106,003	182,806
Furniture, fittings and office equipment	9,077	12,677	212	(34)	(37)	(16,063)	264	273	6,369
Plant, machinery, equipment and cabin	175,930	17,280	661	(2,041)	(11)	(11,117)	8,804	2,042	191,548
Vessel	14,882	269	-	-	-	(761)	318	-	14,708
Motor vehicles	7,309	4,643	104	(501)	-	(2,365)	431	(848)	8,773
Renovation and electrical installation	2,566	8,086	40	(11)	(68)	(2,158)	93	(943)	7,605
Building under construction	71,718	39,442	-	-	-	-	-	(104,466)	6,694
Plant and equipment under construction	297	8,023	-	-	-	-	(100)	(2,061)	6,159
	382,349	124,468	1,017	(2,587)	(116)	(35,094)	13,103	-	483,140

	<----- At 30.6.2014 ----->		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	53,054	-	53,054
Leasehold land	7,737	(2,313)	5,424
Buildings	201,065	(18,259)	182,806
Furniture, fittings and office equipment	42,945	(36,576)	6,369
Plant, machinery, equipment and cabin	303,936	(112,388)	191,548
Vessel	15,923	(1,215)	14,708
Motor vehicles	32,122	(23,349)	8,773
Renovation and electrical installation	19,242	(11,637)	7,605
Building under construction	6,694	-	6,694
Plant and equipment under construction	6,159	-	6,159
	688,877	(205,737)	483,140

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Balance as at 1.7.2012 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassi- fications RM'000	Balance as at 30.6.2013 RM'000
<b>Carrying amount</b>								
Freehold land	53,054	-	-	-	-	-	-	53,054
Leasehold land	5,520	-	-	-	(48)	-	-	5,472
Buildings	42,318	2,355	-	-	(2,261)	(368)	-	42,044
Furniture, fittings and office equipment	9,298	3,712	(21)	(1)	(3,309)	(176)	(426)	9,077
Plant, machinery, equipment and cabin	177,858	26,370	(485)	(170)	(23,570)	(4,720)	647	175,930
Vessel	-	15,341	-	-	(460)	1	-	14,882
Motor vehicles	7,390	2,715	(237)	-	(3,103)	(103)	647	7,309
Renovation and electrical installation	4,232	840	-	(6)	(2,038)	(71)	(391)	2,566
Building under construction	30,771	40,947	-	-	-	-	-	71,718
Plant and equipment under construction	-	855	-	-	-	(81)	(477)	297
	330,441	93,135	(743)	(177)	(34,789)	(5,518)	-	382,349
<----- At 30.6.2013 ----->								
						<b>Accumulated Cost RM'000</b>	<b>Carrying depreciation RM'000</b>	<b>Carrying amount RM'000</b>
Freehold land						53,054	-	53,054
Leasehold land						7,737	(2,265)	5,472
Buildings						57,540	(15,496)	42,044
Furniture, fittings and office equipment						30,515	(21,438)	9,077
Plant, machinery, equipment and cabin						278,362	(102,432)	175,930
Vessel						15,341	(459)	14,882
Motor vehicles						30,403	(23,094)	7,309
Renovation and electrical installation						11,440	(8,874)	2,566
Building under construction						71,718	-	71,718
Plant and equipment under construction						297	-	297
						556,407	(174,058)	382,349

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) The strata titles of certain buildings with a carrying amount of RM4,939,000 (2013: RM5,084,000) have yet to be issued by the relevant authorities.
- (b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2014 RM'000	2013 RM'000
Purchase of property, plant and equipment	124,468	93,135
Financed by hire purchase arrangements	–	(1,014)
Cash payments on purchase of property, plant and equipment	124,468	92,121

- (c) Included in property, plant and equipment of the Group are assets acquired under hire purchase arrangements with a carrying amount of RM1,034,000 (2013: RM1,548,000). Certain freehold land, buildings and plant and machinery with a carrying amount of RM244,754,000 (2013: RM211,326,000) are subject to fixed and floating charges created to secure banking facilities granted to certain subsidiaries as disclosed in Note 25 to the financial statements.
- (d) Additions during the financial year include:

	Group	
	2014 RM'000	2013 RM'000
Interest expense capitalised on:		
– building under construction	2,509	2,136

Interest expense was capitalised at rates ranging from 4.31% to 4.89% (2013: 4.31% to 4.56%) per annum.

- (e) Leasehold land is analysed as:

	Group	
	2014 RM'000	2013 RM'000
Short term (unexpired period less than 50 years)	2,171	2,183
Long term (unexpired period more than 50 years)	3,253	3,289
	5,424	5,472

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 8. DEVELOPMENT OF TANK TERMINALS

	Group	
	2014 RM'000	2013 RM'000
Development of tank terminals, at cost	409,268	285,432

- (a) Included in development of tank terminals are land reclamation, dredging and site preparation costs and other expenditure directly attributable to the development of the tank terminals.
- (b) During the financial year, interest expense of RM12,305,000 (2013: RM4,922,000) was capitalised at rates ranging from 4.33% to 4.60% (2013: 4.28% to 4.60%) per annum in relation to the development of tank terminals.
- (c) The movements in carrying amounts of development of tank terminals are as follows:

	Group	
	2014 RM'000	2013 RM'000
Balance as at 1 July	285,432	62,647
Additions	48,408	222,785
Reclassifications from deposits paid for the acquisition of land	75,428	–
Balance as at 30 June	409,268	285,432



## 9. INTANGIBLE ASSETS

Group	Balance as at 1.7.2013 RM'000	Additions RM'000	Acquisition of a subsidiary (Note 10e) RM'000	Amorti- sation RM'000	Exchange differences RM'000	Balance as at 30.6.2014 RM'000
<b>Carrying amount</b>						
Goodwill	22,867	–	1,209	–	932	25,008
Development costs	2,427	–	–	(202)	–	2,225
Intellectual property	9,405	–	–	(1,230)	266	8,441
Computer software	3,756	5,480	658	(1,814)	169	8,249
	38,455	5,480	1,867	(3,246)	1,367	43,923

Group	←----- At 30.6.2014 ----->		
	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
Goodwill	25,008	–	25,008
Development costs	3,034	(809)	2,225
Intellectual property	12,434	(3,993)	8,441
Computer software	16,436	(8,187)	8,249
	56,912	(12,989)	43,923

## NOTES TO THE FINANCIAL STATEMENTS

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### 9. INTANGIBLE ASSETS (CONTINUED)

Group	Balance as at 1.7.2012 RM'000	Additions RM'000	Amorti- sation RM'000	Exchange differences RM'000	Balance as at 30.6.2013 RM'000
<b>Carrying amount</b>					
Goodwill	22,950	–	–	(83)	22,867
Development costs	2,629	–	(202)	–	2,427
Intellectual property	10,599	–	(1,188)	(6)	9,405
Computer software	2,666	2,198	(1,038)	(70)	3,756
	38,844	2,198	(2,428)	(159)	38,455

Group	<----- At 30.6.2013 ----->		
	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
Goodwill	22,867	–	22,867
Development costs	3,034	(607)	2,427
Intellectual property	12,097	(2,692)	9,405
Computer software	10,061	(6,305)	3,756
	48,059	(9,604)	38,455

## 9. INTANGIBLE ASSETS (CONTINUED)

- (a) Goodwill has been allocated to the Group's cash generating unit (CGU) identified according to relevant operating segments based on the geographical location of customers as follows:

	Group	
	2014 RM'000	2013 RM'000
Malaysia	1,718	509
Australia and New Zealand	11,811	11,489
Other Asia countries	8,106	7,886
Other countries	3,373	2,983
	<b>25,008</b>	<b>22,867</b>

For the purpose of impairment testing, the recoverable amount of a CGU is determined based on its value in use. The value in use is determined by discounting the pre-tax cash flows based on financial budgets prepared by the Group covering a five-year period based on the following key assumptions:

	2014 %	2013 %
<b>Growth rates:</b>		
Malaysia	8.0	10.0
Australia and New Zealand	20.0	20.0
Other Asia countries	1.0	9.0
Other countries	10.0	16.0
<b>Pre-tax weighted average cost of capital</b>	<b>10.3</b>	<b>11.5</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 9. INTANGIBLE ASSETS (CONTINUED)

- (a) Goodwill has been allocated to the Group's cash generating unit (CGU) identified according to the relevant operating segments based on geographical location of customers as follows (continued):

The management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

Based on the annual impairment testing undertaken by the Group, no impairment losses were required for the carrying amounts of the remaining goodwill assessed as at 30 June 2014 as their recoverable amounts were in excess of their carrying amounts.

- (b) Development costs relate to the development of prototypes of centralised switching infrastructure undertaken by a subsidiary. The development costs are amortised on a straight line basis over a period of fifteen (15) years.
- (c) Intellectual property is skilled sets on welding process and procedures used in fabrication activities and are amortised on a straight line basis over a period of ten (10) years.
- (d) Computer software is amortised over its estimated useful life of two (2) years using the straight line method.

### 10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Unquoted equity shares:		
– At cost	<b>313,491</b>	313,191
Advances to subsidiaries	<b>508,067</b>	365,974
Equity contributions in subsidiaries in respect of ESOS	<b>18,948</b>	15,691
	<b>840,506</b>	694,856

- (a) Advances to subsidiaries are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future for the purposes of providing the subsidiaries with a long term source of additional capital.

## 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
Dialog E & C Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Provision of engineering, procurement, construction and commissioning services.
Dialog Plant Services Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Plant turnaround and specialist maintenance work, provision of bolting and on site flange face machining services and tensioning equipment.
Saga Dialog Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Mechanical works, construction of tankage pipings and pipelines, installation of equipment, hookup and commissioning, debottlenecking.
Dialog Systems Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Marketing of specialty chemicals, catalysts and absorbents, petroleum additives, drilling base oil and specialty equipment, and provision of specialist technical services.
Dialog E & I Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Specialised electrical and instrumentation, construction, commissioning and calibration services.
Dialog Fabricators Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants.
Pacific Advance Composites Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Manufacturing, engineering and installation of composite pipe system.
Dialog Petroleum Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Investment holding.
Dialog Corporate Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Provision of management consultancy and administration services.
Dialog Equity Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Investment holding.
*Dialog Systems (Asia) Pte. Ltd.	Singapore	<b>100%</b>	100%	Investment holding.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
Dialog Services Sdn. Bhd.	Malaysia	60%	60%	Provision of consultancy, technical support services and marketing of specialty equipment.
Dialog Energy Sdn. Bhd.	Malaysia	100%	100%	Provision of upstream support services.
Infodasia Sdn. Bhd.	Malaysia	100%	100%	Provision of information technology support and services.
Dialog Properties Sdn. Bhd.	Malaysia	100%	100%	Letting out and management of properties.
Dialog Pengerang Sdn. Bhd.	Malaysia	100%	100%	Investment holding and involved in the development of tank terminal and logistic services.
Dialog D & P Sdn. Bhd.	Malaysia	100%	100%	Investment holding and provision of upstream support services.
Dialog Upstream Services Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
+^Dialog Equity (Two) Sdn. Bhd.	Malaysia	100%	–	Investment holding.
+^Dialog Resources Sdn. Bhd.	Malaysia	100%	–	Petroleum development, appraisal and production operations.
<b>Subsidiary of Saga Dialog Sdn. Bhd.</b>				
Dialog Construction Sdn. Bhd.	Malaysia	100%	100%	Construction of plant and civil engineering works.
<b>Subsidiary of Dialog Fabricators Sdn. Bhd.</b>				
Dialog OTEC Sdn. Bhd.	Malaysia	100%	100%	Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants.

## 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiaries of Dialog Systems (Asia) Pte. Ltd.</b>				
*Dialog Systems Pte. Ltd.	Singapore	<b>100%</b>	100%	Marketing of specialty chemicals and equipment and provision of technical services.
*Dialog Engineering Pte. Ltd.	Singapore	<b>89%</b>	89%	Investment holding and contracting of petroleum and petrochemical related works.
*Dialog Services Pte. Ltd.	Singapore	<b>100%</b>	100%	Provision of catalyst and process material handling services.
@PT. Dialog Sistemindo	Indonesia	<b>90%</b>	90%	Provision of marketing of specialty chemicals and equipment and technical support services.
Dialog International (L) Ltd.	Malaysia	<b>51%</b>	51%	Supply of specialty chemicals.
*Dialog Systems (Thailand) Ltd.	Thailand	<b>49%</b>	49%	Contracting of petroleum and petrochemical related works and trading in specialty chemicals and equipment.
Dialog (Labuan) Ltd.	Malaysia	<b>100%</b>	100%	Investment holding.
@Dialog Services (Hong Kong) Limited	Hong Kong	<b>100%</b>	100%	Provision of consultancy and technical support services.
@Dialog Services Pty. Ltd.	Australia	<b>100%</b>	100%	Marketing of specialty chemicals and equipment, and provision of catalyst and process material handling services.
*Dialog Petroleum Technical Services (Beijing) Limited	China	<b>100%</b>	100%	Provision of technical consulting and technical services.
*Dialog OTEC Pte. Ltd.	Singapore	<b>80%</b>	80%	Investment holding.
@Fitzroy Engineering Group Limited	New Zealand	<b>88%</b>	88%	Provision of heavy fabrication & multi-disciplined engineering.

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiaries of Dialog Systems (Asia) Pte. Ltd. (continued)</b>				
*Anewa Engineering Private Limited	India	<b>51%</b>	51%	Provision of design and detailed engineering services.
*Dialog Services (Vietnam) Company Limited	Vietnam	<b>100%</b>	100%	Dormant.
Dialog Systems (Labuan) Ltd.	Malaysia	<b>100%</b>	100%	Provision of specialist products & services.
@Dialog Systems International FZE	United Arab Emirates	<b>100%</b>	100%	Provision of specialist products & services.
<b>Subsidiaries of Dialog Engineering Pte. Ltd.</b>				
*Dialog Plant Services Pte. Ltd.	Singapore	<b>80%</b>	80%	Provision of plant maintenance services and general civil and mechanical engineering works.
*OTEC Holdings Pte. Ltd.	Singapore	<b>65%</b>	65%	Investment holding.
<b>Subsidiaries of Dialog (Labuan) Ltd.</b>				
*Dialog Services Saudi Arabia Company Limited	Kingdom of Saudi Arabia	<b>60%</b>	60%	Contracting of petroleum and petrochemical related works and trading in specialty chemicals and equipment.
*Dialog Jubail Supply Base Company Ltd.	Kingdom of Saudi Arabia	<b>60%</b>	60%	Provision of logistic services of a supply base and trading of base oil.
Dialog IPS Marine (Labuan) Ltd.	Malaysia	<b>60%</b>	60%	Logistics services for the marketing of specialist product in the petroleum and petrochemical industry.



## 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiary of Dialog OTEC Pte. Ltd.</b>				
*Overseas Technical Engineering and Construction Pte. Ltd.	Singapore	80%	80%	General stainless steel fabrication and supply of fabricated construction material, engineering equipment and related spares.
<b>Subsidiary of Overseas Technical Engineering and Construction Pte. Ltd.</b>				
Overseas Manufacturing (Johor) Sdn. Bhd.	Malaysia	80%	80%	Fabrication of steel storage tanks and structures.
<b>Subsidiary of Dialog Plant Services Sdn. Bhd.</b>				
Dialog Catalyst Services Sdn. Bhd.	Malaysia	71%	71%	Provision of catalyst and process material handling services.
<b>Subsidiaries of Dialog Petroleum Sdn. Bhd.</b>				
Oriental Valley Sdn. Bhd.	Malaysia	100%	100%	Petroleum retailing.
Senyum Bestari Sdn. Bhd.	Malaysia	100%	100%	Petroleum retailing.
Cendana Sutera Sdn. Bhd.	Malaysia	100%	100%	Petroleum retailing.
Idaman Tropikal Sdn. Bhd.	Malaysia	100%	100%	Petroleum retailing.
Corak Dahlia Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Emas Merdu Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Dialog Mall Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Tempo Setara Sdn. Bhd.	Malaysia	100%	100%	Dormant.

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### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiaries of Dialog Services Pte. Ltd.</b>				
*Dialog Services Europe Limited	United Kingdom	<b>71%</b>	71%	Investment holding.
*Dialog Services, Inc.	United States of America	<b>71%</b>	71%	Provision of catalyst and process material handling services.
<b>Subsidiary of Dialog Services Europe Ltd.</b>				
*Dialog Technivac Limited	United Kingdom	<b>71%</b>	71%	Provision of catalyst and process material handling services.
<b>Subsidiary of Dialog E &amp; C Sdn. Bhd.</b>				
Dialog Offshore Engineering Sdn. Bhd.	Malaysia	<b>55%</b>	55%	Provision of engineering design, consulting and project management.
<b>Subsidiary of Infodasia Sdn. Bhd.</b>				
ePetrol Services Sdn. Bhd.	Malaysia	<b>60%</b>	60%	Designing, development and deployment of front end payment solutions, terminals, infrastructure and systems.
<b>Subsidiaries of Dialog Pengerang Sdn. Bhd.</b>				
Pengerang LNG Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Provision of Liquefied Natural Gas 'LNG' terminal storage and handling services.
Pengerang Terminals (Two) Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Provision of terminal storage facilities for petroleum and petrochemical products.
Pengerang LNG (Two) Sdn. Bhd.	Malaysia	<b>100%</b>	100%	Provision of Liquefied Natural Gas 'LNG' terminal storage, regasification of LNG into natural gas and handling services.

## 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiaries of Dialog Pengerang Sdn. Bhd. (continued)</b>				
+~Pengerang Marine Operations Sdn. Bhd.	Malaysia	70%	100%	Provision of marine operation, maintenance and other related marine services.
<b>Subsidiary of Dialog Systems (Thailand) Ltd.</b>				
*Dialog Technology & Services Limited	Thailand	49%	49%	Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants.
<b>Subsidiaries of Fitzroy Engineering Group Limited</b>				
@Fitzroy Engineering Australia Pty. Ltd.	Australia	89%	89%	Provision of heavy fabrication and multi-disciplined engineering.
@Fitzroy Tower Services Limited	New Zealand	89%	89%	Provision of power pylon painting services.
<b>Subsidiary of ePetrol Services Sdn. Bhd.</b>				
ePetrol Systems Sdn. Bhd.	Malaysia	39%	39%	Provision of centralised interchange services.

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### 30 JUNE 2014

#### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Subsidiary of Dialog Upstream Services Sdn. Bhd.</b>				
+ #Dialog Ascent Energy Sdn. Bhd. (f.k.a Dialog Atlas Global Sdn. Bhd.)	Malaysia	75%	-	Marketing and provision of seismic technology and other related upstream services.
<b>Subsidiaries of Dialog Equity (Two) Sdn. Bhd.</b>				
+ ^Pengerang Terminals (Five) Sdn. Bhd.	Malaysia	100%	-	Dormant
+ ^Pengerang Terminals (Six) Sdn. Bhd.	Malaysia	100%	-	Dormant

+ Details of the acquisitions, incorporations and disposals of subsidiaries during the financial year are disclosed in Note 44 to the financial statements.

@ Subsidiaries audited by BDO member firms.

\* Subsidiaries not audited by BDO Malaysia or BDO member firms.

^ The newly incorporated subsidiaries' contributions of revenue and results to the Group for the financial period from the incorporation date were insignificant to the Group.

~ The subsidiary's contribution of revenue and results to the Group for the financial period as a result of change in shareholding structure was insignificant to the Group.

# Dialog Ascent Energy Sdn. Bhd. was formerly a joint venture and became subsidiary of the Group during the financial year.

(c) The Group considers that it controls Dialog Systems (Thailand) Ltd., Dialog Technology & Services Limited and ePetrol Services Sdn. Bhd. even though it owns less than fifty percent (50%) of the voting rights. This is due to the Group having control over the Board and the power to govern the relevant activities of these entities via shareholders agreements.

(d) The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group for both financial years ended 30 June 2014 and 30 June 2013.

## 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (e) Acquisition of a subsidiary during the financial year ended 30 June 2014

In October 2013, Dialog Upstream Services Sdn. Bhd. (Dialog Upstream), a wholly owned subsidiary of the Company, acquired an additional 20% equity interest in Dialog Ascent Energy Sdn. Bhd. (formerly known as Dialog Atlas Global Sdn. Bhd.), (DAESB) for a total cash consideration of HKD1,555,556 (equivalent to RM637,934). Following the signing of shareholder agreement with Ascent Energy Technology Limited, DAESB is now 75% owned by Dialog Upstream and the investment is classified as investments in subsidiaries.

DAESB is involved in the marketing, promotion and supply of seismic technology and integrated field development services for upstream oil and gas activities in Malaysia and various other countries.

The fair value of the net assets acquired and cash flow arising from the acquisition were as follows:

	<b>At date of acquisition RM'000</b>
Property, plant and equipment (Note 7)	1,017
Intangible assets (Note 9)	658
Trade and other receivables	17,518
Current tax assets	1,146
Cash and bank balances	2,313
Trade and other payables	(20,587)
Hedge derivative liabilities	(249)
Hire purchase creditors	(95)
Deferred tax liabilities (Note 14)	(130)
<b>Total identified net assets</b>	<b>1,591</b>
Non-controlling interests	(399)
Goodwill arising from acquisition (Note 9)	1,209
<b>Total deemed purchase consideration</b>	<b>2,401</b>
Less: Fair value of interest in a joint venture previously held (Note 12f)	(1,763)
<b>Purchase consideration</b>	<b>638</b>
Cash and cash equivalents of the subsidiary acquired	(2,313)
<b>Net cash inflow of the Group on acquisition</b>	<b>(1,675)</b>

If the acquisition occurred on 1 July 2013, the Group's revenue and profit after tax for the financial year ended 30 June 2014 would have been RM2,559,580,000 and RM229,055,000 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### (f) Disposal of a subsidiary during the financial year ended 30 June 2013

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

The details of the disposal of the subsidiary were as follows:

	At date of acquisition RM'000
Receivables	186
Current tax asset	33
Cash and bank balances	765
Other payables	(2)
Amounts owing to related companies	(476)
Total identified net assets disposed	506
Net proceeds from disposal	(500)
Loss on disposal	(6)

	At date of acquisition RM'000
Proceeds from disposal	500
Cash and cash equivalents of a subsidiary disposed off	(765)
Cash flow on disposal, net of cash and cash equivalents of a subsidiary disposed	(265)

The financial result of the subsidiary disposed is insignificant to the Group.

#### (g) Disposal of shares in a subsidiary during the financial year ended 30 June 2013

In November 2012, Dialog Systems (Asia) Pte. Ltd., a wholly owned subsidiary of the Company, disposed its 2.5% equity interest in Fitzroy Engineering Group Limited for a cash consideration of SGD377,000 (approximately RM944,000). This has resulted in a loss on disposal of SGD8,000 (approximately RM21,000) and diluted the effective interest in Finline Services Limited, a joint venture to 44% (2012: 45%) at the end of the reporting period.

## 11. INVESTMENTS IN ASSOCIATES

	Group	
	2014 RM'000	2013 RM'000
Unquoted equity shares, at cost	2,736	2,736
Share of post-acquisition losses	(4)	(22)
Exchange differences	438	292
	<b>3,170</b>	<b>3,006</b>

(a) The details of the associates are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<b>Associate of Overseas Technical Engineering and Construction Pte. Ltd.</b>				
Overseas Technical Engineering & Construction Sdn. Bhd.	Malaysia	<b>39%</b>	39%	Dormant.
<b>Associate of Dialog Systems (Asia) Pte. Ltd.</b>				
*EC-Dialog Pte. Ltd.	Singapore	<b>40%</b>	40%	Investment holding.

\* Not audited by BDO Malaysia or BDO member firms.

The financial statements used for equity accounting of the above associates are co-terminous with those of the Group.

(b) The Group does not have any associate which is individually material to the Group for both financial years ended 30 June 2014 and 30 June 2013.

## NOTES TO THE FINANCIAL STATEMENTS

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### 12. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted equity shares, at cost	479,931	480,481	18,732	18,732
Advances to joint ventures	216,022	120,171	64,813	62,177
Equity contribution in joint ventures in respect of ESOS	431	293	431	293
Share of post acquisition reserves, net of Group's unrealised profit and dividends	48,457	29,550	–	–
Exchange differences	629	253	–	–
	<b>745,470</b>	<b>630,748</b>	<b>83,976</b>	<b>81,202</b>

- (a) Advances to joint ventures are unsecured, settlement is neither planned nor likely to occur in the foreseeable future and interest free except for an amount of RM58,960,000 (2013: RM58,960,000) of the Group and of the Company, which bears interest at rates ranging from 4.26% to 4.50% (2013: 4.26% to 4.50%) per annum.
- (b) The details of the joint ventures are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<u>Direct:</u>				
Centralised Terminals Sdn. Bhd.	Malaysia	55%	55%	Investment holding.
<u>Indirect:</u>				
*Kertih Terminals Sdn. Bhd.	Malaysia	30%	30%	Providing bulk chemical storage and handling services.
Pengerang Terminals Sdn. Bhd.	Malaysia	51%	51%	Investment holding company and provision of management and operational services.
Fineline Services Limited	New Zealand	44%	44%	Provision of steel related works.
*BC Petroleum Sdn. Bhd.	Malaysia	32%	32%	Management, development and production of petroleum.
*Halliburton Bayan Petroleum Sdn. Bhd.	Malaysia	50%	50%	Provision of services and technology in petroleum production industry.
+Dialog Ascent Energy Sdn. Bhd. (f.k.a Dialog Atlas Global Sdn. Bhd.)	Malaysia	–	55%	Marketing and provision of seismic technology and other related upstream services.



## 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) The details of the joint ventures are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2014	2013	
<u>Indirect (continued):</u>				
<b>Subsidiaries of Centralised Terminals Sdn. Bhd.</b>				
Langsat Terminal (One) Sdn. Bhd.	Malaysia	<b>44%</b>	44%	Provision of tank terminal storage facilities and handling services.
Langsat Terminal (Two) Sdn. Bhd.	Malaysia	<b>44%</b>	44%	Provision of tank terminal storage facilities and handling services.
Langsat Terminal (Three) Sdn. Bhd.	Malaysia	<b>55%</b>	55%	Dormant.
<b>Subsidiary of Pengerang Terminals Sdn. Bhd.</b>				
Pengerang Independent Terminals Sdn. Bhd.	Malaysia	<b>46%</b>	46%	Provision of independent petroleum terminal facilities for the handling, storage, processing and distribution of oil, petroleum and petrochemical products.

\* Not audited by BDO Malaysia or BDO member firms.

+ Details of the disposal of the joint venture during the financial year are disclosed in Note 44 to the financial statements.

(c) The joint ventures, in which the Group participates, are unlisted separate structured entities whose quoted market prices are not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint ventures and provides the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for liabilities of the joint arrangements resting primarily with the joint ventures. These joint arrangements have been classified as joint ventures and have been included in the consolidated financial statements using the equity method.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

(d) The summarised financial information of a material joint venture is as follows:

	Pengerang Terminals Sdn. Bhd.	
	2014 RM'000	2013 RM'000
<b>Assets and liabilities</b>		
Non-current assets	1,955,321	1,175,502
Current assets	163,241	105,032
Non-current liabilities	(1,183,617)	(395,937)
Current liabilities	(191,729)	(149,318)
Net assets	743,216	735,279
<b>Results</b>		
Revenue	12,045	–
Loss for the financial year	(10,710)	(2,014)
Total comprehensive income/(loss)	14,268	(6,265)
Cash flows used in operating activities	(11,749)	(2,861)
Cash flows used in investing activities	(775,628)	(861,851)
Cash flows from financing activities	836,111	919,823
Net increase in cash and cash equivalents	48,734	55,111

(e) The reconciliation of net assets of a material joint venture to the carrying amount of the investment in a joint venture is as follows:

	Pengerang Terminals Sdn. Bhd.	
	2014 RM'000	2013 RM'000
Share of net assets	379,040	374,992
Elimination of unrealised profits, interests, dividends and others	(41,259)	(31,655)
Carrying amount	337,781	343,337
<b>Share of results for the financial year</b>		
Share of profit or loss	(5,462)	(1,027)
Share of other comprehensive income/(loss)	12,739	(2,168)
Share of total comprehensive income/(loss)	7,277	(3,195)

## 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

- (f) Disposal of a joint venture during the financial year ended 30 June 2014

In October 2013, Dialog Upstream Services Sdn. Bhd. (Dialog Upstream), a wholly owned subsidiary of the Company, acquired an additional 20% equity interest in Dialog Ascent Energy Sdn. Bhd. (formerly known as Dialog Atlas Global Sdn. Bhd.), (DAESB) for a total cash consideration of HKD1,555,556 (equivalent to RM637,934). Following the signing of shareholder agreement with Ascent Energy Technology Limited, DAESB is now 75% owned by Dialog Upstream and the investment is classified as investments in subsidiaries.

The details of the deemed disposals are as follows:

<b>Group</b>	<b>At date of disposal RM'000</b>
Cost of investment	550
Share of post-acquisition reserves	322
Equity contribution in joint venture in respect of ESOS	14
Share of interest in joint venture	886
Fair value of interest held (Note 10e)	(1,763)
Deemed gain on disposal	877

- (g) Disposal of a joint venture during the financial year ended 30 June 2013

In October 2012, Dialog Systems 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.

The details of the disposal were as follows:

<b>Group</b>	<b>At date of disposal RM'000</b>
Cost of investment	2,092
Share of post-acquisition reserves	3,728
Net proceeds from disposal	5,820 (5,988)
Gain on disposal	168

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. OTHER INVESTMENTS

	Group	
	2014 RM'000	2013 RM'000
<b>Non-current</b>		
Available-for-sale financial assets		
– Unquoted shares in Malaysia	1,792	1,792
– Unquoted shares outside Malaysia	6,798	6,665
– Quoted shares outside Malaysia	53,848	32,683
– Club membership, unquoted	344	338
	<b>62,782</b>	41,478

(a) Included in unquoted shares outside Malaysia is an investment amounting to RM165,000 (2013: RM165,000) representing 20% equity interest in a company incorporated in China. The investment is not considered as the Group's associate as the Group does not have significant influence, managerial involvement and board representation in the investee company.

(b) The movements in carrying amounts of other investments are as follows:

	Group	
	2014 RM'000	2013 RM'000
Balance as at 1 July	41,478	31,105
Additions of investments during the financial year	7,342	2,729
Fair value adjustments	13,039	10,205
Exchange differences	923	(2,561)
Balance as at 30 June	<b>62,782</b>	41,478

(c) Information on the fair value hierarchy is disclosed in Note 41(d) to the financial statements.

## 14. DEFERRED TAX

### Recognised deferred tax assets and liabilities

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	Group	
	2014 RM'000	2013 RM'000
Deferred tax assets	33,103	24,487
Deferred tax liabilities	(4,418)	(5,390)
	<b>28,685</b>	19,097

(a) The amount of the deferred tax income or expense recognised in the statement of profit or loss and other comprehensive income during the financial year are as follows:

	Note	Group	
		2014 RM'000	2013 RM'000
Balance at 1 July		19,097	13,912
Acquisition of a subsidiary	10(e)	(130)	–
Recognised in profit or loss	33		
– property, plant and equipment		(12,368)	141
– amounts due from customers for contract works		(7,292)	8,324
– unabsorbed capital allowances		11,032	(141)
– unused tax losses		(653)	3,067
– accrued liabilities		15,291	(11,336)
– unrealised profits		2,959	5,412
– other temporary differences		480	433
		<b>9,449</b>	5,900
Exchange differences		269	(715)
Balance at 30 June		<b>28,685</b>	19,097

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 14. DEFERRED TAX (CONTINUED)

(b) The components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of:

	Group	
	2014 RM'000	2013 RM'000
<b>Deferred tax assets</b>		
Unused tax losses	4,974	5,627
Unabsorbed capital allowances	11,283	251
Unrealised profits	14,296	11,337
Accrued liabilities	26,663	11,372
Other deductible temporary differences	5,062	4,582
Deferred tax assets (before offsetting)	62,278	33,169
Offsetting	(29,175)	(8,682)
Deferred tax assets (after offsetting)	33,103	24,487
<b>Deferred tax liabilities</b>		
Property, plant and equipment	17,015	4,786
Amounts due from customers for contract works	16,578	9,286
Deferred tax liabilities (before offsetting)	33,593	14,072
Offsetting	(29,175)	(8,682)
Deferred tax liabilities (after offsetting)	4,418	5,390

#### Unrecognised deferred tax assets

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2014 RM'000	2013 RM'000
Unused tax losses	21,065	29,265
Unabsorbed capital allowances	157	188
Accrued liabilities	246	246
	21,468	29,699

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

## 15. AMOUNTS OWING BY SUBSIDIARIES

	Note	Company	
		2014 RM'000	2013 RM'000
Non-current assets:			
Amount owing by a subsidiary	(a)	309,505	213,200
Current assets:			
Amounts owing by subsidiaries	(b)	27,831	92,550

(a) The amount owing by a subsidiary represents unsecured advances of RM297,200,000 (2013: RM208,278,000), which bears interest at rates ranging from 4.33% to 4.60% (2013: 4.28% to 4.60%) per annum. The advances together with the interest receivable thereon, which amounted to RM309,505,000 (2013: RM213,200,000) are not payable within the next twelve months.

(b) The amounts owing by subsidiaries are non-trade in nature, unsecured, payable on demand in cash and cash equivalents and interest free except for an amount of RM7,166,000 (2013: RM8,151,000) owing by a subsidiary, which bears interest at rate of 4.50% (2013: 4.50%) per annum.

(c) The foreign currency exposure of amounts owing by subsidiaries of the Company are as follows:

	Company	
	2014 RM'000	2013 RM'000
Australian Dollar	6,040	–
New Zealand Dollar	7,172	8,326
Singapore Dollar	25,432	24,739
Thai Baht	5,125	5,581
United States Dollar	7,516	7,399

(d) Information on financial risks of amounts owing by subsidiaries is disclosed in Note 42 to the financial statements.

## 16. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
<b>At cost</b>		
Construction materials	3,132	3,387
Trading inventories	103,147	74,328
	<b>106,279</b>	<b>77,715</b>

During the financial year, inventories of the Group recognised as cost of sales amounted to RM629,219,000 (2013: RM576,531,000).

## NOTES TO THE FINANCIAL STATEMENTS

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#### 17. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Trade receivables</b>					
Third parties		415,393	335,478	–	–
Amounts due from customers for contract works	18	192,792	104,901	–	–
		<b>608,185</b>	440,379	–	–
Less: Impairment losses		(255)	(455)	–	–
Total trade receivables		<b>607,930</b>	439,924	–	–
<b>Other receivables</b>					
Other receivables		18,258	8,384	408	29
Refundable deposits		8,416	7,995	38	5
		<b>26,674</b>	16,379	<b>446</b>	34
Less: Impairment losses		–	(3)	–	–
Total other receivables		<b>26,674</b>	16,376	<b>446</b>	34
<b>Total receivables</b>		<b>634,604</b>	456,300	<b>446</b>	34
Hedge derivative assets		117	1,219	–	21
Non-refundable deposits		140,976	132,404	–	–
Prepayments		8,849	7,961	60	60
		<b>784,546</b>	597,884	<b>506</b>	115

(a) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 7 to 60 days (2013: 7 to 60 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

(b) The foreign currency exposure of trade and other receivables of the Group are as follows:

	Group	
	2014 RM'000	2013 RM'000
Australian Dollar	–	101
Euro	90	76
Singapore Dollar	800	949
Sterling Pound	3,692	1,053
Thai Baht	–	139
United States Dollar	40,609	26,263



## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2014 RM'000	2013 RM'000
Neither past due nor impaired	328,148	306,480
Past due, not impaired:		
61 to 90 days	44,327	12,949
91 to 120 day	11,220	12,614
More than 120 days	31,443	2,980
	<b>86,990</b>	28,543
Past due and impaired	<b>255</b>	455
	<b>415,393</b>	335,478

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

Based on past experience, the Group is satisfied that no impairment is necessary in respect of these trade receivables. These trade receivables are substantially from companies with good collection track record and no recent history of default. These trade receivables are unsecured in nature.

### Receivables that are past due and impaired

Trade receivables of the Group that are past due and individually impaired at the end of each reporting period are as follows:

Group	Individually impaired	
	2014 RM'000	2013 RM'000
Trade receivables, gross	255	455
Less: Impairment losses	(255)	(455)
	-	-

## NOTES TO THE FINANCIAL STATEMENTS

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#### 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) The reconciliation of movements in impairment losses are as follows:

	Group	
	2014 RM'000	2013 RM'000
At 1 July	458	560
Reversal of impairment losses	–	(223)
Charge for the financial year	–	121
Written off during the financial year	(207)	–
Exchange differences	4	–
<b>At 30 June</b>	<b>255</b>	<b>458</b>
Represented by:		
Impairment losses on trade receivables	255	455
Impairment losses on other receivables	–	3
	<b>255</b>	<b>458</b>

Trade and other receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

- (e) Included in trade receivables is total retention sum for contract works amounting to RM13,696,000 (2013: RM3,155,000).
- (f) Included in deposits of the Group are deposits paid for the acquisition of land for the purpose of tank terminal development amounting to RM140,976,000 (2013: RM132,404,000). During the financial year, RM75,428,000 (2013: RM Nil) was reclassified to development of tank terminals.
- (g) Information on financial risks of trade and other receivables is disclosed in Note 42 to the financial statements.

## 18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

		Group	
	Note	2014 RM'000	2013 RM'000
Aggregate costs incurred to date		3,317,198	2,323,987
Add: Attributable profits		205,791	138,704
		<b>3,522,989</b>	2,462,691
Less: Progress billings		<b>(3,339,695)</b>	(2,400,514)
		<b>183,294</b>	62,177
Represented by:			
Amounts due from customers for contract works	17	192,792	104,901
Amounts due to customers for contract works	27	(9,498)	(42,724)
		<b>183,294</b>	62,177

Additions to aggregate costs incurred during the financial year include:

		Group	
		2014 RM'000	2013 RM'000
Hire of plant and machinery and motor vehicles		17,256	13,631

## 19. AMOUNTS OWING BY/(TO) ASSOCIATES

- (a) The amounts owing by/(to) associates represent normal trade transactions and payments made on behalf, which are interest-free, unsecured and payable on demand in cash and cash equivalents.
- (b) The foreign currency exposure of amount owing by/(to) associates of the Group is as follows:

		Group	
		2014 RM'000	2013 RM'000
Australian Dollar		154	-
Singapore Dollar		426	194
Thai Baht		118	-
United States Dollar		97	-

- (c) Information on financial risks of amounts owing to associates is disclosed in Note 42 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 20. AMOUNTS OWING BY/(TO) JOINT VENTURES

- (a) The amounts owing by/(to) joint ventures represent normal trade transactions and payments made on behalf, which are interest-free, unsecured and payable on demand in cash and cash equivalents.
- (b) The foreign currency exposure of amount owing by a joint venture of the Group is as follows:

	Group	
	2014 RM'000	2013 RM'000
New Zealand Dollar	134	468

- (c) The amounts owing by joint ventures are denominated in Ringgit Malaysia, except stated above.
- (d) Information on financial risks of amounts owing by/(to) joint ventures are disclosed in Note 42 to the financial statements.

### 21. CASH AND BANK BALANCES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances		383,231	461,617	14,835	70,110
Deposits with licensed banks (not more than three months)		120,011	169,281	104,713	156,867
As reported in the statements of financial position		503,242	630,898	119,548	226,977
Less:					
Deposits pledged to licensed banks		(234)	(3,964)	–	–
Bank overdraft	24	–	(2,135)	–	–
Cash and cash equivalents included in the statements of cash flows		503,008	624,799	119,548	226,977

- (a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 30 days (2013: 30 days). Bank balances are deposits held at call with banks.

## 21. CASH AND BANK BALANCES (CONTINUED)

(b) The foreign currency exposure of cash and bank balances are as follows:

	Group	
	2014 RM'000	2013 RM'000
Australian Dollar	224	1,379
Euro	664	691
Indonesian Rupiah	662	–
Japanese Yen	202	542
New Zealand Dollar	47	41
Singapore Dollar	3,021	1,308
Sterling Pound	2,764	978
Thai Baht	78	80
United States Dollar	36,855	54,674

(c) The deposits pledged to licensed banks are for bank guarantees granted to certain subsidiaries for banking facilities.

(d) Information on financial risks of cash and bank balances is disclosed in Note 42 to the financial statements.

## 22. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares (‘000)	RM'000	Number of shares (‘000)	RM'000
Ordinary shares of RM0.10 each:				
Authorised:				
Balance as at 1 July	5,000,000	500,000	5,000,000	500,000
Created during the financial year	5,000,000	500,000	–	–
Balance as at 30 June	10,000,000	1,000,000	5,000,000	500,000
Issued and fully paid:				
Balance as at 1 July	2,430,811	243,081	2,406,136	240,614
Issuance of ordinary shares pursuant to:				
– ESOS	26,474	2,647	22,092	2,209
– warrants	1,558	156	2,583	258
Balance as at 30 June	2,458,843	245,884	2,430,811	243,081

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 22. SHARE CAPITAL (CONTINUED)

- (a) During the financial year, the authorised share capital of the Company was increased from RM500,000,000 to RM1,000,000,000 by the creation of additional 5,000,000,000 new ordinary share of RM0.10 each.
- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM243,081,113 to RM245,884,275 by way of issuance of 28,031,622 new ordinary shares of RM0.10 each pursuant to the following:
  - (i) 26,473,723 options exercised under the Employees' Share Option Scheme (ESOS) at exercise prices ranging from RM0.39 to RM2.13 per ordinary share for cash;
  - (ii) 1,557,899 warrants exercised at an exercise price of RM2.40 each for cash, which resulted in 1,557,899 ordinary shares of RM0.10 each being allotted and issued.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (c) During the financial year ended 30 June 2013, the issued and fully paid-up ordinary share capital of the Company was increased from RM240,613,581 to RM243,081,113 by the allotment of 24,675,325 new ordinary share of RM0.10 each pursuant to the following:
  - (i) 22,092,411 options exercised under the Employees' Share Option Scheme (ESOS) at exercise prices ranging from RM0.39 to RM2.04 per ordinary share for cash;
  - (ii) 2,582,914 warrants exercised at an exercise price of RM2.40 each for cash, which resulted in 2,582,914 ordinary shares of RM0.10 each being allotted and issued.
- (d) Of the total 2,458,842,752 (2013: 2,430,811,130) issued and fully paid ordinary shares of RM0.10 each as at 30 June 2014, 22,834,971 (2013: 22,834,971) ordinary shares of RM0.10 each purchased for RM24,819,097 (2013: RM24,819,097) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.10 each in issue after deducting the treasury shares is 2,436,007,781 (2013: 2,407,976,159).
- (e) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

## 23. RESERVES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable:				
Share premium	<b>355,504</b>	335,602	<b>355,469</b>	335,567
Share options reserve	<b>19,033</b>	16,414	<b>19,377</b>	17,223
Warrants reserve	<b>164,239</b>	165,559	<b>164,239</b>	165,559
Exchange translation reserve	<b>27,953</b>	(4,436)	–	–
Hedging reserve	<b>584</b>	(1,419)	–	–
Available-for-sale reserve	<b>21,294</b>	8,255	–	–
	<b>588,607</b>	519,975	<b>539,085</b>	518,349
Distributable: Retained earnings	<b>749,856</b>	614,199	<b>240,266</b>	206,952
	<b>1,338,463</b>	1,134,174	<b>779,351</b>	725,301

### (a) Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. When options are exercised, the amount from the share options reserve is transferred to share premium. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

### (b) Warrants reserve

The warrants reserve represents the fair value assigned to the warrants of RM0.8469 each. The fair value was determined using the Black-Scholes-Merton option pricing model. Warrants reserve is transferred to share premium account upon the exercise of the warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

### (c) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

### (d) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### (e) Available-for-sale reserve

The available-for-sale reserve relates to the fair valuation of financial assets categorised as available-for-sale.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 24. BORROWINGS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current liabilities:					
Bank loans		836,420	690,340	347,200	333,800
Hire purchase creditors		283	574	–	–
		<b>836,703</b>	690,914	<b>347,200</b>	333,800
Current liabilities:					
Bank loans		123,203	105,633	–	–
Bank overdraft		–	2,135	–	–
Hire purchase creditors		358	510	–	–
		<b>123,561</b>	108,278	–	–
Total borrowings		<b>960,264</b>	799,192	<b>347,200</b>	333,800
Represented by:					
Bank loans	25	959,623	795,973	347,200	333,800
Bank overdraft	21	–	2,135	–	–
Hire purchase creditors	26	641	1,084	–	–
		<b>960,264</b>	799,192	<b>347,200</b>	333,800

(a) In the previous financial year, the bank overdraft was secured by a general security charges over the assets and undertaking of a subsidiary.

(b) The borrowings of the Group are denominated in the following currencies:

	Group	
	2014 RM'000	2013 RM'000
Indian Rupees	8	27
Malaysia Ringgit	758,530	605,635
New Zealand Dollar	23,343	9,609
Sterling Pound	3,894	2,640
Singapore Dollar	32,804	45,153
Saudi Riyal	85,668	88,201
Thai Baht	5,989	7,185
United States Dollar	50,028	40,742
	<b>960,264</b>	799,192



## 25. BANK LOANS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>Secured</u>				
Term loans	97,726	67,901	–	–
Short-term loans	20,200	3,933	–	–
	<b>117,926</b>	71,834	–	–
<u>Unsecured</u>				
Short-term loans	103,003	101,700	–	–
Revolving credit	738,694	622,439	347,200	333,800
	<b>841,697</b>	724,139	<b>347,200</b>	333,800
	<b>959,623</b>	795,973	<b>347,200</b>	333,800

(a) The term loans are secured by certain property, plant and equipment of the Group as disclosed in Note 7(c) to the financial statements.

(b) Information on financial risks of bank loans is disclosed in Note 42 to the financial statements.

## 26. HIRE PURCHASE CREDITORS

	Group	
	2014 RM'000	2013 RM'000
Minimum hire purchase payments:		
– not later than one year	452	536
– later than one year and not later than five years	516	593
Total minimum hire purchase payments	968	1,129
Less: Future interest charges	(327)	(45)
Present value of hire purchase liabilities	<b>641</b>	1,084
Repayable as follows:		
Current:		
– not later than one year	358	510
Non-current:		
– later than one year and not later than five years	283	574
	<b>641</b>	1,084

Information on financial risks of hire purchase creditors is disclosed in Note 42 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 27. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Trade payables</b>					
Third parties		498,402	489,498	–	–
Amounts due to customers for contract works	18	9,498	42,724	–	–
Total trade payables		507,900	532,222	–	–
<b>Other payables</b>					
Other payables		5,773	6,281	–	–
Accruals		119,934	79,446	892	922
Total other payables		125,707	85,727	892	922
<b>Total payables</b>					
Hedge derivative liabilities		786	444	49	–
		634,393	618,393	941	922

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company ranged from 7 to 60 days (2013: 7 to 60 days).
- (b) The foreign currency exposure of trade and other payables of the Group are as follows:

	Group	
	2014 RM'000	2013 RM'000
Australian Dollar	1,579	849
Euro	9,872	5,996
New Zealand Dollar	–	149
Singapore Dollar	2,225	4,960
Sterling Pound	347	2,166
United States Dollar	27,530	24,065

- (c) Information on financial risks of trade and other payables are disclosed in Note 42 to the financial statements.

## 28. AMOUNTS OWING TO SUBSIDIARIES

- (a) The amounts owing to subsidiaries are non-trade in nature, interest free, unsecured and payable on demand in cash and cash equivalents.
- (b) Amounts owing to subsidiaries are denominated in Ringgit Malaysia.
- (c) Information on financial risks of amounts owing to subsidiaries is disclosed in Note 42 to the financial statements.

## 29. COMMITMENTS

- (a) Operating lease commitments

- (i) The Group as lessee

The Group had entered into non-cancellable lease agreements for certain premises, land and equipment for terms between one to twenty years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at the end of each reporting period as follows:

	Group	
	2014 RM'000	2013 RM'000
Not later than one (1) year	26,520	14,007
Later than one (1) year and not later than five (5) years	8,416	9,536
Later than five (5) years	9,310	9,781
	<b>44,246</b>	<b>33,324</b>

- (ii) The Group as lessor

The Group has entered into non-cancellable lease arrangements on certain properties for terms of between two to three years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent and a percentage of net product sales exceeding certain amounts.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2014 RM'000	2013 RM'000
Not later than one (1) year	191	339
Later than one (1) year and not later than five (5) years	162	83
	<b>353</b>	<b>422</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. COMMITMENTS (CONTINUED)

(b) Capital commitments

	Group	
	2014 RM'000	2013 RM'000
(i) Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	48,400	21,500
Contracted but not provided	700	41,600
	<b>49,100</b>	63,100
(ii) Commitments in respect of tank terminal business	<b>231,300</b>	166,000

### 30. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Contract revenue	<b>1,380,539</b>	1,236,807	–	–
Sale of products and services rendered	<b>1,171,151</b>	1,000,373	–	–
Dividend income from				
– subsidiaries	–	–	<b>106,500</b>	94,910
– joint venture	–	–	<b>2,536</b>	–
	<b>2,551,690</b>	2,237,180	<b>109,036</b>	94,910

### 31. PROFIT BEFORE TAX

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax is arrived at after charging:					
Amortisation of intangible assets	9	<b>3,246</b>	2,428	–	–
Auditors' remuneration:					
– Statutory audit:					
– current year		<b>867</b>	727	<b>40</b>	40
– under/(over) provision in prior years		<b>118</b>	73	<b>3</b>	(14)
– Non-statutory		<b>6</b>	6	<b>6</b>	6
Contract expenditure		<b>1,291,974</b>	1,299,380	–	–
Cost of inventories recognised as an expense	16	<b>629,219</b>	576,531	–	–
Depreciation of property, plant and equipment	7	<b>35,094</b>	34,789	–	–
Directors' remuneration	32	<b>26,983</b>	24,850	<b>428</b>	412
Impairment losses on receivables	17(d)	–	121	–	–
Interest expense on:					
– bank loans		<b>10,800</b>	9,401	<b>15,493</b>	8,988
– bank overdraft		<b>136</b>	225	–	–
– hire purchase creditors		<b>34</b>	410	–	–
Loss on disposal of a subsidiary	10(f)	–	6	–	–
Loss on foreign exchange					
– realised		–	682	–	–
– unrealised		–	–	–	365
Property, plant and equipment written off	7	<b>116</b>	177	–	–
Rental expense of:					
– equipment		<b>975</b>	364	–	–
– premises		<b>9,183</b>	4,950	–	–
– storage tanks		<b>7,081</b>	5,817	–	–
Profit before tax is arrived at after crediting:					
Dividend income from subsidiaries					
– single tier dividend	30	–	–	<b>106,500</b>	94,910
Dividend income from joint venture					
– single tier dividend	30	–	–	<b>2,536</b>	–
Gain on disposals of:					
– a joint venture	12(f)	<b>877</b>	168	–	–
– property, plant and equipment		<b>1,291</b>	825	–	–
Gain on foreign exchange:					
– realised		<b>1,363</b>	–	<b>119</b>	71
– unrealised		<b>2,665</b>	65	<b>1,466</b>	–
Interest income from:					
– deposits with licensed banks		<b>7,642</b>	10,106	<b>4,595</b>	7,656
– advances to joint ventures		<b>2,636</b>	2,630	<b>2,636</b>	2,630
– advances to subsidiaries		–	–	<b>12,653</b>	5,362
Reversal of impairment losses on receivables	17(d)	–	223	–	–
Rental income of properties' spaces		<b>1,908</b>	1,827	–	–

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 32. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company:				
Executive:				
Emoluments other than fees	9,350	7,924	–	–
Share options granted under ESOS	2,580	2,754	–	–
Non-Executive:				
Fees	368	348	368	348
Other emoluments	60	64	60	64
	<b>12,358</b>	11,090	<b>428</b>	412
Directors of the subsidiaries:				
Executive:				
Other emoluments	13,233	12,210	–	–
Share options granted under ESOS	1,296	1,472	–	–
Non-Executive:				
Other emoluments	96	78	–	–
	<b>14,625</b>	13,760	–	–
<b>Total</b>	<b>26,983</b>	24,850	<b>428</b>	412

The estimated monetary value of benefits-in-kind provided to the Executive Directors and Non-Executive Directors of the Company is RM191,000 (2013: RM191,000) and RM Nil (2013: RM29,000) respectively.

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the subsidiaries is RM276,000 (2013: RM154,000).

The remuneration paid and payable to the Directors of the Company for the financial year, analysed into bands of RM50,000 are as follows:

	Number of Directors	
	Executive	Non-Executive
RM50,001 – RM100,000	–	1
RM100,001 – RM150,000	–	3
RM1,550,001 – RM1,600,000	1	–
RM2,150,001 – RM2,200,000	1	–
RM3,400,001 – RM3,450,000	1	–
RM4,950,001 – RM5,000,000	1	–
	<b>4</b>	<b>4</b>

### 33. TAX EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense based on profit for the financial year:				
Malaysian income tax	45,321	42,075	226	445
Foreign income tax	9,991	11,713	–	–
	<b>55,312</b>	53,788	<b>226</b>	445
Under/(Over) provision in prior years	<b>1,866</b>	(863)	<b>336</b>	(1)
	<b>57,178</b>	52,925	<b>562</b>	444
Deferred tax (Note 14)				
Current year	(8,577)	(6,437)	–	–
(Over)/Under provision in prior years	(872)	537	–	–
	<b>(9,449)</b>	(5,900)	–	–
Tax expense for the financial year	<b>47,729</b>	47,025	<b>562</b>	444
Share of tax of joint ventures and associates	<b>17,298</b>	11,114	–	–
Total tax expense of the Group including joint ventures and associates	<b>65,027</b>	58,139	<b>562</b>	444

- (a) Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (c) The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the financial year	228,773	185,307	113,526	99,769
Add: Total tax expense of the Group including joint ventures and associates	65,027	58,139	562	444
Profit before tax	<b>293,800</b>	243,446	<b>114,088</b>	100,213

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. TAX EXPENSE (CONTINUED)

(c) The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company is as follows (continued):

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Applicable tax rate	<b>25.0</b>	25.0	<b>25.0</b>	25.0
Tax effect in respect of:				
Non allowable expenses	<b>0.9</b>	0.6	–	0.3
Tax exempt income	–	–	<b>(24.8)</b>	(24.9)
Lower tax rates in foreign jurisdiction	<b>(2.9)</b>	(2.6)	–	–
Deferred tax assets not recognised in loss making subsidiaries	–	2.0	–	–
Effect of different effective tax rate of the associates and joint ventures	<b>(0.5)</b>	(1.0)	–	–
Recognition of previously unrecognised deferred tax assets	<b>(0.7)</b>	–	–	–
	<b>21.8</b>	24.0	<b>0.2</b>	0.4
Under/(Over) provision in prior years				
– current tax	<b>0.6</b>	(0.3)	<b>0.3</b>	–
– deferred tax	<b>(0.3)</b>	0.2	–	–
Average effective tax rate	<b>22.1</b>	23.9	<b>0.5</b>	0.4

(d) Tax savings of the Group is as follows:

	Group	
	2014 RM'000	2013 RM'000
Arising from utilisation of previously unrecognised tax losses	<b>8,231</b>	–



### 33. TAX EXPENSE (CONTINUED)

(e) Tax on each component of other comprehensive income is as follows:

	Before tax RM'000	Group Tax effect RM'000	After tax RM'000
<b>2014</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	24,718	–	24,718
Fair value loss on cash flow hedge	(1,385)	–	(1,385)
Fair value gain on available-for-sale financial assets	13,039	–	13,039
Share of other comprehensive income of a joint venture	12,739	–	12,739
	<b>49,111</b>	<b>–</b>	<b>49,111</b>
<b>2013</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	(6,560)	–	(6,560)
Fair value gain on cash flow hedge	670	–	670
Fair value gain on available-for-sale financial assets	10,205	–	10,205
Share of other comprehensive loss of a joint venture	(2,168)	–	(2,168)
	<b>2,147</b>	<b>–</b>	<b>2,147</b>

### 34. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

	Group	
	2014 RM'000	2013 RM'000
Profit for the financial year attributable to ordinary equity holders of the parent (RM'000)	<b>215,869</b>	193,298
Average number of ordinary share in issue ('000)	<b>2,422,265</b>	2,395,221
Effect of issuance of shares pursuant to:		
– Special share dividend completed on 25 July 2014	<b>19,500</b>	19,500
– Bonus issue completed on 25 July 2014	<b>2,457,525</b>	2,457,525
Weighted average number of ordinary shares in issue ('000)	<b>4,899,290</b>	4,872,246

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### 34. EARNINGS PER ORDINARY SHARE (CONTINUED)

(a) Basic (continued)

	2014	Group 2013
Basic earnings per ordinary share before special share dividend and bonus issue (sen)	<b>8.91</b>	8.07
Basic earnings per ordinary share after special share dividend and bonus issue (sen)	<b>4.41</b>	3.97

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent 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 are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	2014	Group 2013
Profit for the financial year attributable to equity holders of the parent (RM'000)	<b>215,869</b>	193,298
Weighted average number of ordinary shares in issue before special share dividend and bonus issue ('000)	<b>2,422,265</b>	2,395,221
Effects of dilution due to:		
– ESOS ('000)	<b>31,163</b>	28,704
– Warrants ('000)	<b>45,278</b>	9,674
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<b>2,498,706</b>	2,433,599
Diluted earnings per ordinary share (sen)	<b>8.64</b>	7.94

### 34. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted (continued)

	Group	
	2014	2013
Profit for the financial year attributable to equity holders of the parent (RM'000)	<b>215,869</b>	193,298
Weighted average number of ordinary shares in issue after special share dividend and bonus issue ('000)	<b>4,899,290</b>	4,872,246
Effects of dilution due to:		
– ESOS ('000)	<b>61,953</b>	57,106
– Warrants ('000)	<b>91,280</b>	19,503
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<b>5,052,523</b>	4,948,855
Diluted earnings per ordinary share (sen)	<b>4.27</b>	3.91

### 35. DIVIDENDS

	Group and Company			
	2014		2013	
	Dividend per share Sen	Amount of dividend RM'000	Dividend per share Sen	Amount of dividend RM'000
Interim single tier dividend paid	<b>1.10</b>	<b>26,793</b>	1.10	26,488
Special single tier dividend payable	<b>0.90</b>	<b>21,194</b>	–	–
Final single tier dividend proposed/paid	<b>1.10</b>	<b>54,099</b>	2.20	53,419
	<b>3.10</b>	<b>102,086</b>	3.30	79,907

The dividend per share is based on ordinary shares of RM0.10 each.

Special single tier share dividend of one (1) treasury share for every one hundred and twenty five (125) existing ordinary shares of RM0.10 each held, totalling 19,499,939 shares purchased for RM21,194,484 (determined based on the weighted average cost of treasury shares and equivalent to 0.90 sen per ordinary share of RM0.10 each) in respect of the current financial year. The special share dividend was distributed to the entitled shareholders on 25 July 2014. The market value of the dividend at distribution date was RM71,369,777.

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### 35. DIVIDENDS (CONTINUED)

Final single tier dividend in respect of the current financial year of 1.10 sen per ordinary share of RM0.10 each, amounting to approximately RM54,099,100 based on the enlarged share capital of 4,918,100,000 shares after a one-for-one bonus issue, which was completed on 25 July 2014 has been proposed by the Directors, subject to the shareholder's approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year ended 30 June 2014 do not reflect this proposed final single tier dividend. The proposed final single tier dividend, if approved by the shareholders, shall be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2015.

### 36. EMPLOYEE BENEFITS

	Group	
	2014	2013
Salaries, wages, bonuses and allowances	238,507	214,407
Directors' remuneration – emoluments other than fees	22,583	20,134
Defined contribution plans	16,734	10,952
Share options granted under ESOS		
– Directors	3,876	4,226
– Other employees	9,356	6,130
Other employee benefits	14,217	10,613
	<b>305,273</b>	266,462

### 37. EMPLOYEES' SHARE OPTION SCHEME

The Company implements an ESOS, which is in force for a period of ten (10) years until 29 July 2017 ('the option period'). The main features of the ESOS are as follows:

- (a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;
- (b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;
- (c) The option price under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;

### 37. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

- (d) The actual number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:
- (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and
  - (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more in the issued and paid-up share capital of the Company.
- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares of between 10% - 70% per year over vesting periods of two (2) to five (5) years.
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

The details of the options over ordinary shares of the Company are as follows:

	<----- Number of options over ordinary shares of RM0.10 each ----->					
	Balance as at 1.7.2013	Granted	Retracted*	Exercised	Balance as at 30.6.2014 <sup>^</sup>	Exercisable as at 30.6.2014
<b>Option price:</b>						
RM0.93	733,518	-	-	(155,452)	578,066	578,066
RM1.04	9,805,837	-	(149,476)	(5,938,012)	3,718,349	3,652,892
RM0.81	2,737,497	-	(67,109)	(2,201,729)	468,659	447,611
RM0.39	2,405,049	-	(51,860)	(1,998,453)	354,736	350,159
RM0.47	5,796,140	-	-	(1,372,770)	4,423,370	2,135,420
RM0.64	11,421,022	-	(224,201)	(4,122,886)	7,073,935	2,754,402
RM0.94	25,482,780	-	(906,460)	(5,447,039)	19,129,281	1,737,649
RM1.37	4,583,876	-	(26,146)	(743,724)	3,814,006	591,287
RM2.04	42,283,022	-	(1,806,613)	(3,280,555)	37,195,854	3,390,547
RM1.78	2,146,437	-	(275,705)	(274,303)	1,596,429	152,917
RM2.11	17,597,000	-	(999,000)	(879,800)	15,718,200	818,200
RM2.13	1,400,000	-	(385,000)	(59,000)	956,000	48,000
RM2.38	-	6,000,000	(348,400)	-	5,651,600	-
RM2.79	-	4,000,000	(149,200)	-	3,850,800	-
RM2.98	-	46,000,000	(560,000)	-	45,440,000	-
	126,392,178	56,000,000	(5,949,170)	(26,473,723)	149,969,285	16,657,150

\* Due to resignation or rejection of the options granted.

<sup>^</sup> Exercisable by the grantee upon achieving the vesting conditions set by the ESOS Committee and are subject to the allotment of shares between 10%-70% per year over vesting periods of 2 to 5 years.

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### 37. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Share options exercised during the financial year resulted in the issuance of 26,473,723 (2013: 22,092,411) ordinary shares at an average price of RM1.04 (2013: RM0.94). The related weighted average ordinary share price at the date of exercise was RM3.13 (2013: RM2.58).

The fair value of share options granted during the financial year was estimated by the Group using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions used are as follows:

	2014	2013
Expected life (years)	<b>3–10</b>	4–10
Average share price at grant date (RM)	<b>0.66–3.31</b>	0.66–2.44
Exercise price (RM)	<b>0.39–2.98</b>	0.39–2.04
Fair value of share options (RM)	<b>0.15–0.77</b>	0.15–0.74
Risk free rate of interest (%)	<b>3.10–4.25</b>	3.10–4.25
Expected dividend yield (%)	<b>1.55–4.78</b>	1.55–4.78
Expected volatility (%)	<b>24.68–45.83</b>	24.68–45.83

### 38. WARRANTS 2012/2017

On 15 February 2012, the Company listed and quoted 198,436,934 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every two (2) Rights Share subscribed.

The Warrants are constituted by the Deed Poll dated 15 December 2011 ('Deed Poll').

Salient features of the Warrants are as follows:

- (a) Each Warrant entitles the registered holder thereof ('Warrant holder(s)') to subscribe for one (1) new ordinary share of RM0.10 in the Company at an exercise price of RM2.40 during the 5-year period expiring on 12 February 2017 ('Exercise Period'), subject to the adjustments as set out in the Deed Poll;
- (b) At the expiry of the Exercise Period, any Warrants, which have not been exercised shall automatically lapse and cease to be valid for any purposes; and
- (c) Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

### 38. WARRANTS 2012/2017 (CONTINUED)

Movement in the Warrants since the listing and quotation thereof is as follows:

	Number of Warrants
As of 15 February 2012	198,436,934
Exercised in financial year 2012	(366,468)
Exercised in financial year 2013	(2,582,914)
Exercised in financial year 2014	(1,557,899)
Exercised subsequent to 30 June 2014 but before the special share dividend and bonus issue	(847,181)
Adjustment arising from the special share dividend and bonus issue	196,169,677
Exercised subsequent to the special share dividend and bonus issue	(3,050,000)
As of 9 October 2014	386,202,149

### 39. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 10 to the financial statements;
- (ii) Associates as disclosed in Note 11 to the financial statements;
- (iii) Joint ventures as disclosed in Note 12 to the financial statements;
- (iv) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group;
- (v) ePetrol Holding Sdn. Bhd. (ePetrol Holding) and its subsidiaries, ePetrol Services Sdn. Bhd. (ePetrol Services) and ePetrol Systems Sdn. Bhd. ('ePetrol Systems') (collectively referred to as the 'ePetrol Group') whereby a Director cum substantial shareholder of the Company is also a director and/or substantial shareholder in ePetrol Group;
- (vi) Dialog Engineering Pte. Ltd. (DEPL) and Dialog Plant Services Pte. Ltd. (DPSPL) whereby certain directors of subsidiaries have directorship and/or substantial interest in DEPL Group;
- (vii) Ascent Energy Technology Limited ('Ascent') whereby a subsidiary's director holds substantial interest in Ascent; and
- (viii) Dialog Catalyst Services Sdn. Bhd. ('DCSSB'), Dialog Technivac Limited ('DTL') and Catalyst Handling Research & Engineering Limited ('CHREL') (collectively referred to as the 'Catalyst Group') whereby a subsidiary's director holds substantial indirect shareholdings and directorships in DCSSB, DTL and CHREL. On 19 March 2012, the said director ceased to have indirect shareholdings and directorships in the Catalyst Group. Accordingly, transactions with Catalyst Group after 19 September 2012 were no longer considered as related party transactions.

## NOTES TO THE FINANCIAL STATEMENTS

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### 39. RELATED PARTY DISCLOSURES (CONTINUED)

(b) The Group and the Company had the following transactions with related parties during the financial year:

	2014 RM'000	2013 RM'000
<b>Group</b>		
Transactions with joint ventures:		
Dividend income	34,313	42,000
Interest income	2,636	2,630
Sub-contract works received	262,274	547,507
Purchases and services	(1,153)	(1,069)
Tank rental expenses	(3,722)	(3,507)
Transactions with ePetrol Group:		
Provision of IT system and related services by ePetrol Services	3,084	3,571
Provision of centralised interchange and other related services to ePetrol Services and ePetrol Silverswitch	2,230	3,058
Provision of IT system and related services by ePetrol Holding	882	1,272
Rental of premises to ePetrol Services	76	–
Transactions with DEPL Group:		
Provision of sub-contract works by DPSPL	2,358	4,699
Provision of management services to DPSPL	2,145	2,111
Transactions with Catalyst Group:		
Provision of sub-contract works by DTL	–	70
Transactions with Ascent:		
Provision of manpower by Ascent	3,266	–
<b>Company</b>		
Transactions with subsidiaries:		
Dividend income	106,500	94,910
Interest income on advances	12,653	5,362
Transactions with joint ventures		
Dividend income	2,536	–
Interest income on advances	2,636	2,630

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties and the Group and the Company.



### 39. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The key management personnel comprise all Directors and their remuneration during the financial year are disclosed in Note 32 to the financial statements.

Executive Directors of the Group have been granted the following number of options under the ESOS:

	Group	
	2014 Number '000	2013 Number '000
Balance as at 1 July	46,202	54,522
As at date of appointment as Director	142	–
Granted	15,615	2,551
Resigned	–	(2,018)
Exercised	(9,749)	(8,853)
Balance as at 30 June	52,210	46,202

The terms and conditions of the ESOS are detailed in Note 37 to the financial statements.

(d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 30 June 2014 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.



#### 40. OPERATING SEGMENTS (CONTINUED)

2013	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Asia countries RM'000	Other countries RM'000	Total RM'000
<b>Segment profits/(losses)</b>	194,527	(10,773)	16,021	10,778	23,065	(1,286)	232,332
Included in the measure of segment profits/(losses) are:							
Revenue from external customers	1,149,835	218,132	288,342	146,193	413,087	21,591	2,237,180
Inter-segment revenue	12,870	365,810	6,519	-	3,197	738	389,134
Depreciation of property, plant and equipment	10,078	7,153	5,095	9,569	2,173	721	34,789
Amortisation of intangible assets	841	41	1,430	-	116	-	2,428
Interest expense	4,392	1,804	652	2,200	975	13	10,036
Interest income	11,943	234	93	-	466	-	12,736
Impairment losses on receivables	-	-	121	-	-	-	121
Reversal of impairment of receivables	-	-	-	-	223	-	223
Share of results in joint ventures and associates	41,542	(60)	393	-	-	-	41,875
<b>Segment assets</b>	1,973,385	392,472	126,875	174,089	130,826	15,141	2,812,788
Deferred tax assets							24,487
<b>Total assets</b>							2,837,275
Included in measure of segment assets are:							
Investments in joint ventures and associates	626,556	2,734	4,464	-	-	-	633,754
Additions to non-current assets:							
- Property, plant and equipment	53,434	6,818	5,750	5,701	21,024	408	93,135
- Development of tank terminals	222,785	-	-	-	-	-	222,785
- Joint ventures	291,543	-	-	-	-	-	291,543
- Intangible assets	1,725	77	367	-	29	-	2,198
- Other investments	-	2,729	-	-	-	-	2,729
<b>Segment liabilities</b>	953,144	199,536	64,767	143,061	63,105	17,343	1,440,956
Deferred tax liabilities							5,390
<b>Total liabilities</b>							1,446,346

Inter-segment revenue are carried out at negotiated terms and conditions.

#### Major customer

Revenue generated from a joint venture, Pengerang Independent Terminals Sdn. Bhd. in the Malaysian segment constitutes approximately RM294,787,000 (2013: RM516,972,000) of the Group's revenue.

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#### 41. FINANCIAL INSTRUMENTS

##### (a) Capital management

The primary objective of the Group's capital management is to maintain a strong capital base, good credit rating and healthy capital ratios to support its businesses and maximise its shareholders value.

To manage the capital structure, the Group uses various methods including issuance of new shares, share buyback, distribution of cash and share dividend payments to shareholders and debt financing. The Group's dividend policy is to make a dividend payout ratio of at least 40% of profit attributable to owners of the parent for each financial year. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2014 and 30 June 2013.

The Group monitors capital utilisation on the basis of debt-to-equity ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parent. The debt-to-equity ratios as at 30 June 2014 and 30 June 2013 are as follows:

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Borrowings	24	<b>960,264</b>	799,192	<b>347,200</b>	333,800
Less: Cash and bank balances	21	<b>(503,242)</b>	(630,898)	<b>(119,548)</b>	(226,977)
Net debt		<b>457,022</b>	168,294	<b>227,652</b>	106,823
Total equity		<b>1,559,528</b>	1,352,436	<b>1,000,416</b>	943,563
Debt-to-equity ratio		<b>0.29</b>	0.12	<b>0.23</b>	0.11

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2014.

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) Financial instruments

Group 2014	Loans and receivables RM'000	Available- for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial assets</b>				
Other investments	–	62,782	–	62,782
Trade and other receivables, net of prepayments and non-refundable deposits	634,604	–	117	634,721
Amounts owing by joint ventures	72,883	–	–	72,883
Cash and bank balances	503,242	–	–	503,242
	<b>1,210,729</b>	<b>62,782</b>	<b>117</b>	<b>1,273,628</b>
		<b>Other financial liabilities RM'000</b>	<b>Fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>				
Borrowings		960,264	–	960,264
Amounts owing to associates		795	–	795
Amounts owing to joint ventures		688	–	688
Trade and other payables		633,607	786	634,393
		<b>1,595,354</b>	<b>786</b>	<b>1,596,140</b>
<b>Company 2014</b>		<b>Loans and receivables RM'000</b>		<b>Total RM'000</b>
<b>Financial assets</b>				
Trade and other receivables, net of prepayments and non-refundable deposits			446	446
Amounts owing by subsidiaries			337,336	337,336
Amounts owing by joint ventures			2	2
Cash and bank balances			119,548	119,548
			<b>457,332</b>	<b>457,332</b>

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#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments (continued)

Company 2014	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial liabilities</b>			
Borrowings	347,200	–	347,200
Amounts owing to subsidiaries	12,418	–	12,418
Trade and other payables	892	49	941
	<b>360,510</b>	<b>49</b>	<b>360,559</b>

Group 2013	Loans and receivables RM'000	Available- for-sale RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial assets</b>				
Other investments	–	41,478	–	41,478
Trade and other receivables, net of prepayments and non-refundable deposits	456,300	–	1,219	457,519
Amounts owing by associates	148	–	–	148
Amounts owing by joint ventures	118,120	–	–	118,120
Cash and bank balances	630,898	–	–	630,898
	<b>1,205,466</b>	<b>41,478</b>	<b>1,219</b>	<b>1,248,163</b>

Group 2013	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial liabilities</b>			
Borrowings	799,192	–	799,192
Amounts owing to associates	775	–	775
Amounts owing to joint ventures	937	–	937
Trade and other payables	617,949	444	618,393
	<b>1,418,853</b>	<b>444</b>	<b>1,419,297</b>

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments (continued)

Company 2013	Loans and receivables RM'000	Fair value through profit or loss RM'000	Total RM'000
<b>Financial assets</b>			
Trade and other receivables, net of prepayments and non-refundable deposits	34	21	55
Amounts owing by subsidiaries	305,750	–	305,750
Amounts owing by joint ventures	2	–	2
Cash and bank balances	226,977	–	226,977
	532,763	21	532,784
<b>Financial liabilities</b>			
		Other financial liabilities RM'000	Total RM'000
Borrowings		333,800	333,800
Amounts owing to subsidiaries		31,182	31,182
Trade and other payables		922	922
		365,904	365,904

## NOTES TO THE FINANCIAL STATEMENTS

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#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

- (c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

**i. Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values**

The carrying amounts of financial assets and liabilities, such as trade and other receivables, amounts owing by subsidiaries, associates and joint ventures, trade and other payables and short-term borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

**ii. Borrowings**

The fair values of the borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

**iii. Unquoted shares and club membership**

The fair value of these unquoted investments is estimated based on the price to book valuation model. Management obtained the industry price to book ratio from observable market data, discounted the price to book ratio for illiquidity, and multiplied the discounted price to book ratio with the book value per share of the investee to derive the estimated fair value. Management believes that the estimated fair value resulting from this valuation model is reasonable and the most appropriate at the end of each reporting period.

The fair value for a club membership is estimated based on references to current available quotation of the same investment.

**iv. Quoted shares**

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business at the end of each reporting period.

**v. Hire purchase creditors**

The carrying amounts of hire-purchase creditors are reasonable approximation of fair values due to the current rates offered to the Group approximate the market rates for similar borrowing of the same remaining maturities.

**vi. Derivatives**

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

**vii. Amount owing by a subsidiary accounted for as long term financial asset**

The fair value of the financial instrument is estimated based on future contractual cash flows discounted at market lending rate for similar types of lending or borrowing arrangements at the end of each reporting period.



#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.

Financial instrument	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair values
<b>Financial assets</b>		
Unquoted shares	Discounted industry price to book ratio.	The higher the price to book ratio, the higher the fair value of the unquoted shares would be.
Club membership	Comparable market quotes.	The higher the market quotes, the higher the fair values of the club memberships would be.

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### 30 JUNE 2014

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

As at 30 June 2014, the Group held the following financial instruments carried at fair value and those not carried at fair value are disclosed, together with their fair values and carrying amounts as shown on the statements of financial position:

Group	Note	Fair values of financial instruments carried at fair value				Fair values of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>											
<b>Available-for-sale financial assets</b>											
- Quoted shares	13	53,848	-	-	53,848	-	-	-	-	53,848	53,848
- Unquoted shares	13	-	-	8,590	8,590	-	-	-	-	8,590	8,590
- Club membership, unquoted	13	-	-	344	344	-	-	-	-	344	344
<b>Financial assets at fair value through profit or loss</b>											
- Hedge derivative assets	17	-	117	-	117	-	-	-	-	117	117
<b>Financial liabilities</b>											
<b>Financial liabilities at fair value through profit or loss</b>											
- Hedge derivative liabilities	27	-	786	-	786	-	-	-	-	786	786
<b>Other financial liabilities</b>											
- Borrowings (fixed rates)		-	-	-	-	-	200,571	-	200,571	200,571	201,485
- Hire purchase creditors	26	-	-	-	-	-	626	-	626	626	641

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

As at 30 June 2014, the Company held the following financial instruments carried at fair value and those not carried at fair value are disclosed, together with their fair values and carrying amounts as shown on the statements of financial position:

Company	Note	Fair values of financial instruments carried at fair value				Fair values of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial liabilities</b>											
<b>Financial liabilities at fair value through profit or loss</b>											
- Hedge derivative liabilities	27	-	49	-	49	-	-	-	-	49	49
<b>Other financial liabilities</b>											
- Borrowings (fixed rates)		-	-	-	-	-	199,118	-	199,118	199,118	200,000
<b>Unrecognised financial liabilities</b>											
Sponsors' undertaking to financial institutions	43	-	-	-	-	-	-	1,745	1,745	1,745	-
Contingent liabilities:											
- Corporate guarantees issued to licensed banks and third parties for subsidiaries	43	-	-	-	-	-	-	1,558	1,558	1,558	-

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

As at 30 June 2013, the Group held the following financial instruments carried at fair value and those not carried at fair value are disclosed, together with their fair values and carrying amounts as shown on the statements of financial position:

Group	Note	Fair values of financial instruments carried at fair value				Fair values of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>											
<b>Available-for-sale financial assets</b>											
- Quoted shares	13	32,683	-	-	32,683	-	-	-	-	32,683	32,683
- Unquoted shares	13	-	-	8,457	8,457	-	-	-	-	8,457	8,457
- Club membership, unquoted	13	-	-	338	338	-	-	-	-	338	338
<b>Financial assets at fair value through profit or loss</b>											
- Hedge derivative assets	17	-	1,219	-	1,219	-	-	-	-	1,219	1,219
<b>Financial liabilities</b>											
<b>Financial liabilities at fair value through profit or loss</b>											
- Hedge derivative liabilities	27	-	444	-	444	-	-	-	-	444	444
<b>Other financial liabilities</b>											
- Borrowings (fixed rates)		-	-	-	-	-	405,974	-	405,974	405,974	409,668
- Hire purchase creditors	26	-	-	-	-	-	1,016	-	1,016	1,016	1,084

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

As at 30 June 2013, the Company held the following financial instruments carried at fair value and those not carried at fair value are disclosed, together with their fair values and carrying amounts as shown on the statements of financial position:

Company	Note	Fair values of financial instruments carried at fair value				Fair values of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>											
<b>Financial assets at fair value through profit or loss</b>											
- Hedge derivative assets	17	-	21	-	21	-	-	-	-	21	21
<b>Financial liabilities</b>											
<b>Other financial liabilities</b>											
- Borrowings (fixed rates)		-	-	-	-	-	199,760	-	199,760	199,760	200,000
<b>Unrecognised financial liabilities</b>											
Letter of undertaking issued to a joint venture	43	-	-	-	-	-	-	204	204	204	-
Sponsors' undertaking to financial institutions	43	-	-	-	-	-	-	912	912	912	-
Contingent liabilities:											
- Corporate guarantees issued to licensed banks and third parties for subsidiaries	43	-	-	-	-	-	-	1,686	1,686	1,686	-

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### 30 JUNE 2014

#### 41. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 30 June 2014 and 30 June 2013.

The following table shows a reconciliation of balances of financial instruments whose fair values have been classified in Level 3 of the fair value hierarchy:

	Group	
	2014 RM'000	2013 RM'000
<b>Available-for-sale financial assets</b>		
Balance as at 1 July	8,795	8,849
Exchange differences	139	(54)
Balance as at 30 June	<b>8,934</b>	8,795

#### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk, liquidity and cash flow risk and market risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ('USD'). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

At the end of the reporting period, such foreign currency balances amounted to RM44,517,000 (2013: RM59,693,000) for the Group. The Group's policy is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost. The Group also attempts to limit its exposure for all committed transactions by entering into foreign currency forward contracts. As such, the fluctuations in foreign currencies are not expected to have a significant financial impact to the Group.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (i) Foreign currency risk (continued)

The unexpired foreign currency forward contracts, which have been entered into by the Group and the Company for its trade and other receivables and trade payables as at end of each reporting period are as follows:

Group At 30 June 2014	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate FC/RM	Expiry date
Australian Dollar	567	1,714	3.02	31.7.2014 to 3.11.2014
Euro	2,014	9,183	4.56	18.7.2014 to 27.2.2015
New Zealand Dollar	297	787	2.65	31.7.2014 to 28.11.2014
Singapore Dollar	748	1,939	2.59	14.7.2014 to 26.11.2014
United States Dollar	7,008	22,936	3.27	2.7.2014 to 28.11.2014

	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate FC/Baht	Expiry date
United States Dollar	92	2,991	32.51	25.7.2014

	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate FC/Baht	Expiry date
Euro	144	6,468	44.92	31.7.2014

	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate FC/Baht	Expiry date
Sterling Pound	808	44,874	55.54	25.7.2014 to 26.8.2014

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency risk (continued)

<b>Company At 30 June 2014</b>	<b>Contractual amount in Foreign Currency (FC'000)</b>	<b>Equivalent amount in Ringgit Malaysia (RM'000)</b>	<b>Average contractual rate FC/RM</b>	<b>Expiry date</b>
New Zealand Dollar	250	654	2.61	31.7.2014 to 28.11.2014

<b>Group At 30 June 2013</b>	<b>Contractual amount in Foreign Currency (FC'000)</b>	<b>Equivalent amount in Ringgit Malaysia (RM'000)</b>	<b>Average contractual rate FC/RM</b>	<b>Expiry date</b>
Australian Dollar	2,516	7,545	3.00	10.7.2013 to 14.5.2014
Euro	546	2,172	3.98	18.2.2014
New Zealand Dollar	1,467	3,721	2.53	31.7.2013 to 30.6.2014
Singapore Dollar	221	555	2.51	2.1.2014
Thai Baht	8,000	824	0.10	31.10.2013
United States Dollar	5,685	17,193	3.02	13.8.2013 to 20.12.2013

	<b>Contractual amount in Foreign Currency (FC'000)</b>	<b>Equivalent amount in Singapore Dollar (SGD'000)</b>	<b>Average contractual rate FC/SGD</b>	<b>Expiry date</b>
United States Dollar	713	900	1.26	28.8.2013

	<b>Contractual amount in Foreign Currency (FC'000)</b>	<b>Equivalent amount in United States (USD'000)</b>	<b>Average contractual rate FC/USD</b>	<b>Expiry date</b>
Japanese Yen	113,078	1,222	0.01	19.7.2013 to 3.9.2013



## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (i) Foreign currency risk (continued)

	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate FC/Baht	Expiry date
Sterling Pound	1,395	63,138	45.26	30.9.2013

Company At 30 June 2013	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate FC/RM	Expiry date
New Zealand Dollar	500	1,247	2.49	31.7.2013 to 29.11.2013
Thai Baht	8,000	824	0.10	31.10.2013

#### Sensitivity analysis for foreign currency risk

The Group's net exposure to foreign currency risk is kept at a minimum level by entering into foreign currency forward contracts and hence any fluctuation in the foreign currency will not have a significant impact to the financial statements.

### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings and deposits placed with licensed banks.

As at the end of the financial year, the Group has entered into interest rate swaps contract to swap notional principals amount of RM87,886,000 from floating interest rate to fixed rate to hedge against interest rate fluctuations. The effective period for these interest rate swaps are from March 2014 to June 2018.

#### Sensitivity analysis for interest rate risk

The Group's net exposure to interest rate risk is kept at a minimum level by entering into interest rate swap contracts and hence any fluctuation in the interest rates will not have any significant impact to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the average effective interest rates as at the end of each reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate rate per annum %	Within 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>At 30 June 2014</b>									
<b>Fixed rates</b>									
Amounts owing by joint ventures	12(a)	4.50	–	–	–	–	–	50,160	50,160
Deposits with licensed banks	21	2.86	120,011	–	–	–	–	–	120,011
Bank loans	25	4.60	1,485	–	34,000	40,000	126,000	–	201,485
Hire purchase creditors	26	1.68	358	283	–	–	–	–	641
<b>Floating rates</b>									
Amounts owing by joint ventures	12(a)	4.31	–	–	–	–	–	8,800	8,800
Bank loans	25	3.86	121,718	322,154	35,632	187,326	43,850	47,458	758,138
<b>At 30 June 2013</b>									
<b>Fixed rates</b>									
Amounts owing by joint ventures	12(a)	4.50	–	–	–	–	–	50,160	50,160
Deposits with licensed banks	21	2.94	169,281	–	–	–	–	–	169,281
Bank overdraft	24	5.50	2,135	–	–	–	–	–	2,135
Bank loans	25	4.36	5,030	1,427	201,427	35,427	40,357	126,000	409,668
Hire purchase creditors	26	4.54	510	574	–	–	–	–	1,084
<b>Floating rates</b>									
Amounts owing by joint ventures	12(a)	4.27	–	–	–	–	–	8,800	8,800
Bank loans	25	3.45	100,603	158,200	28,400	32,600	24,501	42,001	386,305

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the average effective interest rates as at the end of each reporting period and the remaining maturities of the Company's financial instruments that are exposed to interest rate risk:

Company	Note	Weighted average effective interest rate rate per annum %	Within 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>At 30 June 2014</b>									
<b>Fixed rates</b>									
Amounts owing by subsidiaries	15	4.50	7,166	-	-	-	-	-	7,166
Deposits with licensed banks	21	2.96	104,713	-	-	-	-	-	104,713
Bank loans	25	4.60	-	-	34,000	40,000	126,000	-	200,000
<b>Fixed rates</b>									
Amounts owing by subsidiaries	15	4.47	-	-	-	-	-	297,200	297,200
Bank loans	25	4.35	-	-	-	147,200	-	-	147,200
<b>At 30 June 2013</b>									
<b>Fixed rates</b>									
Amounts owing by subsidiaries	15	4.50	8,151	-	-	-	-	-	8,151
Deposits with licensed banks	21	2.90	156,867	-	-	-	-	-	156,867
Bank loans	25	4.60	-	-	-	34,000	40,000	126,000	200,000
<b>Floating rates</b>									
Amounts owing by subsidiaries	15	4.36	-	-	-	-	-	208,278	208,278
Bank loans	25	4.36	-	133,800	-	-	-	-	133,800

## NOTES TO THE FINANCIAL STATEMENTS

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### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the Group's policy.

Exposure to credit risk

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancement for trade and other receivables is disclosed in Note 17 to the financial statements.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

At the end of each reporting period, the Group and the Company have no significant concentration of credit risk except for the amount owing by a joint venture and subsidiaries constituting 6% (2013: 14%) and 98% (2013: 99%) of total receivables of the Group and of the Company respectively. The Group and the Company do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17 to the financial statements. Deposits with licensed banks, that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 to the financial statements.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (iv) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

30 June 2014	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	634,393	–	–	634,393
Amounts owing to associates	795	–	–	795
Amounts owing to joint ventures	688	–	–	688
Hire purchase creditors	452	516	–	968
Bank loans	159,631	848,838	48,248	1,056,717
<b>Total undiscounted financial liabilities</b>	<b>795,959</b>	<b>849,354</b>	<b>48,248</b>	<b>1,693,561</b>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	941	–	–	941
Amounts owing to subsidiaries	12,418	–	–	12,418
Bank loans	15,597	384,669	–	400,266
<b>Total undiscounted financial liabilities</b>	<b>28,956</b>	<b>384,669</b>	<b>–</b>	<b>413,625</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2014

#### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity and cash flow risk (continued)

30 June 2013	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	618,393	–	–	618,393
Amounts owing to associates	775	–	–	775
Amounts owing to joint ventures	937	–	–	937
Hire purchase creditors	536	593	–	1,129
Bank overdraft	2,135	–	–	2,135
Bank loans	134,561	578,818	181,295	894,674
<b>Total undiscounted financial liabilities</b>	<b>757,337</b>	<b>579,411</b>	<b>181,295</b>	<b>1,518,043</b>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	922	–	–	922
Amounts owing to subsidiaries	31,182	–	–	31,182
Bank loans	15,027	241,465	138,751	395,243
<b>Total undiscounted financial liabilities</b>	<b>47,131</b>	<b>241,465</b>	<b>138,751</b>	<b>427,347</b>

(v) Market risk

Market risk is the risk that the fair value of future cash flows of the financial instrument of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks arising from quoted investment held by the Group. The quoted equity instrument in Australia is listed on the Australia Securities Exchange and is held for strategic rather than trading purposes. The instrument is classified as financial asset designated at available-for-sale financial asset.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

- (v) Market risk (continued)

### Sensitivity analysis for market price risk

The following table demonstrates the sensitivity analysis of the Group if market quoted prices of the equity instrument at the end of each reporting period changes by five percent (5%) with all other variables held constant:

	Group	
	2014	2013
	RM'000	RM'000
<b>Market price</b>		
– increase by 5% (2013: 5%)	2,692	1,634
– decrease by 5% (2013: 5%)	(2,692)	(1,634)

## 43. CONTINGENT LIABILITIES – UNSECURED

- (a) The Company provides corporate guarantees up to a total amount of RM622,129,000 (2013: RM673,368,000) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM466,520,000 as at 30 June 2014 (2013: RM489,785,000).
- (b) The Company has given corporate guarantees amounting to RM1,100,000 (2013: RM1,100,000) to third parties for supply of goods and warehouse licenses to certain subsidiaries. The amounts owing by these subsidiaries to the third parties totalled RM1,100,000 as at 30 June 2014 (2013: RM1,100,000).
- (c) In addition, the Company also provides sponsor's undertaking to certain financial institutions up to USD30,784,000, SGD175,699,000 and RM147,578,000 totalling, approximately equivalent to RM697,941,000 (2013: USD51,840,000, SGD60,600,000 and RM49,700,000 totalling approximately equivalent to RM364,800,000) in relation to term loan facilities granted to certain joint ventures.
- (d) In the previous financial year, the Company provided an undertaking letter to a joint venture for the provision of cash flow deficiency support up to RM81,400,000 for banking facilities secured by a subsidiary company of a joint venture.

## 44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) In October 2013, Dialog Upstream Services Sdn. Bhd. ('Dialog Upstream'), a wholly owned subsidiary of the Company, acquired an additional 20% equity interest in Dialog Ascent Energy Sdn. Bhd. (formerly known as Dialog Atlas Global Sdn. Bhd.), ('DAESB') for a total cash consideration of HKD1,555,556 (equivalent to RM637,934). Following the signing of shareholder agreement with Ascent Energy Technology Limited, DAESB is now 75% owned by Dialog Upstream and the investment is classified as investments in subsidiaries.

DAESB is involved in the marketing, promotion and supply of seismic technology and integrated field development services for upstream oil and gas activities in Malaysia and various other countries.

## NOTES TO THE FINANCIAL STATEMENTS

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### 44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (b) In October 2013, the Company incorporated Dialog Equity (Two) Sdn. Bhd. ('DEquity 2'), a wholly owned subsidiary in Malaysia with an issued and fully paid-up ordinary share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each. The issued and fully paid-up capital was subsequently increased to RM200,000.

DEquity 2 is an investment holding company for the future phases of Pengerang Terminal ('Pengerang Terminal') Project.

- (c) In November 2013, Dialog Pengerang Sdn. Bhd. ('DPSB'), a wholly owned subsidiary of the Company, entered into a Memorandum of Understanding ('MoU') with Concord Energy Pte. Ltd. ('Concord Energy') to carry out a feasibility study for the proposed development of a dedicated crude oil and petroleum product storage terminal at Pengerang, Johor. Concord Energy is one of Singapore and South East Asia's leading crude oil and refined products trading companies.

The proposed development under the MOU is a new phase of the Pengerang Terminal project at Pengerang, Johor where the Group has been granted the land rights and development rights under a Development Cum Joint Venture Agreement.

The Group and Concord Energy are in the midst of negotiations in relation to the form and structure of the joint venture to be established and the services and facilities which are expected to be provided or received by the respective parties.

- (d) In January 2014, the Company incorporated Dialog Resources Sdn. Bhd. ('DRSB'), a wholly owned subsidiary in Malaysia with an issued and fully paid-up ordinary share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each. The issued and fully paid-up capital was subsequently increased to RM100,000.

The intended business activities of DRSB is to undertake upstream oil and gas activities.

In the May 2014, DRSB accepted a Letter of Intent ('LOI') from ROC (Oil) Sarawak Sdn. Bhd. ('ROC') for a farm-out of 20% ROC's participating interest in the Production Sharing Contract for the three fields D35, D21 and J4 ('Fields'), located offshore Sarawak, Malaysia ('PSC') to DRSB which will reduce ROC's participating interest in the PSC to 30%.

Petronas Carigali Sdn. Bhd. ('PCSB') is the Operator of the PSC and retains responsibility operations and maintenance of the facilities. PCSB has, in addition to ROC's participation in the PSC, appointed ROC as the PSC Development Manager.

The farm-out was after the satisfactory completion of due diligence, the completion of documentation and having obtained PCSB's approval as disclosed in Note 45(c) to the financial statements.



#### 44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (e) In January 2014, the Group also incorporated two wholly owned subsidiaries in Malaysia, namely Pengerang Terminals (Five) Sdn. Bhd. ('PT-5') and Pengerang Terminals (Six) Sdn. Bhd. ('PT-6'). PT-5 and PT-6 were respectively incorporated with an issued and fully paid-up ordinary share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

The intended business activities of PT-5 and PT-6 are to undertake terminal storage facilities for petroleum and petrochemicals in Pengerang, Johor.

- (f) In April 2014, Dialog E & C Sdn. Bhd. ('DECSB'), a wholly owned subsidiary of the Company received a Notice of Arbitration from Tanjung Langsat Port Sdn. Bhd. ('TLP'). TLP and DECSB entered into a Engineering, Procurement, Construction and Commissioning ('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 an amount of approximately RM500,000,000 and the fire incident was caused by DECSB's breaches of its obligations under the EPCC Contract.

The matter is pending arbitration process. The Group is of the opinion that the arbitration proceeding is not expected to have a material impact on the operational and financial position of the Group for the financial year ended 2014.

- (g) In April 2014, Phase 1A of Pengerang Independent Terminals in Pengerang, Johor, had been successfully completed and has commenced operations. Pengerang Independent Terminals Sdn. Bhd. ('PITSB'), an indirect joint venture company of the Group received its first shipment from an oil trader.
- (h) In May 2014, the Group divested its 30% equity interest in Pengerang Marine Operations Sdn. Bhd. ('PMOSB'), a wholly owned subsidiary of the Company, for cash consideration of RM30,000, to Vopak Terminal Pengerang BV, which is part of the Royal Vopak group ('VOPAK'). As a result of the divestment, the Group's equity interest in PMOSB has changed from 100% to 70%. PMOSB was set up to be the common operator and manager of marine services for Pengerang Terminal.
- (i) In June 2014, Dialog Services (Vietnam) Company Limited ('DVSC'), an indirect wholly owned subsidiary incorporated in Vietnam had submitted for voluntary dissolution. DVSC has been dormant since its incorporation.

The voluntary dissolution will take approximately six (6) months to complete.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

### 45. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) In July 2014, the Company completed the following:
- i. Distribution of 19,499,939 ordinary shares of RM0.10 each ('Share') in the Company held by the Company as special share dividend to the shareholders of the Company on the basis of one (1) Share ('Treasury Share') for every (125) existing shares of RM0.10 each held on 18 July 2014 ('Entitlement Date');
  - ii. Bonus issue of 2,457,525,047 new ordinary shares, credited as fully paid-up at par, on the basis of one (1) bonus share for every one (1) existing ordinary share held on the Entitlement Date; and
  - iii. On completion date of the distribution of special share dividend and bonus issue on 25 July 2014, the issued and paid up share capital of the Company was RM491,838,513, comprising 4,918,385,126 shares of RM0.10 each.
- (b) In August 2014, the Company incorporated Dialog LNG Sdn. Bhd. ('DLNGSB'), an indirect wholly owned subsidiary in Malaysia. DLNGSB was incorporated with an issued and fully paid-up ordinary share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

The intended business activities of DLNGSB are to invest in Liquefied Natural Gas ('LNG') terminals and other related facilities and services.

- (c) In September 2014, DRSB and ROC completed the farm-out agreement for the 20% participating interest in the PSC for the three fields D35, D21 and J4, located offshore Sarawak, Malaysia. This reduced ROC's participating interest in the PSC to 30%.

The PSC terms are designed for field re-development and enhancement of oil recovery to commercially encourage progressive incremental oil development over the full life of the PSC, which expires on 31 December 2034.

#### 46. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries:				
– realised	<b>803,903</b>	657,189	<b>238,800</b>	207,317
– unrealised	<b>16,990</b>	12,422	<b>1,466</b>	(365)
	<b>820,893</b>	669,611	<b>240,266</b>	206,952
Total share of retained earnings from associates:				
– realised	(2)	(22)	–	–
– unrealised	(2)	–	–	–
Total share of retained earnings from joint ventures:				
– realised	<b>118,693</b>	98,992	–	–
– unrealised	<b>(21,564)</b>	(16,141)	–	–
Total before consolidation adjustments				
– realised	<b>922,594</b>	756,159	<b>238,800</b>	207,317
– unrealised	<b>(4,576)</b>	(3,719)	<b>1,466</b>	(365)
	<b>918,018</b>	752,440	<b>240,266</b>	206,952
Less: Consolidation adjustments	<b>(168,162)</b>	(138,241)	–	–
Total retained earnings	<b>749,856</b>	614,199	<b>240,266</b>	206,952

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