



SUPPORTED BY

DIALOG

DIALOG GROUP BERHAD
(178694-V)

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ANNUAL REPORT 2017 FINANCIAL STATEMENTS

DIALOG GROUP BERHAD (178694-V)

DIALOG

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(178694-V)



CONTINUOUS GROWTH

FINANCIAL STATEMENTS
ANNUAL REPORT
2017



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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 2017.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 8 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 | 373,114 | 169,306 |
| Attributable to: | | |
| Owners of the parent | 370,644 | 169,306 |
| Non-controlling interests | 2,470 | – |
| | 373,114 | 169,306 |

DIVIDENDS

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

- (a) Final cash dividend of 1.20 sen per ordinary share, amounting to RM64,203,102 in respect of the previous financial year paid on 20 December 2016;
- (b) Interim cash dividend of 1.20 sen per ordinary share, amounting to RM66,874,448 in respect of the current financial year paid on 29 June 2017; and

The Directors recommended a final cash dividend of 1.45 sen per ordinary share, amounting to approximately RM82,000,000 in respect of the financial year ended 30 June 2017, subject to 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 the effects of adoption of Companies Act 2016 as disclosed in Note 18 to the financial statements.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 5,269,485,986 to 5,592,004,153 by way of issuance of 322,518,167 new ordinary shares pursuant to the following:

- (i) 186,667,289 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices ranging from RM0.20 to RM1.58 per ordinary share for cash; and
- (ii) 135,850,878 warrants exercised at an exercise price of RM1.19 each for cash.

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, as amended from time to time, and any re-enactment thereof;
- (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% - 80% 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 under options at the respective option prices was as follows:

| Option price: | Number of options over ordinary shares | | | | | Balance as at 30.6.2017 [^] | Exercisable as at 30.6.2017 |
|---------------|--|---------|--------------------|----------------------|-------------------|--------------------------------------|-----------------------------|
| | Balance as at 1.7.2016 | Granted | Retracted* | Exercised | | | |
| RM0.47 | 445,742 | – | – | (407,452) | 38,290 | 38,290 | |
| RM0.52 | 2,636,710 | – | – | (2,597,594) | 39,116 | 36,938 | |
| RM0.41 | 225,520 | – | – | (203,320) | 22,200 | 22,200 | |
| RM0.20 | 115,910 | – | – | (88,458) | 27,452 | 27,452 | |
| RM0.32 | 2,745,890 | – | – | (2,691,550) | 54,340 | 54,340 | |
| RM0.47 | 6,281,356 | – | – | (6,165,848) | 115,508 | 115,508 | |
| RM0.69 | 2,131,192 | – | (30,548) | (1,637,962) | 462,682 | 462,682 | |
| RM1.02 | 41,192,571 | – | (553,510) | (35,215,519) | 5,423,542 | 5,358,176 | |
| RM0.89 | 1,340,698 | – | (15,248) | (1,168,266) | 157,184 | 157,184 | |
| RM1.06 | 18,217,700 | – | (522,000) | (16,020,100) | 1,675,600 | 1,611,600 | |
| RM1.07 | 1,419,000 | – | – | (1,279,000) | 140,000 | 140,000 | |
| RM1.19 | 6,697,700 | – | (67,600) | (5,654,900) | 975,200 | 975,200 | |
| RM1.40 | 5,734,500 | – | (232,500) | (5,125,500) | 376,500 | 376,500 | |
| RM1.49 | 84,004,000 | – | (2,073,800) | (59,765,800) | 22,164,400 | 21,900,400 | |
| RM1.58 | 45,609,000 | – | (1,886,000) | (25,073,660) | 18,649,340 | 18,412,760 | |
| RM1.38 | 27,837,000 | – | (1,051,000) | (23,572,360) | 3,213,640 | 3,002,050 | |
| | 246,634,489 | – | (6,432,206) | (186,667,289) | 53,534,994 | 52,691,280 | |

* Due to resignation.

[^] Exercisable by the grantee upon achieving the vesting conditions set by the ESOS Committee and are subject to the allotment of shares between 10% - 80% 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 422,910,403 options had been granted to the eligible employees of the Group of which a total of 103,092,420 options had been granted to the Executive Directors of the Company and persons connected to the Executive Directors. A total of 369,375,409 options had been exercised since the implementation of the ESOS until the end of the financial year of which 89,585,420 options had been exercised by the Executive Directors of the Company and persons connected to the Executive Directors.

There were no options granted to the Executive Directors and senior management of the Company and its subsidiaries during the financial year. 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 27% of the total options available under the ESOS.

DIRECTORS' REPORT

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:

- (a) Each Warrant entitles the registered holder thereof ("Warrant holder(s)") to subscribe for one (1) new ordinary share in the Company at an exercise price of RM1.19 (original exercise price: 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. The original exercise price of RM2.40 was adjusted after distribution of Special Share Dividend and completion of Bonus Issue during financial year ended 30 June 2015;
- (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.

Movements in the Warrants since the listing and quotation thereof are 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 in financial year 2015: | |
| – Exercised 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 | (114,753,294) |
| Exercised in financial year 2016 | (133,460,822) |
| Exercised in financial year 2017 | (135,850,878) |
| Unexercised upon expiry date | (5,187,155) |
| As of 30 June 2017 | – |

The Warrants expired on 12 February 2017. 389,419,456 Warrants or approximately 99% of the total Warrants issued together with Rights Issue on 15 February 2012 on the basis of one (1) Warrant for every two (2) Right Shares subscribed, have been successfully converted into ordinary shares.

DIRECTORS' REPORT

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 24 November 2016, 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 2016 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 5,592,004,153 (2016: 5,269,485,986) issued and fully paid ordinary shares as at 30 June 2017, 3,335,032 (2016: 3,335,032) ordinary shares purchased for RM3,624,613 (2016: RM3,624,613) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 5,588,669,121 (2016: 5,266,150,954).

DIRECTORS

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.

Datuk Oh Chong Peng, who is above the age of 70, was re-appointed as Director pursuant to Section 129 of the Companies Act 1965 at the last Annual General Meeting to hold office until the conclusion of the forthcoming Annual General Meeting. As his term of office will end at the conclusion of the forthcoming Annual General Meeting, he has, being eligible, offered himself for re-appointment as Director.

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

| | ← Number of ordinary shares → | | | Balance as at 30.6.2017 |
|------------------------------|-------------------------------|------------|-------------|-------------------------------|
| | Balance as at 1.7.2016 | Bought | Sold | |
| Shares in the Company | | | | |
| <u>Direct interests:</u> | | | | |
| Tan Sri Dr Ngau Boon Keat | 49,984,083 | 15,920,020 | – | 65,904,103 |
| Chan Yew Kai | 30,515,967 | 5,253,700 | (2,787,500) | 32,982,167 |
| Kamariyah Binti Hamdan | 1,938,614 | – | – | 1,938,614 |
| Chew Eng Kar | 5,427,456 | 8,176,104 | (3,741,800) | 9,861,760 |
| Zainab Binti Mohd Salleh | 5,882,583 | 4,541,896 | (4,745,600) | 5,678,879 |
| <u>Indirect interests:</u> | | | | |
| Tan Sri Dr Ngau Boon Keat | 1,080,672,868 | 1,772,974 | – | 1,082,445,842 |
| Kamariyah Binti Hamdan | 268,158 | – | – | 268,158 |
| Chew Eng Kar | 10,138,607 | – | – | 10,138,607 |

| | ← Number of options over ordinary shares → | | | Balance as at 30.6.2017 |
|-------------------------------------|--|---------|--------------|-------------------------------|
| | Balance as at 1.7.2016 | Granted | Exercised | |
| Share options in the Company | | | | |
| <u>Direct interests:</u> | | | | |
| Tan Sri Dr Ngau Boon Keat | 15,920,020 | – | (15,920,020) | – |
| Chan Yew Kai | 11,432,700 | – | (5,253,700) | 6,179,000 |
| Chew Eng Kar | 11,126,104 | – | (8,176,104) | 2,950,000 |
| Zainab Binti Mohd Salleh | 8,919,896 | – | (4,541,896) | 4,378,000 |
| <u>Indirect interest:</u> | | | | |
| Tan Sri Dr Ngau Boon Keat | 1,772,974 | – | (1,772,974) | – |

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 and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

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 34 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 32 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 27 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for the Directors and officers of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, 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 render the amount of the 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 arisen any item, transaction or event of a material and unusual nature 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 this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 39 to the financial statements.

AUDITORS

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

The details of Auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2017 are disclosed in Note 26 to the financial statements.

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
3 October 2017

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 016 to 094 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 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 2017 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 42 to the financial statements on page 095 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 Disclosures 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
3 October 2017

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 016 to 095 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 above named at
Petaling Jaya in the state of
Selangor Darul Ehsan this
3 October 2017



Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DIALOG GROUP BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dialog Group Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 016 to 094.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) **Recognition of contract revenue, contract costs and profits**

We refer to Note 25 to the financial statements on the recognition of contract revenue, which is based on the percentage of completion method. This contract revenue contributed 76.5% of the Group's revenue.

We determined this to be a key audit matter as it requires management to exercise significant judgement, in particular, determining the stage of completion and estimating the total contract revenue and contract costs. This includes an estimation of its obligations in respect of contract variations, claims and cost contingencies, which can vary with market conditions and unforeseen events during the contract period.

Audit response

The audit procedures, with the involvement of component auditors, included the following:

- (i) Evaluated and tested key controls in respect of review and approval of contracts and budgets to assess the reliability of these budgets;
- (ii) Verified initial contract revenue to letter of awards acknowledged by customers and variation orders to acceptance and approval by customers;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD**Key Audit Matters (continued)****a) Recognition of contract revenue, contract costs and profits (continued)****Audit response (continued)**

- (iii) Verified actual costs incurred to date and assessed the reasonableness of estimated costs to complete to supporting documents; and
- (iv) Verified revenue computed to certifications prepared by engineers and acknowledgement by customers.

b) Investments in a joint venture and an associate

The Group has interests in a number of joint ventures and associates with a total carrying amount of RM1,961,606,000 as disclosed in Note 9 to the financial statements. Included in this amount are investments in a joint venture and an associate, which amounted to RM1,232,120,000 that have yet to commence operations as at 30 June 2017 as their facilities are under construction.

The determination of their recoverable amounts for impairment assessment is subject to significant management judgement. Such judgement focuses predominantly on future cash flows, which are, among others, dependent on economic conditions and pre-tax discount rate.

Audit response

Our audit procedures included the following:

- (i) Inquired in-house operational and financial personnel of the Group to assess any indication of cancellation or delay of the facilities under construction that may require certain impairment;
- (ii) Verified the pre-tax discount rate by comparison to pre-tax discount rates used by companies within the same industry, the cost of capital and relevant risk factors of the joint venture and of the associate; and
- (iii) Performed further sensitivity analysis of our own to stress test the key assumptions in the future cash flows of the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 42 of 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 266 of the Companies Act 2016 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
02895/08/2018 J
Chartered Accountant

Kuala Lumpur
3 October 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | Note | Group | | Company | |
|--|------|---------------------|---------------------|---------------------|---------------------|
| | | 30.6.2017 RM'000 | 30.6.2016 RM'000 | 30.6.2017 RM'000 | 30.6.2016 RM'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 584,139 | 582,810 | – | – |
| Development of tank terminals | 6 | 268,899 | 250,946 | – | – |
| Intangible assets | 7 | 173,913 | 155,283 | – | – |
| Investments in subsidiaries | 8 | – | – | 1,674,575 | 1,361,195 |
| Investments in joint ventures and associates | 9 | 1,961,606 | 1,290,649 | 86,916 | 84,335 |
| Other investments | 10 | 4,467 | 4,732 | – | – |
| Deferred tax assets | 11 | 64,574 | 61,233 | – | – |
| Amounts owing by subsidiaries | 12 | – | – | 350,712 | 285,923 |
| | | 3,057,598 | 2,345,653 | 2,112,203 | 1,731,453 |
| Current assets | | | | | |
| Inventories | 13 | 83,857 | 86,095 | – | – |
| Trade and other receivables | 14 | 769,877 | 704,722 | 840 | 463 |
| Amounts owing by subsidiaries | 12 | – | – | 10,585 | 90,835 |
| Amounts owing by joint ventures and associates | 16 | 464,057 | 41,655 | – | – |
| Current tax assets | | 15,961 | 13,778 | 1,902 | 1,817 |
| Cash and bank balances | 17 | 1,425,358 | 944,383 | 392,672 | 240,292 |
| | | 2,759,110 | 1,790,633 | 405,999 | 333,407 |
| TOTAL ASSETS | | 5,816,708 | 4,136,286 | 2,518,202 | 2,064,860 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 18 | 1,601,179 | 526,949 | 1,601,179 | 526,949 |
| Treasury shares | 18 | (3,625) | (3,625) | (3,625) | (3,625) |
| Reserves | 19 | 1,513,932 | 1,891,413 | 473,633 | 1,079,372 |
| | | 3,111,486 | 2,414,737 | 2,071,187 | 1,602,696 |
| Non-controlling interests | | 80,729 | 68,618 | – | – |
| TOTAL EQUITY | | 3,192,215 | 2,483,355 | 2,071,187 | 1,602,696 |

STATEMENTS OF FINANCIAL POSITION

| | Note | Group | | Company | |
|--|------|---------------------|---------------------|---------------------|---------------------|
| | | 30.6.2017 RM'000 | 30.6.2016 RM'000 | 30.6.2017 RM'000 | 30.6.2016 RM'000 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 20 | 1,008,611 | 713,537 | 313,000 | 346,000 |
| Deferred tax liabilities | 11 | 6,325 | 4,871 | - | - |
| | | 1,014,936 | 718,408 | 313,000 | 346,000 |
| Current liabilities | | | | | |
| Trade and other payables | 23 | 1,145,828 | 740,175 | 24,920 | 1,581 |
| Amounts owing to joint ventures and associates | 16 | 3,208 | 1,486 | - | - |
| Borrowings | 20 | 415,104 | 161,545 | 109,095 | 114,583 |
| Current tax liabilities | | 45,417 | 31,317 | - | - |
| | | 1,609,557 | 934,523 | 134,015 | 116,164 |
| TOTAL LIABILITIES | | 2,624,493 | 1,652,931 | 447,015 | 462,164 |
| TOTAL EQUITY AND LIABILITIES | | 5,816,708 | 4,136,286 | 2,518,202 | 2,064,860 |

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Group | | Company | |
|---|------|--------------------|----------------|-----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Revenue | 25 | 3,392,884 | 2,534,483 | 168,960 | 166,017 |
| Cost of sales and services | | (3,063,327) | (2,214,617) | – | – |
| Gross profit | | 329,557 | 319,866 | 168,960 | 166,017 |
| Other operating income | | 97,651 | 60,062 | 23,456 | 26,823 |
| Marketing and distribution costs | | (3,659) | (4,591) | – | – |
| Administration expenses | | (44,429) | (47,395) | (1,217) | (1,490) |
| Other operating expenses | | (3,625) | (3,424) | – | – |
| Finance costs | | (33,773) | (26,558) | (21,160) | (19,771) |
| Share of profit of joint ventures and associates, net of tax | | 107,046 | 70,766 | – | – |
| Profit before tax | 26 | 448,768 | 368,726 | 170,039 | 171,579 |
| Tax expense | 28 | (75,654) | (67,377) | (733) | (477) |
| Profit for the financial year | | 373,114 | 301,349 | 169,306 | 171,102 |
| Profit for the financial year attributable to: | | | | | |
| Owners of the parent | | 370,644 | 294,929 | 169,306 | 171,102 |
| Non-controlling interests | | 2,470 | 6,420 | – | – |
| | | 373,114 | 301,349 | 169,306 | 171,102 |

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

| | | | |
|---|----|-------------|------|
| Basic earnings per ordinary share (sen) | 29 | 6.88 | 5.70 |
| Diluted earnings per ordinary share (sen) | 29 | 6.85 | 5.62 |

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Group | | Company | |
|--|----------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit for the financial year | | 373,114 | 301,349 | 169,306 | 171,102 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translations | | 20,774 | 39,942 | - | - |
| Fair value gain/(loss) on cash flow hedge | | 4,679 | (5,865) | - | - |
| Share of other comprehensive income of a joint venture | 9(d)(iv) | 19,996 | 6,668 | - | - |
| Other comprehensive income for the financial year, net of tax | | 45,449 | 40,745 | - | - |
| Total comprehensive income for the financial year | | 418,563 | 342,094 | 169,306 | 171,102 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 399,934 | 331,543 | 169,306 | 171,102 |
| Non-controlling interests | | 18,629 | 10,551 | - | - |
| | | 418,563 | 342,094 | 169,306 | 171,102 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| GROUP | Note | Non-distributable | | | | | | Distributable | | Total attributable to owners of the parent | Non-controlling interests | Total equity |
|--|------|-------------------|-----------------|---------------|-----------------------|------------------|------------------------------|-----------------|-------------------|--|---------------------------|--------------|
| | | Share capital | Treasury shares | Share premium | Share options reserve | Warrants reserve | Exchange translation reserve | Hedging reserve | Retained earnings | | | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Balance as at 1 July 2016 | | 526,949 | (3,625) | 571,542 | 21,893 | 59,247 | 167,229 | (28,280) | 1,099,782 | 2,414,737 | 68,618 | 2,483,355 |
| Profit for the financial year | | - | - | - | - | - | - | - | 370,644 | 370,644 | 2,470 | 373,114 |
| Foreign currency translations | | - | - | - | - | - | 4,621 | - | - | 4,621 | 16,153 | 20,774 |
| Fair value gain on cash flow hedge | | - | - | - | - | - | - | 4,673 | - | 4,673 | 6 | 4,679 |
| Share of other comprehensive income of a joint venture | | - | - | - | - | - | 17,320 | 2,676 | - | 19,996 | - | 19,996 |
| Total comprehensive income | | - | - | - | - | - | 21,941 | 7,349 | 370,644 | 399,934 | 18,629 | 418,563 |
| Transactions with owners | | | | | | | | | | | | |
| Previous financial year: | | | | | | | | | | | | |
| - Final dividend | 30 | - | - | - | - | - | - | - | (64,203) | (64,203) | - | (64,203) |
| Current financial year: | | | | | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | - | - | - | (66,875) | (66,875) | - | (66,875) |
| Share options vested under ESOS | | - | - | - | 28,789 | - | - | - | - | 28,789 | 2,793 | 31,582 |
| Ordinary shares issued pursuant to: | | | | | | | | | | | | |
| - ESOS | 18 | 251,711 | - | 32,269 | (45,682) | - | - | - | - | 238,298 | (1,257) | 237,041 |
| - Warrants exercised | 18 | 48,181 | - | 170,549 | - | (57,068) | - | - | - | 161,662 | - | 161,662 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | (2,513) | (2,513) |
| Acquisition of shares from non-controlling interests | 8(f) | - | - | - | - | - | - | - | (834) | (834) | (2,667) | (3,501) |
| Acquisition of a subsidiary | 8(g) | - | - | - | - | - | - | - | - | - | (2,874) | (2,874) |
| Share issue expenses | | (14) | - | (8) | - | - | - | - | - | (22) | - | (22) |
| Transfer of warrant reserve to retained earnings upon expiry | | - | - | - | - | (2,179) | - | - | 2,179 | - | - | - |
| Total transactions with owners | | 299,878 | - | 202,810 | (16,893) | (59,247) | - | - | (129,733) | 296,815 | (6,518) | 290,297 |
| Transfer pursuant to Companies Act 2016* | | 774,352 | - | (774,352) | - | - | - | - | - | - | - | - |
| Balance as at 30 June 2017 | | 1,601,179 | (3,625) | - | 5,000 | - | 189,170 | (20,931) | 1,340,693 | 3,111,486 | 80,729 | 3,192,215 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| GROUP | Note | Non-distributable | | | | | | Distributable | | Total attributable to owners of the parent | Non-controlling interests | Total equity |
|---|------|-------------------|-----------------|---------------|-----------------------|------------------|------------------------------|-----------------|-------------------|--|---------------------------|--------------|
| | | Share capital | Treasury shares | Share premium | Share options reserve | Warrants reserve | Exchange translation reserve | Hedging reserve | Retained earnings | | | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Balance as at 1 July 2015 | | 508,329 | (3,625) | 318,279 | 19,376 | 115,314 | 108,851 | (6,516) | 919,749 | 1,979,757 | 66,891 | 2,046,648 |
| Profit for the financial year | | - | - | - | - | - | - | - | 294,929 | 294,929 | 6,420 | 301,349 |
| Foreign currency translations | | - | - | - | - | - | 35,816 | - | - | 35,816 | 4,126 | 39,942 |
| Fair value (loss)/gain on cash flow hedge | | - | - | - | - | - | - | (5,870) | - | (5,870) | 5 | (5,865) |
| Share of other comprehensive income/(loss) of a joint venture | | - | - | - | - | - | 22,562 | (15,894) | - | 6,668 | - | 6,668 |
| Total comprehensive income | | - | - | - | - | - | 58,378 | (21,764) | 294,929 | 331,543 | 10,551 | 342,094 |
| Transactions with owners | | | | | | | | | | | | |
| Previous financial year: | | | | | | | | | | | | |
| - Final dividend | | - | - | - | - | - | - | - | (62,239) | (62,239) | - | (62,239) |
| Current financial year: | | | | | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | - | - | - | (52,657) | (52,657) | - | (52,657) |
| Share options vested under ESOS | | - | - | - | 14,734 | - | - | - | - | 14,734 | 597 | 15,331 |
| Ordinary shares issued pursuant to: | | | | | | | | | | | | |
| - ESOS | 18 | 5,274 | - | 51,732 | (12,217) | - | - | - | - | 44,789 | (1,634) | 43,155 |
| - Warrants exercised | 18 | 13,346 | - | 201,539 | - | (56,067) | - | - | - | 158,818 | - | 158,818 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | (2,173) | (2,173) |
| Acquisition of shares from non-controlling interest | 8(h) | - | - | - | - | - | - | - | - | - | (1,134) | (1,134) |
| Disposal of a subsidiary | 8(i) | - | - | - | - | - | - | - | - | - | (4,480) | (4,480) |
| Share issue expenses | | - | - | (8) | - | - | - | - | - | (8) | - | (8) |
| Total transactions with owners | | 18,620 | - | 253,263 | 2,517 | (56,067) | - | - | (114,896) | 103,437 | (8,824) | 94,613 |
| Balance as at 30 June 2016 | | 526,949 | (3,625) | 571,542 | 21,893 | 59,247 | 167,229 | (28,280) | 1,099,782 | 2,414,737 | 68,618 | 2,483,355 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| COMPANY | Note | Non-distributable | | | | | Distributable | |
|--|------|-------------------------|---------------------------|-------------------------|---------------------------------|----------------------------|-----------------------------|------------------------|
| | | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Share options reserve RM'000 | Warrants reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| Balance as at 1 July 2016 | | 526,949 | (3,625) | 571,542 | 20,357 | 59,247 | 428,226 | 1,602,696 |
| Profit for the financial year | | - | - | - | - | - | 169,306 | 169,306 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | - | 169,306 | 169,306 |
| Transactions with owners | | | | | | | | |
| Previous financial year: | | | | | | | | |
| - Final dividend | 30 | - | - | - | - | - | (64,203) | (64,203) |
| Current financial year: | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | - | (66,875) | (66,875) |
| Share options vested under ESOS | | - | - | - | 31,582 | - | - | 31,582 |
| Ordinary shares issued pursuant to: | | | | | | | | |
| - ESOS | 18 | 251,711 | - | 32,269 | (46,939) | - | - | 237,041 |
| - Warrants exercised | 18 | 48,181 | - | 170,549 | - | (57,068) | - | 161,662 |
| Share issue expenses | | (14) | - | (8) | - | - | - | (22) |
| Transfer of warrant reserve to retained earnings upon expiry | | - | - | - | - | (2,179) | 2,179 | - |
| Total transactions with owners | | 299,878 | - | 202,810 | (15,357) | (59,247) | (128,899) | 299,185 |
| Transfer pursuant to Companies Act 2016* | | 774,352 | - | (774,352) | - | - | - | - |
| Balance as at 30 June 2017 | | 1,601,179 | (3,625) | - | 5,000 | - | 468,633 | 2,071,187 |

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

STATEMENT OF CHANGES IN EQUITY

| COMPANY | Note | Non-distributable | | | | Distributable | | 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 | Retained earnings RM'000 | |
| Balance as at 1 July 2015 | | 508,329 | (3,625) | 318,279 | 18,877 | 115,314 | 372,020 | 1,329,194 |
| Profit for the financial year | | - | - | - | - | - | 171,102 | 171,102 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | - | 171,102 | 171,102 |
| Transactions with owners | | | | | | | | |
| Previous financial year: | | | | | | | | |
| - Final dividend | | - | - | - | - | - | (62,239) | (62,239) |
| Current financial year: | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | - | (52,657) | (52,657) |
| Share options vested under ESOS | | - | - | - | 15,331 | - | - | 15,331 |
| Ordinary shares issued pursuant to: | | | | | | | | |
| - ESOS | 18 | 5,274 | - | 51,732 | (13,851) | - | - | 43,155 |
| - Warrants exercised | 18 | 13,346 | - | 201,539 | - | (56,067) | - | 158,818 |
| Share issue expenses | | - | - | (8) | - | - | - | (8) |
| Total transactions with owners | | 18,620 | - | 253,263 | 1,480 | (56,067) | (114,896) | 102,400 |
| Balance as at 30 June 2016 | | 526,949 | (3,625) | 571,542 | 20,357 | 59,247 | 428,226 | 1,602,696 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Group | | Company | |
|---|-------|------------------|----------------|-----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 448,768 | 368,726 | 170,039 | 171,579 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 7 | 37,473 | 13,818 | – | – |
| Depreciation of property, plant and equipment | 5 | 44,248 | 47,036 | – | – |
| (Gain)/Loss on foreign exchange – unrealised | | (8,921) | 3,127 | 2,333 | (3,766) |
| Impairment losses on: | | | | | |
| – receivables | 14(e) | 185 | 118 | – | – |
| – goodwill | 7 | 27 | 1,209 | – | – |
| Interest expense | | 32,264 | 25,093 | 21,160 | 19,771 |
| Interest income | | (41,422) | (18,402) | (23,449) | (20,557) |
| Gain on disposals of: | | | | | |
| – a subsidiary | 8(i) | – | (1,949) | – | – |
| – property, plant and equipment | | (22,452) | (6,725) | – | – |
| – other investments | | (85) | – | – | – |
| Property, plant and equipment written off | 5 | 91 | 264 | – | – |
| Reversal of impairment losses on receivables | 14(e) | (284) | – | – | – |
| Share of profits of joint ventures and associates | | (107,046) | (70,766) | – | – |
| Share options vested under ESOS | | 31,330 | 15,034 | – | – |
| Operating profit before working capital changes | | 414,176 | 376,583 | 170,083 | 167,027 |
| Decrease in inventories | | 7,112 | 8,943 | – | – |
| (Increase)/Decrease in trade and other receivables | | (49,084) | 41,328 | (377) | (131) |
| (Increase)/Decrease in amounts owing by joint ventures and associates | | (169,795) | 13,527 | – | 2 |
| Increase in trade and other payables | | 379,922 | 53,629 | 148 | 133 |
| Cash generated from operations | | 582,331 | 494,010 | 169,854 | 167,031 |
| Dividends received | | 36,304 | 39,430 | – | – |
| Interest received | | 38,785 | 14,550 | 7,147 | 7,649 |
| Tax paid | | (68,683) | (107,601) | (818) | (4,765) |
| Tax refunded | | 3,019 | 1,779 | – | – |
| Net cash from operating activities | | 591,756 | 442,168 | 176,183 | 169,915 |

STATEMENTS OF CASH FLOWS

| | Note | Group | | Company | |
|---|------------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Acquisitions/Additions of: | | | | | |
| – subsidiaries, net of cash and cash equivalents acquired | 8(g) | (8,065) | – | – | – |
| – interests in subsidiaries | | – | – | (281,798) | (226,894) |
| – interests in joint ventures and associates | | (583,450) | (314,932) | (2,581) | (2,686) |
| Advances to: | | | | | |
| – subsidiaries | | – | – | 14,944 | (231,875) |
| – a joint venture | | (249,997) | – | – | – |
| Acquisition of shares from non-controlling interests | 8(f), 8(h) | (3,501) | (1,134) | – | – |
| Development of tank terminals | 6(d) | (17,953) | (21,041) | – | – |
| Interest received | | – | – | 16,302 | 12,908 |
| Placements of deposits pledged to licensed banks | | (10,491) | (979) | – | – |
| Proceeds from: | | | | | |
| – disposals of property, plant and equipment | | 28,337 | 12,344 | – | – |
| – disposal of a subsidiary, net of cash and cash equivalents disposed | 8(i) | – | 7,048 | – | – |
| – disposal of an other investment | | 554 | – | – | – |
| Purchases of: | | | | | |
| – intangible assets | 7 | (55,040) | (93,717) | – | – |
| – property, plant and equipment | 5 | (29,583) | (34,814) | – | – |
| Net cash used in investing activities | | (929,189) | (447,225) | (253,133) | (448,547) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Interest paid | | (32,264) | (25,093) | (21,160) | (19,771) |
| Dividends paid to non-controlling interests | | (2,513) | (2,173) | – | – |
| Dividends paid to ordinary shareholders of the Company | | (131,078) | (114,896) | (131,078) | (114,896) |
| Proceeds from ordinary shares issued pursuant to: | | | | | |
| – Warrants exercised | | 161,662 | 158,818 | 161,662 | 158,818 |
| – ESOS exercised | | 237,041 | 43,155 | 237,041 | 43,155 |
| Proceeds from ESOS exercised pending allotment | | 23,191 | – | 23,191 | – |
| Repayments of hire purchase creditors | | (62) | (154) | – | – |
| Drawdowns of bank loans | | 886,520 | 343,651 | 234,112 | 111,436 |
| Repayments of bank loans | | (351,922) | (336,128) | (279,532) | (49,008) |
| Share issue expenses paid | | (22) | (8) | (22) | (8) |
| Net cash from financing activities | | 790,553 | 67,172 | 224,214 | 129,726 |
| Net increase/(decrease) in cash and cash equivalents | | 453,120 | 62,115 | 147,264 | (148,906) |
| Effect of exchange rate changes on cash and cash equivalents | | 17,291 | 15,091 | 5,116 | 3,310 |
| Cash and cash equivalents at beginning of financial year | | 943,125 | 865,919 | 240,292 | 385,888 |
| Cash and cash equivalents at end of financial year | 17 | 1,413,536 | 943,125 | 392,672 | 240,292 |

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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 2017 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 functional currency of the Company. 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 3 October 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 8 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 016 to 094 have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia. However, Note 42 to the financial statements set out on page 095 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures 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.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 41.1 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING SEGMENTS

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

| | Malaysia RM'000 | Singapore RM'000 | Australia & New Zealand RM'000 | Middle East RM'000 | Other Countries RM'000 | Total RM'000 |
|--|--------------------|---------------------|--------------------------------------|--------------------------|------------------------------|------------------|
| 2017 | | | | | | |
| Segment profits | 357,694 | 33,152 | 8,932 | 29,002 | 19,988 | 448,768 |
| Included in the measure of segment profits are: | | | | | | |
| Revenue from external customers | 2,455,890 | 165,019 | 290,235 | 216,952 | 264,788 | 3,392,884 |
| Inter-segment revenue | 3,199 | 16,219 | 5,670 | 606 | 2,255 | 27,949 |
| Depreciation of property, plant and equipment | 20,132 | 2,616 | 9,397 | 10,550 | 1,553 | 44,248 |
| Amortisation of intangible assets | 35,535 | 23 | 1,846 | – | 69 | 37,473 |
| Interest expense | 26,275 | 49 | 1,863 | 4,002 | 75 | 32,264 |
| Interest income | 39,597 | 1,229 | 34 | 394 | 168 | 41,422 |
| Share of results in joint ventures and associates | 108,038 | 120 | (1,112) | – | – | 107,046 |
| Segment assets | 4,699,868 | 267,482 | 240,948 | 330,406 | 213,430 | 5,752,134 |
| Deferred tax assets | | | | | | 64,574 |
| Total assets | | | | | | 5,816,708 |
| Included in the measure of segment assets are: | | | | | | |
| Investments in joint ventures and associates | 1,961,133 | – | 473 | – | – | 1,961,606 |
| Additions to non-current assets: | | | | | | |
| – Property, plant and equipment | 14,441 | 3,144 | 8,828 | 2,846 | 324 | 29,583 |
| – Development of tank terminals | 17,953 | – | – | – | – | 17,953 |
| – Intangible assets | 54,671 | 7 | 289 | – | 73 | 55,040 |
| – Joint ventures and associates | 583,450 | – | – | – | – | 583,450 |
| Segment liabilities | 2,334,522 | 49,978 | 77,422 | 109,524 | 46,722 | 2,618,168 |
| Deferred tax liabilities | | | | | | 6,325 |
| Total liabilities | | | | | | 2,624,493 |

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING SEGMENTS (CONTINUED)

| 2016 | Malaysia RM'000 | Singapore RM'000 | Australia & New Zealand RM'000 | Middle East RM'000 | Other Countries RM'000 | Total RM'000 |
|--|--------------------|---------------------|--------------------------------------|--------------------------|------------------------------|-----------------|
| Segment profits | 283,518 | 3,647 | 14,986 | 31,577 | 34,998 | 368,726 |
| Included in the measure of segment profits are: | | | | | | |
| Revenue from external customers | 1,611,637 | 86,386 | 339,059 | 242,908 | 254,493 | 2,534,483 |
| Inter-segment revenue | 4,557 | 20,541 | 5,452 | – | 4,219 | 34,769 |
| Depreciation of property, plant and equipment | 21,262 | 4,070 | 8,120 | 11,140 | 2,444 | 47,036 |
| Amortisation of intangible assets | 11,905 | 107 | 1,804 | – | 2 | 13,818 |
| Interest expense | 19,866 | 40 | 1,757 | 3,327 | 103 | 25,093 |
| Interest income | 17,599 | 682 | 36 | 44 | 41 | 18,402 |
| Share of results in joint ventures and associates | 70,692 | 161 | (87) | – | – | 70,766 |
| Segment assets | 3,142,828 | 234,608 | 153,790 | 311,955 | 231,872 | 4,075,053 |
| Deferred tax assets | | | | | | 61,233 |
| Total assets | | | | | | 4,136,286 |
| Included in the measure of segment assets are: | | | | | | |
| Investments in joint ventures and associates | 1,282,195 | 3,535 | 4,919 | – | – | 1,290,649 |
| Additions to non-current assets: | | | | | | |
| – Property, plant and equipment | 13,328 | 924 | 17,032 | 2,955 | 575 | 34,814 |
| – Development of tank terminals | 21,041 | – | – | – | – | 21,041 |
| – Intangible assets | 93,649 | 8 | 60 | – | – | 93,717 |
| – Joint ventures and associates | 314,932 | – | – | – | – | 314,932 |
| Segment liabilities | 1,341,788 | 73,558 | 65,665 | 133,216 | 33,833 | 1,648,060 |
| Deferred tax liabilities | | | | | | 4,871 |
| Total liabilities | | | | | | 1,652,931 |

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

Major customer

Included in the Malaysia segment is revenue generated from a joint venture, Pengerang Terminals (Two) Sdn. Bhd. amounting to RM1,723,860,000 (2016: RM813,142,000).

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.7.2016 RM'000 | Additions RM'000 | Acquisition of a subsidiary (Note 8(g)) 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 30.6.2017 RM'000 |
|---|--|---------------------|--|---------------------|--------------------------|---|-----------------------------------|----------------------------------|---|
| Carrying amount | | | | | | | | | |
| Freehold land | 50,441 | - | - | - | - | - | - | - | 50,441 |
| Leasehold land | 73,597 | 2,347 | - | (1,820) | - | (910) | - | - | 73,214 |
| Buildings | 212,342 | 712 | - | (3,297) | - | (6,138) | 2,142 | 5,099 | 210,860 |
| Furniture, fittings and office equipment | 1,305 | 2,246 | 43 | (8) | (12) | (3,876) | 406 | - | 104 |
| Plant, machinery and equipment | 209,837 | 17,021 | 4,558 | (447) | (60) | (27,213) | 12,974 | 117 | 216,787 |
| Vessel | 16,536 | 1,892 | - | - | - | (2,046) | 1,093 | - | 17,475 |
| Motor vehicles | 7,871 | 3,055 | 13 | (303) | (1) | (2,364) | 108 | - | 8,379 |
| Renovation and electrical installation | 7,577 | 398 | 468 | (10) | (18) | (1,701) | 165 | - | 6,879 |
| Buildings under construction | 3,187 | 1,912 | - | - | - | - | - | (5,099) | - |
| Plant and equipment under construction | 117 | - | - | - | - | - | - | (117) | - |
| | 582,810 | 29,583 | 5,082 | (5,885) | (91) | (44,248) | 16,888 | - | 584,139 |

| | ← At 30.6.2017 → | | |
|--|------------------|---------------------------------------|------------------------------|
| | Cost RM'000 | Accumulated depreciation RM'000 | Carrying amount RM'000 |
| Freehold land | 50,441 | - | 50,441 |
| Leasehold land | 77,003 | (3,789) | 73,214 |
| Buildings | 243,884 | (33,024) | 210,860 |
| Furniture, fittings and office equipment | 52,158 | (52,054) | 104 |
| Plant, machinery and equipment | 405,087 | (188,300) | 216,787 |
| Vessel | 25,590 | (8,115) | 17,475 |
| Motor vehicles | 28,937 | (20,558) | 8,379 |
| Renovation and electrical installation | 24,017 | (17,138) | 6,879 |
| | 907,117 | (322,978) | 584,139 |

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Balance as at 1.7.2015 | Additions RM'000 | Disposal of a subsidiary (Note 8(i)) | Disposals RM'000 | Depreciation charge for the financial year | Exchange differences RM'000 | Reclassi- fications RM'000 | Balance as at 30.6.2016 | |
|---|------------------------------|---------------------|---|---------------------|---|-----------------------------------|----------------------------------|-------------------------------|---------|
| | RM'000 | | RM'000 | | RM'000 | | | Written off RM'000 | RM'000 |
| Carrying amount | | | | | | | | | |
| Freehold land | 53,054 | - | - | (2,613) | - | - | - | 50,441 | |
| Leasehold land | 69,601 | 4,755 | - | - | - | (759) | - | 73,597 | |
| Buildings | 183,696 | 3,312 | - | (844) | - | (6,405) | 2,903 | 212,342 | |
| Furniture, fittings and office equipment | 3,378 | 1,919 | (44) | (453) | (2) | (4,984) | 1,491 | 1,305 | |
| Plant, machinery and equipment | 204,661 | 18,006 | - | (1,636) | (262) | (28,312) | 11,269 | 209,837 | |
| Vessel | 17,543 | - | - | - | - | (2,253) | 1,246 | 16,536 | |
| Motor vehicles | 7,055 | 3,149 | (108) | (73) | - | (2,642) | 490 | 7,871 | |
| Renovation and electrical installation | 8,104 | 866 | - | - | - | (1,681) | 288 | 7,577 | |
| Buildings under construction | 30,177 | 2,690 | - | - | - | - | - | (29,680) | 3,187 |
| Plant and equipment under construction | 6,111 | 117 | - | - | - | - | - | (6,111) | 117 |
| | 583,380 | 34,814 | (152) | (5,619) | (264) | (47,036) | 17,687 | - | 582,810 |

| | ← At 30.6.2016 → | | |
|--|------------------|---------------------------------------|------------------------------|
| | Cost RM'000 | Accumulated depreciation RM'000 | Carrying amount RM'000 |
| Freehold land | 50,441 | - | 50,441 |
| Leasehold land | 76,876 | (3,279) | 73,597 |
| Buildings | 244,427 | (32,085) | 212,342 |
| Furniture, fittings and office equipment | 48,898 | (47,593) | 1,305 |
| Plant, machinery and equipment | 362,426 | (152,589) | 209,837 |
| Vessel | 22,227 | (5,691) | 16,536 |
| Motor vehicles | 26,606 | (18,735) | 7,871 |
| Renovation and electrical installation | 22,849 | (15,272) | 7,577 |
| Buildings under construction | 3,187 | - | 3,187 |
| Plant and equipment under construction | 117 | - | 117 |
| | 858,054 | (275,244) | 582,810 |

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All items of property, plant and equipment are initially measured at cost. 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 estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods and annual rates used are as follows:

| | |
|--|----------------|
| Leasehold land | up to 99 years |
| Buildings | 10 – 50 years |
| Furniture, fittings and office equipment | 15% – 50% |
| Plant, machinery and equipment | 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 buildings 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.

- (b) Included in property, plant and equipment of the Group are assets acquired under hire purchase arrangements with a carrying amount of RM6,000 (2016: RM389,000). Certain freehold land and buildings with a carrying amount of RM152,455,000 (2016: RM153,162,000) are subject to fixed charges created to secure banking facilities granted to certain subsidiaries as disclosed in Note 21(a) to the financial statements.
- (c) Leasehold land is analysed as:

| | Group | |
|--|---------------|---------------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Short term (unexpired period less than 50 years) | 2,136 | 2,160 |
| Long term (unexpired period more than 50 years) | 71,078 | 71,437 |
| | 73,214 | 73,597 |

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*.

NOTES TO THE FINANCIAL STATEMENTS

6. DEVELOPMENT OF TANK TERMINALS

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Development of tank terminals, at cost | 268,899 | 250,946 |

- (a) Included in development of tank terminals are land and site preparation costs and other expenditure directly attributable to the development of the tank terminals. Development of tank terminals are stated at cost less any accumulated impairment losses.
- (b) Development of tank terminals is reclassified as property, plant and equipment upon completion and when it is determined for own use or investments in joint ventures when the investors to the joint ventures are identified.
- (c) During the financial year, interest expense of RM10,748,000 (2016: RM17,415,000) was capitalised at rates ranging from 4.42% to 5.16% (2016: 4.60% to 5.16%) per annum in relation to the development of tank terminals.
- (d) The movements in carrying amounts of development of tank terminals are as follows:

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Balance as at 1 July | 250,946 | 88,929 |
| Additions | 17,953 | 21,041 |
| Reclassification from deposits paid | - | 140,976 |
| Balance as at 30 June | 268,899 | 250,946 |

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

| Group | Balance as at 1.7.2016 RM'000 | Additions RM'000 | Impairment loss for the financial year RM'000 | Acquisition of a subsidiary (Note 8(g)) RM'000 | Amortisa- tion charge for the financial year RM'000 | Exchange differences RM'000 | Balance as at 30.6.2017 RM'000 |
|--------------------------------------|--|---------------------|---|--|--|-----------------------------------|---|
| Carrying amount | | | | | | | |
| Goodwill | 13,681 | - | (27) | - | - | 571 | 14,225 |
| Rights and concession | 33,760 | 998 | - | - | (1,973) | - | 32,785 |
| Development of oil and gas assets | 95,165 | 52,560 | - | - | (31,948) | - | 115,777 |
| Development of prototypes | 1,821 | - | - | - | (202) | - | 1,619 |
| Intellectual property | 6,965 | - | - | - | (1,471) | 282 | 5,776 |
| Computer software | 3,891 | 1,482 | - | 52 | (1,879) | 185 | 3,731 |
| | 155,283 | 55,040 | (27) | 52 | (37,473) | 1,038 | 173,913 |

| Group | At 30.6.2017 | | |
|-----------------------------------|----------------|--|------------------------------|
| | Cost RM'000 | Accumulated amortisation and impairment RM'000 | Carrying amount RM'000 |
| Goodwill | 20,947 | (6,722) | 14,225 |
| Rights and concession | 39,131 | (6,346) | 32,785 |
| Development of oil and gas assets | 155,937 | (40,160) | 115,777 |
| Development of prototypes | 3,034 | (1,415) | 1,619 |
| Intellectual property | 15,095 | (9,319) | 5,776 |
| Computer software | 22,201 | (18,470) | 3,731 |
| | 256,345 | (82,432) | 173,913 |

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

| Group | Balance as at 1.7.2015 RM'000 | Additions RM'000 | Impairment loss for the financial year RM'000 | Disposal of a subsidiary (Note 8(i)) RM'000 | Amortisa- tion charge for the financial year RM'000 | Exchange differences RM'000 | Balance as at 30.6.2016 RM'000 |
|--------------------------------------|--|---------------------|---|---|--|-----------------------------------|---|
| Carrying amount | | | | | | | |
| Goodwill | 18,495 | – | (1,209) | (4,632) | – | 1,027 | 13,681 |
| Rights and concession | 34,054 | 1,612 | – | – | (1,906) | – | 33,760 |
| Development of oil and gas assets | 11,549 | 90,520 | – | – | (6,904) | – | 95,165 |
| Development of prototypes | 2,023 | – | – | – | (202) | – | 1,821 |
| Intellectual property | 7,859 | – | – | – | (1,420) | 526 | 6,965 |
| Computer software | 6,461 | 1,585 | – | (1,056) | (3,386) | 287 | 3,891 |
| | 80,441 | 93,717 | (1,209) | (5,688) | (13,818) | 1,840 | 155,283 |

| Group | At 30.6.2016 | | |
|-----------------------------------|----------------|--|------------------------------|
| | Cost RM'000 | Accumulated amortisation and impairment RM'000 | Carrying amount RM'000 |
| Goodwill | 19,774 | (6,093) | 13,681 |
| Rights and concession | 38,133 | (4,373) | 33,760 |
| Development of oil and gas assets | 103,377 | (8,212) | 95,165 |
| Development of prototypes | 3,034 | (1,213) | 1,821 |
| Intellectual property | 14,466 | (7,501) | 6,965 |
| Computer software | 20,210 | (16,319) | 3,891 |
| | 198,994 | (43,711) | 155,283 |

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

Intangible assets are initially measured at cost. After initial recognition, intangible assets, excluding goodwill are carried at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

- (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 | |
|---------------------------|---------------|---------------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Malaysia | 509 | 509 |
| Australia and New Zealand | 13,401 | 12,856 |
| Other Asian countries | 315 | 316 |
| | 14,225 | 13,681 |

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:

| | 2017 | 2016 |
|------------------------------|-------------|-------------|
| | % | % |
| Growth rates: | | |
| Malaysia | 5.0 | 5.0 |
| Australia and New Zealand | 10.0 | 10.0 |
| Other Asian countries | 10.0 | 5.0 |
| Pre-tax discount rate | 7.8 | 9.1 |

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 2017 as their recoverable amounts were in excess of their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

- (b) Rights and concession represent capitalisation of contribution fee in relation to the 20% participating interest in a Production Sharing Contract ("PSC"). The PSC relates to three mature producing fields, namely D35, D21 and J4, located offshore Sarawak, Malaysia. The 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.

Expenditure on rights and concession is amortised over the remaining life of the PSC, which is twenty (20) years.

- (c) Development of oil and gas assets represents costs incurred in re-development and enhancement of oil recovery of the above fields. When production commences, the accumulated costs for the relevant fields are amortised using unit of production method, over the life of the area according to the rate of depletion of the proved developed reserves. Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the year in which the decision to abandon the area is made.
- (d) Development of prototypes represents the development of centralised switching infrastructure undertaken by a subsidiary. Development of prototypes are amortised on a straight line basis over a period of fifteen (15) years commencing from the date they are available for use.
- (e) Intellectual property represents skilled sets on welding process and procedures used in fabrication activities. Intellectual property is amortised on a straight line basis over a period of ten (10) years commencing from the date of acquisition.
- (f) Computer software represents computer software, which is not integral to hardware of the Group and can be separately identified. Computer software is amortised over its estimated useful life of two (2) years using the straight line method.

8. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Unquoted equity shares, at cost | 298,491 | 306,491 |
| Advances to subsidiaries | 1,371,084 | 1,034,815 |
| Equity contributions in subsidiaries in respect of ESOS | 5,000 | 19,889 |
| | 1,674,575 | 1,361,195 |

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the Company's separate financial statements at cost less impairment losses, if any.

All 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.

- (b) 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.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|--------------------------------------|--|------------------------------|------|---|
| | | 2017 | 2016 | |
| Dialog E & C Sdn. Bhd. | Malaysia | 100% | 100% | Provision of engineering, procurement, construction and commissioning services. |
| Dialog Plant Services Sdn. Bhd. | Malaysia | 100% | 100% | Provision of engineering, procurement, construction and commissioning services and provision of plant turnaround and specialist maintenance work. |
| Saga Dialog Sdn. Bhd. | Malaysia | 100% | 100% | Mechanical works, construction of tankage pipings and pipelines, installation of equipment, hookup and commissioning and debottlenecking. |
| Dialog Systems Sdn. Bhd. | Malaysia | 100% | 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 | 100% | 100% | Specialised electrical and instrumentation, construction, commissioning and calibration services. |
| Dialog Fabricators Sdn. Bhd. | Malaysia | 100% | 100% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| Pacific Advance Composites Sdn. Bhd. | Malaysia | 100% | 100% | Engineering, manufacturing and installation of composite pipe system. |
| Dialog Petroleum Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding. |
| Dialog Corporate Sdn. Bhd. | Malaysia | 100% | 100% | Provision of management, consultancy and administration services. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|---|--|------------------------------|------|--|
| | | 2017 | 2016 | |
| Dialog Equity Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding. |
| *Dialog Systems (Asia) Pte. Ltd. | Singapore | 100% | 100% | Investment holding. |
| 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 manpower services. |
| Dialog Upstream Services Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding. |
| Dialog Equity (Two) Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding. |
| Dialog Resources Sdn. Bhd. | Malaysia | 100% | 100% | Petroleum development, appraisal and production operations. |
| Pengerang Deepwater Terminals Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| Subsidiary of Saga Dialog Sdn. Bhd. | | | | |
| Dialog Construction Sdn. Bhd. | Malaysia | 100% | 100% | Construction of plant and civil engineering works. |
| Subsidiary of Dialog Fabricators Sdn. Bhd. | | | | |
| Dialog OTEC Sdn. Bhd. | Malaysia | 100% | 100% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|--|--|------------------------------|------|---|
| | | 2017 | 2016 | |
| Subsidiaries of Dialog Systems (Asia) Pte. Ltd. | | | | |
| *Dialog Systems Pte. Ltd. | Singapore | 100% | 100% | Marketing of specialty chemicals and equipment and provision of technical services. |
| *Dialog Engineering Pte. Ltd. | Singapore | 89% | 89% | Investment holding and contracting of petroleum and petrochemical related works. |
| *Dialog Services Pte. Ltd. | Singapore | 100% | 100% | Provision of catalyst and process material handling services. |
| @PT. Dialog Sistemindo | Indonesia | 90% | 90% | Provision of marketing of specialty chemicals and equipment and technical support services. |
| Dialog International (L) Ltd. | Malaysia | 51% | 51% | Dormant. |
| *Dialog Systems (Thailand) Ltd. | Thailand | 49% | 49% | Contracting of petroleum and petrochemical related works and trading in specialty chemicals and equipment. |
| Dialog (Labuan) Ltd. | Malaysia | 100% | 100% | Investment holding. |
| @*Dialog Services (Hong Kong) Limited | Hong Kong | – | 100% | Dormant. |
| @Dialog Services Pty. Ltd. | Australia | 100% | 100% | Marketing of specialty chemicals and equipment, and provision of catalyst and process material handling services. |
| *Dialog Petroleum Technical Services (Beijing) Limited | China | 100% | 100% | Provision of technical consulting and technical services. |
| *Dialog OTEC Pte. Ltd. | Singapore | 80% | 80% | Investment holding. |
| @Fitzroy Engineering Group Limited | New Zealand | 88% | 88% | Provision of heavy fabrication & multi-disciplined engineering. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|--|--|------------------------------|------|---|
| | | 2017 | 2016 | |
| Subsidiaries of Dialog Systems (Asia) Pte. Ltd. (continued) | | | | |
| Dialog Systems (Labuan) Ltd. | Malaysia | 100% | 100% | Provision of specialist products & services. |
| @Dialog Systems International FZE | United Arab Emirates | 100% | 100% | Provision of specialist products & services. |
| Subsidiaries of Dialog Engineering Pte. Ltd. | | | | |
| *Dialog Plant Services Pte. Ltd. | Singapore | 80% | 80% | Provision of plant maintenance services and general civil and mechanical engineering works. |
| *OTEC Holdings Pte. Ltd. | Singapore | 65% | 65% | Investment holding. |
| Subsidiaries of Dialog (Labuan) Ltd. | | | | |
| @Dialog Services Saudi Arabia Company Ltd. | Kingdom of Saudi Arabia | 60% | 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 | 60% | 60% | Provision of logistic services of a supply base and trading of base oil. |
| +Dialog Marine (Labuan) Ltd. (formerly known as Dialog IPS Marine (Labuan) Ltd.) | Malaysia | 100% | 60% | Logistics services for the marketing of specialist product in the petroleum and petrochemical industry. |
| Subsidiary of Dialog OTEC Pte. Ltd. | | | | |
| *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. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|--|--|------------------------------|------|---|
| | | 2017 | 2016 | |
| Subsidiary of Overseas Technical Engineering and Construction Pte. Ltd. | | | | |
| Overseas Manufacturing (Johor) Sdn. Bhd. | Malaysia | 80% | 80% | Fabrication of steel storage tanks and structures. |
| Subsidiary of Dialog Plant Services Sdn. Bhd. | | | | |
| *Dialog Catalyst Services Sdn. Bhd. | Malaysia | 100% | 71% | Provision of catalyst and process material handling services. |
| Subsidiaries of Dialog Petroleum Sdn. Bhd. | | | | |
| 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% | Dormant. |
| Idaman Tropikal Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| 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. |
| Subsidiaries of Dialog Services Pte. Ltd. | | | | |
| *EC-Dialog Pte. Ltd. | Singapore | 100% | – | Investment holding. |
| **Dialog Services Europe Limited | United Kingdom | 100% | 71% | Dormant. |
| **Dialog Services, Inc. | United States of America | 100% | 71% | Dormant. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|--|--|------------------------------|------|--|
| | | 2017 | 2016 | |
| Subsidiary of Dialog E & C Sdn. Bhd. | | | | |
| Dialog Offshore Engineering Sdn. Bhd. | Malaysia | 55% | 55% | Provision of engineering design, consulting and project management. |
| Subsidiary of Infodasia Sdn. Bhd. | | | | |
| DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn. Bhd.) | Malaysia | 60% | 60% | Designing, development and deployment of front end payment solutions, terminals, infrastructure and systems. |
| Subsidiaries of Dialog Pengerang Sdn. Bhd. | | | | |
| *Pengerang Marine Operations Sdn. Bhd. | Malaysia | 100% | 70% | Provision of marine operation, maintenance and other related marine services. |
| Sungai Rengit Industrial Estate Sdn. Bhd. | Malaysia | 100% | 100% | Industrial estate development. |
| Subsidiary of Dialog Systems (Thailand) Ltd. | | | | |
| *Dialog Technology & Services Limited | Thailand | 49% | 49% | Dormant. |
| Subsidiaries of Fitzroy Engineering Group Limited | | | | |
| @Fitzroy Engineering Australia Pty. Ltd. | Australia | 88% | 88% | Provision of heavy fabrication and multi-disciplined engineering. |
| @Fitzroy Tower Services Limited | New Zealand | 89% | 89% | Provision of power pylon painting services. |
| @+Fineline Services Limited | New Zealand | 88% | – | Provision of plate profile cutting services. |

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) 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 |
|--|--|------------------------------|------|--|
| | | 2017 | 2016 | |
| Subsidiary of DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn. Bhd.) | | | | |
| DIV Systems Sdn. Bhd. (formerly known as ePetrol Systems Sdn. Bhd.) | Malaysia | 39% | 39% | Provision of centralised interchange services. |
| Subsidiary of Dialog Upstream Services Sdn. Bhd. | | | | |
| Dialog Subsurface Technology Sdn. Bhd. | Malaysia | 100% | 100% | Marketing and provision of seismic technology and other related upstream services. |
| Subsidiaries of Dialog Equity (Two) Sdn. Bhd. | | | | |
| Pengerang Terminals (Five) Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| Pengerang Terminals (Six) Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| Dialog LNG Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding. |
| Pengerang LNG Sdn. Bhd. | Malaysia | 100% | 100% | Provision of terminal storage and handling services. |
| Subsidiary of EC-Dialog Pte. Ltd. | | | | |
| *+Catalyst Handling Research & Engineering Limited | United Kingdom | 100% | – | Specialised in catalyst handling, research and engineering. |

+ Details of acquisitions, accretion of interests in subsidiaries and deregistration of a subsidiary during the financial year are disclosed in Note 38 to the financial statements.

⊙ Subsidiaries audited by BDO member firms.

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

NOTES TO THE FINANCIAL STATEMENTS**8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

- (d) The Group considers that it controls Dialog Systems (Thailand) Ltd., Dialog Technology & Services Limited and DIV Systems Sdn. Bhd. (formerly known as ePetrol Systems 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.
- (e) 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 2017 and 30 June 2016.
- (f) Accretion of interests in subsidiaries during the financial year ended 30 June 2017
- (i) Dialog Marine (Labuan) Ltd. ("DMLL") (formerly known as Dialog IPS Marine (Labuan) Ltd.)
- In October 2016, Dialog (Labuan) Ltd. ("DLL"), an indirect wholly owned subsidiary, had acquired the remaining 40% equity interest, representing 800,000 ordinary shares in DMLL for a total cash consideration of USD830,457 (equivalent to RM3,471,310). Pursuant to that, DLL's equity interest in DMLL increased from 60% to 100% and DMLL became an indirect wholly owned subsidiary of the Group.
- (ii) Pengerang Marine Operations Sdn. Bhd. ("PMOSB")
- In January 2017, Dialog Pengerang Sdn. Bhd. ("DPGSB"), a wholly owned subsidiary, had acquired the remaining 30% equity interest, representing 30,000 ordinary shares in PMOSB for a total cash consideration of RM30,000. Pursuant to that, DPGSB's equity interest in PMOSB increased from 70% to 100% and PMOSB became an indirect wholly owned subsidiary of the Group.
- (g) Acquisition of subsidiaries during the financial year ended 30 June 2017
- (i) Finline Services Limited ("Finline")
- In March 2017, Fitzroy Engineering Group Limited ("FEG"), an indirect subsidiary incorporated in New Zealand, had acquired the remaining 50% equity interest, representing 1,000 ordinary shares in Finline for a total cash consideration of NZD665,000 (equivalent to RM2,061,500). Pursuant to that, FEG's equity interest in Finline increased from 50% to 100% and Finline became an 88% indirect subsidiary of the Group.
- (ii) EC-Dialog Pte. Ltd. ("EC-Dialog")
- In March 2017, Dialog Services Pte. Ltd., an indirect subsidiary incorporated in Singapore, had acquired the remaining 60% equity interest in EC-Dialog for a total cash consideration of SGD2,200,000 (equivalent to RM6,952,000). EC-Dialog has equity interest in Catalyst Handling Research & Engineering Limited, Dialog Catalyst Services Sdn. Bhd., Dialog Services Europe Limited and Dialog Services, Inc. Arising from the acquisition, these companies have become indirect wholly owned subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(g) Acquisition of subsidiaries during the financial year ended 30 June 2017 (continued)

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisitions were as follows:

| | Note | At date of acquisition RM'000 |
|---|----------|-------------------------------------|
| Property, plant and equipment | 5 | 5,082 |
| Intangible assets | 7 | 52 |
| Investments in associates | | 12,850 |
| Inventories | | 1,740 |
| Trade and other receivables | | 1,885 |
| Cash and bank balances | | 948 |
| Trade and other payables | | (1,276) |
| Term loans | | (3,519) |
| Total identified net assets | | 17,762 |
| Non-controlling interests | | (2,874) |
| Total deemed purchase consideration | | 14,888 |
| Less: Fair value of interest in a joint venture previously held | 9(d)(vi) | (2,062) |
| Less: Fair value of interest in an associate previously held | 9(e)(iv) | (3,813) |
| Purchase consideration | | 9,013 |
| Cash and cash equivalents of the subsidiaries acquired | | (948) |
| Net cash outflow of the Group on acquisition | | (8,065) |

If the acquisition occurred on 1 July 2016, the revenue and profit after tax of the Group for the financial year ended 30 June 2017 would have been RM3,399,570,000 and RM370,665,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(h) Accretion of interests in a subsidiary during the financial year ended 30 June 2016

In July 2015, Dialog Upstream Services Sdn. Bhd. ("DUSSEB"), a wholly owned subsidiary, had acquired the remaining 25% equity interest, representing 250,000 ordinary shares each in Dialog Subsurface Technology Sdn. Bhd. ("DSTSB") for a total cash consideration of RM1,134,302. Pursuant to that, DUSSEB's equity interest in DSTSB increased from 75% to 100% and DSTSB became a wholly owned subsidiary of the Company.

(i) Disposal of a subsidiary during the financial year ended 30 June 2016

In August 2015, Dialog Systems (Asia) Pte. Ltd. ("DSAPL"), a wholly owned subsidiary, had disposed of its 51% owned subsidiary, Anewa Engineering Private Limited ("Anewa") for a total cash consideration of USD2,964,375 (equivalent to RM12,450,375), representing the sale of 2,040,000 equity shares. Accordingly, Anewa ceased to be a subsidiary of the Group.

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

| | Note | At date of disposal RM'000 |
|--|------|-------------------------------|
| Property, plant and equipment | 5 | 152 |
| Software | 7 | 1,056 |
| Goodwill | 7 | 4,632 |
| Receivables | | 5,099 |
| Cash and bank balances | | 5,402 |
| Payables | | (1,255) |
| Hire purchase creditors | | (105) |
| Total identified net assets disposed | | 14,981 |
| Non-controlling interests | | (4,480) |
| Net assets | | 10,501 |
| Net proceeds from disposal | | (12,450) |
| Gain on disposal | | 1,949 |
| Proceeds from disposal | | 12,450 |
| Cash and cash equivalents of a subsidiary disposed off | | (5,402) |
| Cash flow on disposal, net of cash and cash equivalents of a subsidiary disposed | | 7,048 |

The financial results of the subsidiary disposed were insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| | Group | | Company | |
|--|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Joint ventures | | | | |
| Unquoted equity shares, at cost | 1,033,708 | 824,975 | 18,732 | 18,732 |
| Advances to joint ventures | 146,050 | 167,977 | 67,773 | 65,135 |
| Equity contribution in joint ventures in respect of ESOS | 411 | 1,046 | 411 | 468 |
| Share of post acquisition reserves, net of Group's unrealised profit and dividends | 143,173 | 31,051 | – | – |
| Exchange differences | 85 | 755 | – | – |
| | 1,323,427 | 1,025,804 | 86,916 | 84,335 |
| Associates | | | | |
| Unquoted equity shares, at cost | 187,669 | 165,432 | – | – |
| Advances to an associate | 456,071 | 107,816 | – | – |
| Share of post acquisition reserves, net of Group's unrealised profit and dividends | (5,499) | (9,240) | – | – |
| Exchange differences | (62) | 837 | – | – |
| | 638,179 | 264,845 | – | – |
| | 1,961,606 | 1,290,649 | 86,916 | 84,335 |

- (a) Investments in joint ventures and associates are measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.

Investments in joint ventures and associates include an amount of RM1,232,120,000 for investments in a joint venture and an associate that have yet to commence operations as at 30 June 2017 as their facilities are under construction. The Group determines whether an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on the value-in-use. Value-in-use is the net present value of the projected future cash flows discounted at an appropriate pre-tax discount rate, which involve judgements in estimating future results and to determine an appropriate pre-tax discount rate.

- (b) The most recent available financial statements of the joint ventures and associates are used by the Group in applying the equity method. The Group's share of results of joint ventures and associates are based on the audited financial statements made up to 30 June 2017 except for Kertih Terminals Sdn. Bhd., Halliburton Bayan Petroleum Sdn. Bhd., BC Petroleum Sdn. Bhd., Pengerang Terminals (Two) Sdn. Bhd. and Pengerang LNG (Two) Sdn. Bhd., which are based on unaudited financial statements made up to 30 June 2017.
- (c) 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 RM58,528,000 (2016: RM58,528,000) of the Group and of the Company, which bears interest at rates ranging from 4.50% to 4.65% (2016: 4.50% to 4.87%) per annum.

Advances to an associate are unsecured, settlement is neither planned nor likely to occur in the foreseeable future. These advances bear an interest at a fixed rate of 6.50% (2016: 6.50%) per annum. There is no sensitivity analysis as it is a fixed rate instrument and is not affected by changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) Joint ventures

(i) 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 |
|--|--|------------------------------|------|---|
| | | 2017 | 2016 | |
| Direct: | | | | |
| Centralised Terminals Sdn. Bhd. | Malaysia | 55% | 55% | Investment holding. |
| Indirect: | | | | |
| *Kertih Terminals Sdn. Bhd. | Malaysia | 30% | 30% | Provision of 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% | Provision of plate profile cutting services. |
| *BC Petroleum Sdn. Bhd. | Malaysia | 32% | 32% | Management, development and production of petroleum – inactive. |
| *Halliburton Bayan Petroleum Sdn. Bhd. | Malaysia | 50% | 50% | Provision of services and technology in petroleum production industry. |
| @Pengerang Terminals (Two) Sdn. Bhd. | Malaysia | 25% | 25% | Provision of terminal storage facilities for petroleum and petrochemical products. |
| Subsidiaries of Centralised Terminals Sdn. Bhd. | | | | |
| Langsat Terminal (One) Sdn. Bhd. | Malaysia | 44% | 44% | Provision of tank terminal storage facilities and handling services. |
| Langsat Terminal (Two) Sdn. Bhd. | Malaysia | 44% | 44% | Provision of tank terminal storage facilities and handling services. |
| Langsat Terminal (Three) Sdn. Bhd. | Malaysia | 55% | 55% | Dormant. |
| Subsidiary of Pengerang Terminals Sdn. Bhd. | | | | |
| Pengerang Independent Terminals Sdn. Bhd. | Malaysia | 46% | 46% | Provision of independent petroleum terminal facilities for the handling, storage and distribution of oil, petroleum and petrochemical products. |

* Not audited by BDO Malaysia or BDO member firms.

+ Details of the equity changes of the joint venture during the financial year are disclosed in Note 38 to the financial statements.

@ Not commenced operations as at 30 June 2017 as the facilities are under construction.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) Joint ventures (continued)

(ii) 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.

(iii) The summarised financial information of material joint ventures is as follows:

| | Pengerang Terminals Sdn. Bhd. and its subsidiary | | Pengerang Terminals (Two) Sdn. Bhd. | |
|---|---|----------------|--|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Assets | | | | |
| Non-current assets | 2,251,258 | 2,232,022 | 2,836,524 | 1,559,712 |
| Cash and cash equivalents | 147,814 | 139,215 | 196,755 | 2,743 |
| Other current assets | 50,264 | 24,869 | 154,222 | 52,381 |
| Total assets | 2,449,336 | 2,396,106 | 3,187,501 | 1,614,836 |
| Liabilities | | | | |
| Non-current financial liabilities (excluding trade and other payables) | 1,248,520 | 1,356,346 | – | – |
| Other non-current liabilities (including trade and other payables) | 3 | 3 | 815,886 | – |
| Financial liabilities (excluding trade and other payables) | 243,692 | 225,618 | – | – |
| Other current liabilities (including trade and other payables) | 29,014 | 16,417 | 156,286 | 191,233 |
| Total liabilities | 1,521,229 | 1,598,384 | 972,172 | 191,233 |
| Net assets | 928,107 | 797,722 | 2,215,329 | 1,423,603 |
| Results | | | | |
| Revenue | 271,066 | 231,575 | – | – |
| Depreciation of property, plant and equipment | (74,570) | (72,843) | – | – |
| Interest income | 2,231 | 2,957 | – | – |
| Interest expense | (16,330) | (71,586) | – | – |
| Tax expense | (1,195) | (712) | – | – |
| Profit/(Loss) for the financial year | 77,923 | 39,920 | (10,380) | (2,220) |
| Other comprehensive income | 39,207 | 13,075 | – | – |
| Total comprehensive income/(loss) | 117,130 | 52,995 | (10,380) | (2,220) |

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) Joint ventures (continued)

(iv) The reconciliation of net assets of material joint ventures to the carrying amounts of the investments in joint ventures is as follows:

| | Pengerang Terminals Sdn. Bhd. and its subsidiary | | Pengerang Terminals (Two) Sdn. Bhd. | |
|---|---|----------------|--|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Share of net assets | 473,335 | 406,838 | 553,832 | 355,901 |
| Adjustment for unrealised profits, foreign currency translation and others | (65,620) | (61,307) | 40,199 | 10,392 |
| Carrying amount | 407,715 | 345,531 | 594,031 | 366,293 |
| Share of results for the financial year | | | | |
| Share of profit or loss | 39,741 | 20,359 | (2,595) | (555) |
| Share of other comprehensive income | 19,996 | 6,668 | - | - |
| Share of total comprehensive income/(loss) | 59,737 | 27,027 | (2,595) | (555) |

(v) Set out below is the financial information of all individually immaterial joint ventures on an aggregate basis:

| | Group | |
|---|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Carrying amounts of interests in joint ventures | 321,681 | 313,980 |
| Share of results for the financial year | | |
| Share of profit or loss | 70,785 | 51,855 |
| Share of other comprehensive income | - | - |
| Share of total comprehensive income | 70,785 | 51,855 |
| Dividend income from joint ventures | 36,304 | 39,430 |

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) Joint ventures (continued)

(vi) Disposal of a joint venture during the financial year ended 30 June 2017

In March 2017, Fitzroy Engineering Group Limited ("FEG"), an indirect subsidiary incorporated in New Zealand, had acquired the remaining 50% equity interest, representing 1,000 ordinary shares in Feline for a total cash consideration of NZD665,000 (equivalent to RM2,061,500). Pursuant to that, FEG's equity interest in Feline increased from 50% to 100% and Feline became an 88% indirect subsidiary of the Group.

The details of the deemed disposal are as follows:

| Group | Note | At date of disposal RM'000 |
|------------------------------------|------|-------------------------------|
| Cost of investment | | 3,515 |
| Share of post-acquisition reserves | | (2,698) |
| Foreign exchange difference | | 1,245 |
| Share of interest in joint venture | | 2,062 |
| Fair value of interest held | 8(g) | (2,062) |
| Fair value gain on disposal | | – |

(vii) The following table sets out the carrying amounts and the weighted average effective interest rates as at the end of each reporting period of the advances to a joint venture of the Group and of the Company that is exposed to interest rate risk:

| | Weighted average effective interest rate per annum % | Group and Company RM'000 |
|---------------------|---|-----------------------------------|
| 30 June 2017 | | |
| Fixed rate | 4.50% | 49,728 |
| Floating rate | 4.60% | 8,800 |
| | | 58,528 |
| 30 June 2016 | | |
| Fixed rate | 4.50% | 49,728 |
| Floating rate | 4.73% | 8,800 |
| | | 58,528 |

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) Associates

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

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|------------------------------|------|--|
| | | 2017 | 2016 | |
| Associate of Overseas Technical Engineering and Construction Pte. Ltd. | | | | |
| Overseas Technical Engineering & Construction Sdn. Bhd. | Malaysia | 39% | 39% | Dormant. |
| Associate of Dialog Services Pte. Ltd. | | | | |
| *EC-Dialog Pte. Ltd. | Singapore | – | 40% | Investment holding. |
| Associate of Dialog LNG Sdn. Bhd. | | | | |
| @*Pengerang LNG (Two) Sdn. Bhd. | Malaysia | 25% | 25% | Provision of Liquefied Natural Gas 'LNG' terminal storage, regasification of LNG into natural gas and handling services. |

* Not audited by BDO Malaysia or BDO member firms.

* Details of the equity changes of the associate during the financial year are disclosed in Note 38 to the financial statements.

@* Not commenced operations as at 30 June 2017 as the facilities are under construction.

(ii) The Group does not have any associate, which is individually material to the Group for both financial years ended 30 June 2017 and 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) Associates (continued)

(iii) Set out below is the financial information of all individually immaterial associates on an aggregate basis.

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Carrying amounts of interests in associates | 638,179 | 264,845 |
| Share of results for the financial year | | |
| Share of profit or loss | (885) | (893) |
| Share of other comprehensive income | - | - |
| Share of total comprehensive loss | (885) | (893) |

(iv) Deemed disposal of an associate during the financial year ended 30 June 2017

In March 2017, Dialog Services Pte. Ltd., an indirect subsidiary incorporated in Singapore, had acquired the remaining 60% equity interest in EC-Dialog for a total cash consideration of SGD2,200,000 (equivalent to RM6,952,000). EC-Dialog has equity interest in Catalyst Handling Research & Engineering Limited, Dialog Catalyst Services Sdn. Bhd., Dialog Services Europe Limited and Dialog Services, Inc. Arising from the acquisition, these companies have become indirect wholly owned subsidiaries of the Group.

The details of the deemed disposal are as follows:

| Group | Note | At date of disposal RM'000 |
|------------------------------------|------|----------------------------------|
| Cost of investment | | 2,402 |
| Share of post-acquisition reserves | | 446 |
| Foreign exchange difference | | 965 |
| Share of interest in joint venture | | 3,813 |
| Fair value of interest held | 8(g) | (3,813) |
| Fair value gain on disposal | | - |

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER INVESTMENTS

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Available-for-sale financial assets | | |
| - Unquoted shares in Malaysia | 1,792 | 1,792 |
| - Unquoted shares outside Malaysia | 2,675 | 2,507 |
| - Club membership, unquoted | - | 433 |
| | 4,467 | 4,732 |

- (a) All regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.
- (b) The fair value of other investments of the Group are categorised as Level 3 in the fair value hierarchy.
- (c) The following table shows a reconciliation of Level 3 fair values of other investments:

| | Group | |
|------------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Balance as at 1 July | 4,732 | 4,545 |
| Disposal during the financial year | (469) | - |
| Exchange differences | 204 | 187 |
| Balance as at 30 June | 4,467 | 4,732 |

- (d) The fair values of investments in unquoted shares are estimated based on the price to book valuation model while the fair value for club membership was estimated based on references to available quotation of the same investment.
- (e) Sensitivity analysis for investments in unquoted shares is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

11. 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 | |
|--------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | 64,574 | 61,233 |
| Deferred tax liabilities | (6,325) | (4,871) |
| | 58,249 | 56,362 |

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

| | Note | Group | |
|---|------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 |
| Balance at 1 July | | 56,362 | 46,766 |
| Recognised in profit or loss | | | |
| – property, plant and equipment | | (1,758) | 777 |
| – amounts due from customers for contract works | | 259 | 3,852 |
| – unabsorbed capital allowances | | 1,529 | 708 |
| – unused tax losses | | 484 | 1,314 |
| – accrued liabilities | | 10,842 | (3,543) |
| – unrealised profits | | (6,429) | 7,144 |
| – other temporary differences | | (3,000) | 585 |
| | 28 | 1,927 | 10,837 |
| Exchange differences | | (40) | (1,241) |
| Balance at 30 June | | 58,249 | 56,362 |

NOTES TO THE FINANCIAL STATEMENTS

11. 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 | |
|---|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | | |
| Unused tax losses | 5,312 | 4,828 |
| Unabsorbed capital allowances | 8,072 | 6,543 |
| Unrealised profits | 24,938 | 31,367 |
| Accrued liabilities | 31,232 | 20,390 |
| Other deductible temporary differences | 1,489 | 4,489 |
| Deferred tax assets (before off-setting) | 71,043 | 67,617 |
| Offsetting | (6,469) | (6,384) |
| Deferred tax assets (after off-setting) | 64,574 | 61,233 |
| Deferred tax liabilities | | |
| Property, plant and equipment | 11,092 | 9,294 |
| Amounts due from customers for contract works | 1,702 | 1,961 |
| Deferred tax liabilities (before off-setting) | 12,794 | 11,255 |
| Offsetting | (6,469) | (6,384) |
| Deferred tax liabilities (after off-setting) | 6,325 | 4,871 |

Unrecognised deferred tax assets

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

| | Group | |
|-------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Unabsorbed capital allowances | 1,371 | 159 |
| Accrued liabilities | 1,426 | 246 |
| Unused tax losses | | |
| – No expiry date | 23,566 | 7,730 |
| – Expired by 30 June 2017 | – | 17,464 |
| – Expires by 30 June 2018 | 3,454 | – |
| – Expires by 30 June 2026 | 14,603 | 14,608 |
| | 44,420 | 40,207 |

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.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

12. AMOUNTS OWING BY SUBSIDIARIES

| | Company | |
|-------------------------------|---------|---------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Non-current assets: | | |
| Amounts owing by subsidiaries | 350,712 | 285,923 |
| Current assets: | | |
| Amounts owing by subsidiaries | 10,585 | 90,835 |

- (a) Amounts owing by subsidiaries are classified as loans and receivables, and are measured at amortised cost using the effective interest method.
- (b) The non-current amounts owing by subsidiaries represent unsecured advances of RM326,987,000 (2016: RM275,916,000), which bear interest at rates ranging from 1.30% to 5.76% (2016: 1.28% to 5.80%) per annum. The advances together with the interest receivable thereon, which amounted to RM350,712,000 (2016: RM285,923,000) are not payable within the next twelve months.
- (c) The current 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 RM3,308,000 (2016: RM4,449,000) owing by a subsidiary, which bears interest at rates ranging from 4.47% to 4.63% (2016: 4.70% to 4.87%) per annum.
- (d) The foreign currency exposure of amounts owing by subsidiaries of the Company are as follows:

| | Company | |
|--------------------|---------|--------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| New Zealand Dollar | 3,314 | 4,454 |

- (e) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the amounts owing by subsidiaries of the Company that are exposed to interest rate risk:

| Company | Weighted average effective interest rate per annum % | Within 1 year RM'000 | More than 1 year RM'000 | Total RM'000 |
|---------------------|---|----------------------------|-------------------------------|-----------------|
| 30 June 2017 | | | | |
| Fixed rate | 4.83% | – | 107,500 | 107,500 |
| Floating rate | 3.92% | 3,308 | 219,487 | 222,795 |
| 30 June 2016 | | | | |
| Fixed rate | 4.88% | – | 168,068 | 168,068 |
| Floating rate | 2.93% | 4,449 | 107,848 | 112,297 |

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

| | Group | |
|------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At cost | | |
| Construction materials | 6,200 | 3,683 |
| Trading inventories | 77,657 | 82,412 |
| | 83,857 | 86,095 |

(a) Cost is determined using the first-in-first-out basis.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM281,963,000 (2016: RM281,615,000).

14. TRADE AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade receivables | | | | | |
| Third parties | | 332,675 | 241,315 | - | - |
| Amounts due from customers for contract works | 15 | 369,617 | 426,334 | - | - |
| | | 702,292 | 667,649 | - | - |
| Less: Impairment losses | | (48) | (284) | - | - |
| Total trade receivables | | 702,244 | 667,365 | - | - |
| Other receivables | | | | | |
| Other receivables | | 28,959 | 20,405 | 461 | 82 |
| Deposits | | 25,379 | 5,567 | 5 | 32 |
| Total other receivables | | 54,338 | 25,972 | 466 | 114 |
| Total receivables | | 756,582 | 693,337 | 466 | 114 |
| Hedge derivative assets | | 1,347 | 2,133 | 324 | 289 |
| Prepayments | | 11,948 | 9,252 | 50 | 60 |
| | | 769,877 | 704,722 | 840 | 463 |

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Total receivables are classified as loans and receivables and are measured at amortised cost using the effective interest method. Hedge derivative assets are classified as financial assets at fair value through profit or loss.
- (b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 7 to 60 days (2016: 7 to 60 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) The foreign currency exposure of trade and other receivables of the Group are as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Australian Dollar | – | 3,295 |
| Euro | 280 | 2,474 |
| Indonesian Rupiah | – | 4,981 |
| Singapore Dollar | 4,451 | 444 |
| Sterling Pound | 1,892 | 7,040 |
| United States Dollar | 22,142 | 16,138 |

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

| | Group | |
|-------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Neither past due nor impaired | 292,089 | 191,245 |
| Past due but not impaired: | | |
| 61 to 90 days | 23,768 | 18,240 |
| 91 to 120 days | 9,669 | 9,502 |
| More than 120 days | 7,101 | 22,044 |
| | 40,538 | 49,786 |
| Past due and impaired | 48 | 284 |
| | 332,675 | 241,315 |

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 records and no recent history of default. These trade receivables are unsecured in nature.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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 | |
|--------------------------|-----------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Trade receivables, gross | 48 | 284 |
| Less: Impairment losses | (48) | (284) |
| | - | - |

(e) The reconciliation of movements in impairment losses of trade receivables are as follows:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 July | 284 | 726 |
| Written off | (137) | (384) |
| Disposal of a subsidiary during the year | - | (188) |
| Reversal of impairment losses | (284) | - |
| Charge for the financial year | 185 | 118 |
| Exchange differences | - | 12 |
| At 30 June | 48 | 284 |

Trade 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.

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.

- (f) Included in trade receivables is total retention sum for contract works amounting to RM2,931,000 (2016: RM13,401,000).
- (g) Included in deposits of the Group are deposits paid in relation to development of tank terminals amounting to RM20,000,000 (2016: Nil).
- (h) The fair value of hedge derivative assets of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (i) 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.

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

| | Note | Group | |
|---|------|--------------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 |
| Aggregate costs incurred to date | | 3,353,526 | 1,969,023 |
| Add: Attributable profits | | 313,437 | 244,152 |
| | | 3,666,963 | 2,213,175 |
| Less: Progress billings | | (3,343,262) | (1,849,992) |
| | | 323,701 | 363,183 |
| Represented by: | | | |
| Amounts due from customers for contract works | 14 | 369,617 | 426,334 |
| Amounts due to customers for contract works | 23 | (45,916) | (63,151) |
| | | 323,701 | 363,183 |

Additions to aggregate costs incurred during the financial year include:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Hire of plant and machinery and motor vehicles | 6,314 | 2,155 |

16. AMOUNTS OWING BY/(TO) JOINT VENTURES AND ASSOCIATES

- (a) Amounts owing by/(to) joint ventures and associates are classified as loans and receivables and other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) The amounts owing by/(to) joint ventures and associates represent normal trade transactions and payments made on behalf, which are interest-free, unsecured and payable on demand in cash and cash equivalents except for an amount of RM249,997,000 (2016: Nil) owing by a joint venture, which represents short term advances and bears interest at a rate of 4.00% (2016: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

16. AMOUNTS OWING BY/(TO) JOINT VENTURES AND ASSOCIATES (CONTINUED)

(c) The foreign currency exposure of amount owing by a joint venture of the Group is as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| United States Dollar | 249,997 | – |

(d) The following table sets out the carrying amount, the weighted average effective interest rate as at the end of each reporting period and the remaining maturities of the amount owing by a joint venture of the Group that are exposed to interest rate risk:

| Group | Weighted average effective interest rate per annum % | Within 1 year RM'000 |
|---------------------|---|----------------------------|
| 30 June 2017 | | |
| Fixed rate | 4.00% | 249,997 |

(e) The maturity profile of amounts owing to joint ventures and associates of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

17. CASH AND BANK BALANCES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Cash and bank balances | 938,870 | 615,689 | 135,930 | 14,488 |
| Deposits with licensed banks (not more than three months) | 486,488 | 328,694 | 256,742 | 225,804 |
| As reported in the statements of financial position | 1,425,358 | 944,383 | 392,672 | 240,292 |
| Less: | | | | |
| Bank balances and deposits pledged to licensed banks | (11,822) | (1,258) | – | – |
| Cash and cash equivalents included in the statements of cash flows | 1,413,536 | 943,125 | 392,672 | 240,292 |

(a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 30 days (2016: 30 days).

NOTES TO THE FINANCIAL STATEMENTS

17. CASH AND BANK BALANCES (CONTINUED)

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

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Australian Dollar | 389 | 352 | – | – |
| Euro | 914 | 1,059 | – | – |
| Indonesian Rupiah | – | 2,296 | – | – |
| Japanese Yen | 358 | 166 | – | – |
| New Zealand Dollar | 51 | 48 | – | – |
| Papua New Guinea Kina | 36 | 25 | – | – |
| Singapore Dollar | 5,633 | 5,628 | – | – |
| Sterling Pound | 4,575 | 8,214 | – | – |
| Thai Baht | 297 | 244 | – | – |
| United States Dollar | 172,364 | 102,762 | 37,584 | 914 |

(c) The bank balances and deposits pledged to licensed banks are for bank guarantees and term loans granted to certain subsidiaries as disclosed in Note 21(a) to the financial statements.

(d) The weighted average effective interest rate of deposits with licensed banks of the Group and of the Company as at the end of each reporting period are as follows:

| | Group | | Company | |
|-------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Fixed rates | 3.35% | 3.39% | 3.57% | 3.52% |

18. SHARE CAPITAL

| | Group and Company | | | |
|---|-------------------------------|-----------|-------------------------------|---------|
| | 2017 | | 2016 | |
| | Number of shares (‘000) | RM'000 | Number of shares (‘000) | RM'000 |
| Issued and fully paid | | | | |
| Balance as at 1 July | 5,269,486 | 526,949 | 5,083,292 | 508,329 |
| Issuance of ordinary shares pursuant to: | | | | |
| – ESOS exercised | 186,667 | 251,711 | 52,733 | 5,274 |
| – Warrants exercised | 135,851 | 48,181 | 133,461 | 13,346 |
| Transfer from share premium account pursuant to the Companies Act 2016 | – | 774,352 | – | – |
| Share issue expenses | – | (14) | – | – |
| Balance as at 30 June | 5,592,004 | 1,601,179 | 5,269,486 | 526,949 |

NOTES TO THE FINANCIAL STATEMENTS**18. SHARE CAPITAL (CONTINUED)**

- (a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 5,269,485,986 ordinary shares to 5,592,004,153 ordinary shares by way of issuance of 322,518,167 new ordinary shares pursuant to the following:
- (i) 186,667,289 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices ranging from RM0.20 to RM1.58 per ordinary share for cash; and
 - (ii) 135,850,878 warrants exercised at an exercise price of RM1.19 each for cash.

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

- (b) During the financial year ended 30 June 2016, the issued and fully paid-up ordinary share capital of the Company was increased from 5,083,292,436 to 5,269,485,986 ordinary shares by way of issuance of 186,193,550 new ordinary shares pursuant to the following:
- (i) 52,732,728 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices ranging from RM0.20 to RM1.40 per ordinary share for cash; and
 - (ii) 133,460,822 warrants exercised at an exercise price of RM1.19 each for cash.
- (c) Of the total 5,592,004,153 (2016: 5,269,485,986) issued and fully paid ordinary shares as at 30 June 2017, 3,335,032 (2016: 3,335,032) ordinary shares purchased for RM3,624,613 (2016: RM3,624,613) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 5,588,669,121 (2016: 5,266,150,954).
- (d) 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.
- (e) With the introduction of the Companies Act 2016 effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished. Consequently, balance within the share premium account has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS

19. RESERVES

| | Group | | Company | |
|------------------------------|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Share premium | – | 571,542 | – | 571,542 |
| Share options reserve | 5,000 | 21,893 | 5,000 | 20,357 |
| Warrants reserve | – | 59,247 | – | 59,247 |
| Exchange translation reserve | 189,170 | 167,229 | – | – |
| Hedging reserve | (20,931) | (28,280) | – | – |
| | 173,239 | 791,631 | 5,000 | 651,146 |
| Distributable: | | | | |
| Retained earnings | 1,340,693 | 1,099,782 | 468,633 | 428,226 |
| | 1,513,932 | 1,891,413 | 473,633 | 1,079,372 |

(a) Share premium

With the introduction of the Companies Act 2016 effective 31 January 2017, the balance within the share premium account has been transferred to the share capital account as disclosed in Note 18(e) to the financial statements.

(b) 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. The share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

(c) Warrants reserve

The warrants reserve represents the fair value assigned to the warrants of RM0.4201 each. The fair value was determined using the Black-Scholes-Merton option pricing model. The warrants expired on 12 February 2017. Pursuant to that, warrants reserve in relation to the unexercised warrants had been transferred to retained earnings.

(d) 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS

| | Note | Group | | Company | |
|--------------------------|------|------------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Non-current liabilities: | | | | | |
| Bank loans | | 1,008,611 | 713,533 | 313,000 | 346,000 |
| Hire purchase creditors | | – | 4 | – | – |
| | | 1,008,611 | 713,537 | 313,000 | 346,000 |
| Current liabilities: | | | | | |
| Bank loans | | 415,100 | 161,483 | 109,095 | 114,583 |
| Hire purchase creditors | | 4 | 62 | – | – |
| | | 415,104 | 161,545 | 109,095 | 114,583 |
| Total borrowings | | 1,423,715 | 875,082 | 422,095 | 460,583 |
| Represented by: | | | | | |
| Bank loans | 21 | 1,423,711 | 875,016 | 422,095 | 460,583 |
| Hire purchase creditors | 22 | 4 | 66 | – | – |
| | | 1,423,715 | 875,082 | 422,095 | 460,583 |

(a) Borrowings are classified as other financial liabilities, and are measured at amortised cost using effective interest method.

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

| | Group | | Company | |
|----------------------|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Euro | 2,445 | 2,235 | – | – |
| New Zealand Dollar | 34,131 | 23,571 | – | – |
| Ringgit Malaysia | 594,204 | 641,228 | 373,000 | 400,000 |
| Saudi Riyal | 80,371 | 91,495 | – | – |
| Singapore Dollar | – | 37 | – | – |
| Sterling Pound | – | 351 | – | – |
| Thai Baht | – | 2,007 | – | – |
| United States Dollar | 712,564 | 114,158 | 49,095 | 60,583 |
| | 1,423,715 | 875,082 | 422,095 | 460,583 |

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

- (c) The fair value of the borrowings of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (d) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

| | 2017 | | 2016 | |
|--------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Group | | | | |
| Bank loans (fixed rates) | 346,000 | 342,361 | 400,000 | 386,220 |
| Hire purchase creditors | 4 | 4 | 66 | 64 |
| Company | | | | |
| Bank loans (fixed rates) | 346,000 | 342,361 | 400,000 | 386,220 |

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.

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.

- (e) As at the end of the reporting period, the Group entered into interest rate swap contracts to swap notional amounts of RM71,594,000 (2016: RM91,594,000) and USD119,000,000 (2016: USD68,000,000) from floating interest rate to fixed rate to hedge against interest rate fluctuations. The effective periods for these interest rate swaps are from March 2014 to June 2018 and January 2018 to January 2023 respectively.

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

- (f) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group and of the Company that are exposed to interest rate risk:

| Group | Weighted average effective interest rate per annum % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|--------------------------------|--|----------------------|--------------------|--------------------|--------------------------|--------------|
| 30 June 2017 | | | | | | |
| Bank loans | | | | | | |
| Fixed rates | 4.89% | 60,000 | 146,000 | 140,000 | – | 346,000 |
| Floating rates | 3.24% | 355,100 | 259,242 | 293,487 | 169,882 | 1,077,711 |
| Hire purchase creditors | | | | | | |
| Fixed rates | 2.41% | 4 | – | – | – | 4 |
| 30 June 2016 | | | | | | |
| Bank loans | | | | | | |
| Fixed rates | 4.88% | 54,000 | 60,000 | 286,000 | – | 400,000 |
| Floating rates | 3.99% | 107,483 | 44,159 | 310,174 | 13,200 | 475,016 |
| Hire purchase creditors | | | | | | |
| Fixed rates | 2.34% | 62 | 4 | – | – | 66 |
| Company | | | | | | |
| 30 June 2017 | | | | | | |
| Bank loans | | | | | | |
| Fixed rates | 4.89% | 60,000 | 146,000 | 140,000 | – | 346,000 |
| Floating rates | 2.68% | 49,095 | – | 27,000 | – | 76,095 |
| 30 June 2016 | | | | | | |
| Bank loans | | | | | | |
| Fixed rates | 4.88% | 54,000 | 60,000 | 286,000 | – | 400,000 |
| Floating rates | 1.29% | 60,583 | – | – | – | 60,583 |

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

(g) The table below summarises the maturity profile of the borrowings of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

| Group | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|-------------------------|--|---|---------------------------------------|-------------------------|
| 30 June 2017 | | | | |
| Bank loans | 457,662 | 912,052 | 180,424 | 1,550,138 |
| Hire purchase creditors | 4 | - | - | 4 |
| 30 June 2016 | | | | |
| Bank loans | 187,722 | 743,169 | 13,500 | 944,391 |
| Hire purchase creditors | 63 | 4 | - | 67 |
| Company | | | | |
| 30 June 2017 | | | | |
| Bank loans | 125,601 | 329,311 | - | 454,912 |
| 30 June 2016 | | | | |
| Bank loans | 132,291 | 367,276 | - | 499,567 |

NOTES TO THE FINANCIAL STATEMENTS

21. BANK LOANS

| | Group | | Company | |
|-------------------|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Secured | | | | |
| Term loans | | | | |
| – non-current | 494,076 | 147,203 | – | – |
| – current | 21,956 | 21,438 | – | – |
| | 516,032 | 168,641 | – | – |
| Unsecured | | | | |
| Term loans | | | | |
| – non-current | 514,535 | 566,330 | 313,000 | 346,000 |
| – current | 306,037 | 72,571 | 60,000 | 54,000 |
| Revolving credits | | | | |
| – current | 87,107 | 67,474 | 49,095 | 60,583 |
| | 907,679 | 706,375 | 422,095 | 460,583 |
| | 1,423,711 | 875,016 | 422,095 | 460,583 |

(a) Term loans of the Group are secured by certain property, plant and equipment and bank balances pledged to licensed banks as disclosed in Note 5(b) and Note 17(c) to the financial statements.

(b) Included in the unsecured term loans and revolving credits of the Group is Islamic financing facility amounting to RM895,114,000 (2016: RM545,653,000).

22. HIRE PURCHASE CREDITORS

| | Group | |
|---|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Minimum hire purchase payments: | | |
| – not later than one (1) year | 4 | 63 |
| – later than one (1) year and not later than five (5) years | – | 4 |
| Total minimum hire purchase payments | 4 | 67 |
| Less: Future interest charges | –* | (1) |
| Present value of hire purchase creditors | 4 | 66 |
| Repayable as follows: | | |
| Current: | | |
| – not later than one (1) year | 4 | 62 |
| Non-current: | | |
| – later than one (1) year and not later than five (5) years | – | 4 |
| | 4 | 66 |

* Amount is immaterial to disclose

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES

| | Note | Group | | Company | |
|---|------|------------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade payables | | | | | |
| Third parties | | 952,884 | 586,269 | - | - |
| Amounts due to customers for contract works | 15 | 45,916 | 63,151 | - | - |
| Total trade payables | | 998,800 | 649,420 | - | - |
| Other payables | | | | | |
| Other payables | | 39,807 | 6,320 | 23,191 | 2 |
| Accruals | | 104,748 | 76,503 | 1,396 | 1,277 |
| Total other payables | | 144,555 | 82,823 | 24,587 | 1,279 |
| Total payables | | 1,143,355 | 732,243 | 24,587 | 1,279 |
| Hedge derivative liabilities | | 2,473 | 7,932 | 333 | 302 |
| | | 1,145,828 | 740,175 | 24,920 | 1,581 |

- (a) Trade and other payables are classified as other financial liabilities, and are measured at amortised cost using effective interest method except for hedge derivative liabilities, which are classified as financial liabilities at fair value through profit or loss.
- (b) 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 (2016: 7 to 60 days).
- (c) Included in other payables of the Group and of the Company is monies received from eligible employees in respect of ESOS exercised but ordinary shares of the Company have not been allotted as at the end of the reporting period amounting to RM23,191,000 (2016: Nil).
- (d) The foreign currency exposure of trade and other payables of the Group are as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Euro | 400 | 411 |
| Indonesian Rupiah | - | 3,451 |
| Japanese Yen | - | 321 |
| Singapore Dollar | 1,890 | 2,172 |
| Sterling Pound | 148 | 6,007 |
| United States Dollar | 10,492 | 34,947 |

- (e) The fair value of hedge derivative liabilities of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES (CONTINUED)

- (f) 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.

The fair value of an interest rate swap contract is the amount that would be payable or receivable upon termination of the position at the end of each reporting period, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the spot rate as at the end of each reporting period.

- (g) The maturity profile of trade and other payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

24. COMMITMENTS

- (a) Operating lease commitments

- (i) The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises, equipment and storage tanks for terms between one (1) to twenty (20) 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 | |
|---|---------------|---------------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Not later than one (1) year | 7,806 | 7,063 |
| Later than one (1) year and not later than five (5) years | 11,080 | 8,586 |
| Later than five (5) years | 12,003 | 12,257 |
| | 30,889 | 27,906 |

- (ii) The Group as a lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of between two (2) to three (3) 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.

NOTES TO THE FINANCIAL STATEMENTS

24. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (continued)

(ii) The Group as a lessor (continued)

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

| | Group | |
|---|---------------|---------------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Not later than one (1) year | 2,276 | 2,004 |
| Later than one (1) year and not later than five (5) years | 328 | 824 |
| | 2,604 | 2,828 |

(b) Capital commitments

| | Group | |
|--|----------------|---------------|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| (i) Capital expenditure in respect of purchase of property, plant and equipment: | | |
| Approved but not contracted for | 1,200 | 4,000 |
| Contracted but not provided | 4,500 | 900 |
| | 5,700 | 4,900 |
| (ii) Commitments in respect of tank terminal business | 285,000 | 797,900 |
| (iii) Commitments in respect of upstream business | 58,344 | 80,600 |

NOTES TO THE FINANCIAL STATEMENTS

25. REVENUE

| | Group | | Company | |
|--|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Contract revenue | 2,595,119 | 1,603,460 | – | – |
| Sale of products and services rendered | 797,765 | 931,023 | – | – |
| Dividend income from: | | | | |
| – subsidiaries | – | – | 168,960 | 164,087 |
| – a joint venture | – | – | – | 1,930 |
| | 3,392,884 | 2,534,483 | 168,960 | 166,017 |

(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.

Contract revenue contributed 76.5% of the Group's revenue. Significant judgement is required in determining the stage of completion and estimating the total contract revenue and contract costs, which includes an estimation of contract variation, claims and cost contingencies that can vary with market conditions and unforeseen events during the contract period. In making the judgement, the Group evaluates based on past experience and by relying on the work of engineers.

(b) Services rendered

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 products

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

(d) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

26. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| – Statutory audit: | | | | |
| – current year | 1,026 | 921 | 47 | 47 |
| – under provision in prior years | 9 | 62 | – | 2 |
| – Non-statutory audit | 106 | 20 | 6 | 6 |
| Contract expenditure | 2,428,397 | 1,419,625 | – | – |
| Interest expense on: | | | | |
| – bank loans | 32,239 | 25,066 | 21,160 | 19,771 |
| – bank overdraft | 21 | 16 | – | – |
| – hire purchase creditors | 4 | 11 | – | – |
| Rental expense of: | | | | |
| – equipment | 572 | 1,220 | – | – |
| – premises | 8,676 | 8,013 | – | – |
| – storage tanks | 4,698 | 8,135 | – | – |
| Unrealised loss on foreign exchange | – | 3,127 | 2,333 | – |
| And crediting: | | | | |
| Gain on disposals of property, plant and equipment | 22,452 | 6,725 | – | – |
| Gain on foreign exchange: | | | | |
| – realised | 11,275 | 29,899 | 1,741 | 1,979 |
| – unrealised | 8,921 | – | – | 3,766 |
| Interest income from: | | | | |
| – deposits with licensed banks | 18,587 | 14,550 | 7,147 | 7,649 |
| – advances to joint ventures | 4,935 | 2,665 | 2,637 | 2,665 |
| – advances to an associate | 17,900 | 1,187 | – | – |
| – advances to subsidiaries | – | – | 13,665 | 10,243 |
| Rental income | 11,492 | 4,824 | – | – |

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

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

NOTES TO THE FINANCIAL STATEMENTS

27. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Directors of the Company: | | | | |
| Executive: | | | | |
| Emoluments other than fees | 10,923 | 6,315 | – | – |
| Share options vested under ESOS | 5,278 | 1,593 | – | – |
| Non-Executive: | | | | |
| Fees | 471 | 442 | 471 | 442 |
| Other emoluments | 82 | 68 | 82 | 68 |
| Total | 16,754 | 8,418 | 553 | 510 |

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM191,000 (2016: RM220,000).

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 |
| RM100,001 – RM150,000 | – | 3 |
| RM150,001 – RM200,000 | – | 1 |
| RM2,400,001 – RM2,450,000 | 1 | – |
| RM2,950,001 – RM3,000,000 | 1 | – |
| RM3,850,001 – RM3,900,000 | 1 | – |
| RM7,100,001 – RM7,150,000 | 1 | – |
| | 4 | 4 |

NOTES TO THE FINANCIAL STATEMENTS

28. TAX EXPENSE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Current tax expense based on profit for the financial year: | | | | |
| Malaysian income tax | 65,174 | 68,964 | 713 | 479 |
| Foreign income tax | 11,684 | 10,344 | - | - |
| | 76,858 | 79,308 | 713 | 479 |
| Under/(Over) provision in prior years | 723 | (1,094) | 20 | (2) |
| | 77,581 | 78,214 | 733 | 477 |
| Deferred tax (Note 11) | | | | |
| Relating to origination and reversal of temporary differences | (2,024) | (12,292) | - | - |
| Over provision in prior years | 97 | 1,455 | - | - |
| | (1,927) | (10,837) | - | - |
| Tax expense for the financial year | 75,654 | 67,377 | 733 | 477 |
| Share of tax of joint ventures and associates | 10,849 | 10,930 | - | - |
| Total tax expense of the Group including joint ventures and associates | 86,503 | 78,307 | 733 | 477 |

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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 | |
|---|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit for the financial year | 373,114 | 301,349 | 169,306 | 171,102 |
| Add: Total tax expense of the Group including joint ventures and associates | 86,503 | 78,307 | 733 | 477 |
| Profit before tax | 459,617 | 379,656 | 170,039 | 171,579 |

NOTES TO THE FINANCIAL STATEMENTS

28. 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 | |
|---|--------------|-----------|---------------|-----------|
| | 2017 % | 2016 % | 2017 % | 2016 % |
| Applicable tax rate | 24.0 | 24.0 | 24.0 | 24.0 |
| Tax effects in respect of: | | | | |
| Non allowable expenses | 0.9 | 1.2 | 1.1 | 0.6 |
| Tax exempt income | (2.2) | – | (24.7) | (24.3) |
| Lower tax rates in foreign jurisdiction | (1.0) | (2.7) | – | – |
| Deferred tax assets not recognised in loss making subsidiaries | 0.2 | – | – | – |
| Effect of different effective tax rate of the joint ventures and associates | (3.3) | (2.0) | – | – |
| Recognition of previously unrecognised deferred tax assets | – | –* | – | – |
| | 18.6 | 20.5 | 0.4 | 0.3 |
| Under/(Over) provision in prior years: | | | | |
| – current tax | 0.2 | (0.3) | –* | –* |
| – deferred tax | –* | 0.4 | – | – |
| Average effective tax rate | 18.8 | 20.6 | 0.4 | 0.3 |

* Percentage is immaterial to disclose

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

| 2017 | Before tax RM'000 | Group Tax effect RM'000 | After tax RM'000 |
|--|----------------------|-------------------------------|---------------------|
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translations | 20,774 | – | 20,774 |
| Fair value gain on cash flow hedge | 4,679 | – | 4,679 |
| Share of other comprehensive income of a joint venture | 19,996 | – | 19,996 |
| | 45,449 | – | 45,449 |

NOTES TO THE FINANCIAL STATEMENTS

28. TAX EXPENSE (CONTINUED)

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

| 2016 | Before tax RM'000 | Group Tax effect RM'000 | After tax RM'000 |
|--|----------------------|-------------------------------|---------------------|
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translations | 39,942 | – | 39,942 |
| Fair value loss on cash flow hedge | (5,865) | – | (5,865) |
| Share of other comprehensive income of a joint venture | 6,668 | – | 6,668 |
| | 40,745 | – | 40,745 |

29. 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.

| | 2017 | Group 2016 |
|--|------------------|---------------|
| Profit for the financial year attributable to ordinary equity holders of the parent (RM'000) | 370,644 | 294,929 |
| Weighted average number of ordinary shares in issue ('000) | 5,384,311 | 5,171,122 |
| Basic earnings per ordinary share (sen) | 6.88 | 5.70 |

(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.

NOTES TO THE FINANCIAL STATEMENTS

29. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted (continued)

| | 2017 | Group 2016 |
|---|------------------|---------------|
| Profit for the financial year attributable to equity holders of the parent (RM'000) | 370,644 | 294,929 |
| Weighted average number of ordinary shares in issue ('000) | 5,384,311 | 5,171,122 |
| Effects of dilution due to: | | |
| – ESOS ('000) | 25,694 | 38,630 |
| – Warrants ('000) | – | 34,666 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000) | 5,410,005 | 5,244,418 |
| Diluted earnings per ordinary share (sen) | 6.85 | 5.62 |

30. DIVIDENDS

| | Group and Company | | | |
|-----------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | 2017 | | | 2016 |
| | Dividend per share sen | Amount of dividend RM'000 | Dividend per share sen | Amount of dividend RM'000 |
| Interim cash dividend paid | 1.20 | 66,875 | 1.00 | 52,657 |
| Final cash dividend proposed/paid | 1.45 | 82,000 | 1.20 | 64,203 |
| | 2.65 | 148,875 | 2.20 | 116,860 |

The dividend per share is based on ordinary shares.

The Directors recommended a final cash dividend of 1.45 sen per ordinary share, amounting to approximately RM82,000,000 in respect of the financial year ended 30 June 2017, subject to the shareholder's approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the financial year ended 30 June 2017 do not reflect this proposed final cash dividend. The proposed final cash dividend, if approved by the shareholders, shall be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

31. EMPLOYEE BENEFITS

| | 2017 RM'000 | Group 2016 RM'000 |
|---|----------------|-------------------------|
| Salaries, wages, bonuses and allowances | 242,323 | 239,694 |
| Directors' remuneration: | | |
| – emoluments other than fees | 20,626 | 14,117 |
| Defined contribution plans | 16,108 | 16,494 |
| Share options vested under ESOS: | | |
| – Directors | 6,466 | 2,591 |
| – Other employees | 24,864 | 12,443 |
| Other employee benefits | 12,227 | 13,476 |
| | 322,614 | 298,815 |

32. 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, as amended from time to time and any re-enactment thereof;
- (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% - 80% 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

NOTES TO THE FINANCIAL STATEMENTS

32. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

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 (continued):

- (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:

| Option price | Number of options over ordinary shares | | | | | Balance as at 30.6.2017 [^] | Exercisable as at 30.6.2017 |
|--------------|--|---------|--------------------|----------------------|-------------------|--------------------------------------|-----------------------------|
| | Balance as at 1.7.2016 | Granted | Retracted* | Exercised | | | |
| RM0.47 | 445,742 | – | – | (407,452) | 38,290 | 38,290 | |
| RM0.52 | 2,636,710 | – | – | (2,597,594) | 39,116 | 36,938 | |
| RM0.41 | 225,520 | – | – | (203,320) | 22,200 | 22,200 | |
| RM0.20 | 115,910 | – | – | (88,458) | 27,452 | 27,452 | |
| RM0.32 | 2,745,890 | – | – | (2,691,550) | 54,340 | 54,340 | |
| RM0.47 | 6,281,356 | – | – | (6,165,848) | 115,508 | 115,508 | |
| RM0.69 | 2,131,192 | – | (30,548) | (1,637,962) | 462,682 | 462,682 | |
| RM1.02 | 41,192,571 | – | (553,510) | (35,215,519) | 5,423,542 | 5,358,176 | |
| RM0.89 | 1,340,698 | – | (15,248) | (1,168,266) | 157,184 | 157,184 | |
| RM1.06 | 18,217,700 | – | (522,000) | (16,020,100) | 1,675,600 | 1,611,600 | |
| RM1.07 | 1,419,000 | – | – | (1,279,000) | 140,000 | 140,000 | |
| RM1.19 | 6,697,700 | – | (67,600) | (5,654,900) | 975,200 | 975,200 | |
| RM1.40 | 5,734,500 | – | (232,500) | (5,125,500) | 376,500 | 376,500 | |
| RM1.49 | 84,004,000 | – | (2,073,800) | (59,765,800) | 22,164,400 | 21,900,400 | |
| RM1.58 | 45,609,000 | – | (1,886,000) | (25,073,660) | 18,649,340 | 18,412,760 | |
| RM1.38 | 27,837,000 | – | (1,051,000) | (23,572,360) | 3,213,640 | 3,002,050 | |
| | 246,634,489 | – | (6,432,206) | (186,667,289) | 53,534,994 | 52,691,280 | |

* Due to resignation.

[^] Exercisable by the grantee upon achieving the vesting conditions set by the ESOS Committee and are subject to the allotment of shares between 10% – 80% per year over vesting periods of 2 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

32. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Share options exercised during the financial year resulted in the issuance of 186,667,289 (2016: 52,732,728) ordinary shares at an average price of RM1.27 (2016: RM0.82). The related weighted average ordinary share price at the date of exercise was RM1.73 (2016: RM1.59).

The fair value of share options 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:

| | 2017 | 2016 |
|--|----------------------|---------------|
| Expected life (years) | 1 – 10 | 1 – 10 |
| Average share price at grant date (RM) | 0.33 – 1.75 | 0.33 – 1.75 |
| Exercise price (RM) | 0.20 – 1.58 | 0.20 – 1.58 |
| Fair value of share options (RM) | 0.07 – 0.38 | 0.08 – 0.39 |
| Risk free rate of interest (%) | 3.10 – 4.34 | 3.10 – 4.34 |
| Expected dividend yield (%) | 1.55 – 4.78 | 1.55 – 4.78 |
| Expected volatility (%) | 24.68 – 45.83 | 24.68 – 45.83 |

33. 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 in the Company at an exercise price of RM1.19 (original exercise price: 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. The original exercise price of RM2.40 was adjusted after distribution of Special Share Dividend and completion of Bonus Issue during financial year ended 30 June 2015;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

33. 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 in financial year 2015: | |
| – Exercised 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 | (114,753,294) |
| Exercised in financial year 2016 | (133,460,822) |
| Exercised in financial year 2017 | (135,850,878) |
| Unexercised upon expiry | (5,187,155) |
| As of 30 June 2017 | – |

The Warrants expired on 12 February 2017. 389,419,456 Warrants or approximately 99% of the total Warrants issued together with Rights Issue in 2012 on the basis of one (1) Warrant for every two (2) Right Shares subscribed, have been successfully converted into ordinary shares.

34. 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 8 to the financial statements;
- (ii) Joint ventures and associates as disclosed in Note 9 to the financial statements;
- (iii) 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 the Executive Directors of the Group;
- (iv) Dialog Innovation Ventures Sdn. Bhd. (formerly known as ePetrol Holding Sdn. Bhd.) (“DIV”) and its subsidiaries, DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn. Bhd.) (“DIV Services”) and DIV Systems Sdn. Bhd. (formerly known as ePetrol Systems Sdn. Bhd.) (“DIV Systems”) (collectively referred to as the “DIV Group”), whereby a Director cum substantial shareholder of the Company is also a director and/or substantial shareholder in DIV Group.

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES (CONTINUED)

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

| | 2017 | 2016 |
|---|------------------|---------------|
| | RM'000 | RM'000 |
| Group | | |
| Transactions with joint ventures and associates: | | |
| Dividend income | 36,304 | 39,430 |
| Interest income | 22,835 | 3,852 |
| Sub-contract works received | 1,748,494 | 1,120,675 |
| Purchases and services | (2,360) | (2,611) |
| Tank rental expenses | (2,840) | (2,947) |
| Transactions with DIV Group: | | |
| Provision of IT system and related services by DIV Services | 4,133 | 5,849 |
| Provision of centralised interchange and other IT related services to DIV Services and ePetrol Silverswitch | 286 | 658 |
| Provision of IT system and related services by DIV Group | 496 | 484 |
| Rental of premises to DIV Services | 548 | 601 |
| Company | | |
| Transactions with subsidiaries: | | |
| Dividend income | 168,960 | 164,087 |
| Interest income on advances | 13,665 | 10,243 |
| Transactions with joint ventures: | | |
| Dividend income | - | 1,930 |
| Interest income on advances | 2,637 | 2,665 |

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 of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The key management personnel comprise the Executive Directors of the Group and their remuneration during the financial year are disclosed in Note 31 to the financial statements.

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

| | Group | |
|-----------------------|--------------------------|--------------------------|
| | 2017 Number (‘000) | 2016 Number (‘000) |
| Balance as at 1 July | 68,104 | 87,292 |
| Resigned | (486) | (3,056) |
| Exercised | (48,197) | (16,132) |
| Balance as at 30 June | 19,421 | 68,104 |

The terms and conditions of the ESOS are detailed in Note 32 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 2017 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

35. CAPITAL AND FINANCIAL RISK MANAGEMENT

(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 2017 and 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Capital management (continued)

The Group monitors capital utilisation on the basis of debt-to-equity ratio, which is net debt divided by total capital. 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 net debt-to-equity ratios as at 30 June 2017 and 30 June 2016 are as follows:

| | Note | Group | | Company | |
|------------------------------|------|--------------------|----------------|------------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Borrowings | 20 | 1,423,715 | 875,082 | 422,095 | 460,583 |
| Less: Cash and bank balances | 17 | (1,425,358) | (944,383) | (392,672) | (240,292) |
| (Net cash)/Net debt | | (1,643) | (69,301) | 29,423 | 220,291 |
| Total capital | | 3,111,486 | 2,414,737 | 2,071,187 | 1,602,696 |
| Net debt-to-equity ratio | | - | - | 0.01 | 0.14 |

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, 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 2017.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial Risk Management

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 and liquidity and cash flow 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 RM184,617,000 (2016: RM120,794,000) and RM37,584,000 (2016: RM914,000) for the Group and the Company respectively. 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.

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Risk Management (continued)

(i) Foreign currency risk (continued)

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.

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 30 June 2017 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|-----------------------|---|--|--------------------------------------|------------------------|
| Euro | 1,055 | 5,081 | 4.82 | 17.7.2017 – 22.12.2017 |
| New Zealand Dollar | 264 | 825 | 3.13 | 3.7.2017 – 1.11.2017 |
| Singapore Dollar | 162 | 499 | 3.08 | 22.12.2017 |
| Sterling Pound | 68 | 374 | 5.50 | 17.7.2017 – 28.11.2017 |
| United States Dollar | 9,153 | 40,555 | 4.43 | 10.7.2017 – 4.12.2017 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in United States Dollar (USD'000) | Average contractual rate FC/USD | Expiry date |
|----------------|---|---|---------------------------------------|------------------------|
| Sterling Pound | 238 | 309 | 1.30 | 15.8.2017 – 15.11.2017 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Thai Baht (Baht'000) | Average contractual rate FC/Baht | Expiry date |
|----------------------|---|---|--|-------------|
| United States Dollar | 684 | 23,277 | 34.03 | 26.9.2017 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in New Zealand Dollar (NZD'000) | Average contractual rate FC/NZD | Expiry date |
|----------------------|---|---|---------------------------------------|-------------|
| United States Dollar | 346 | 504 | 0.69 | 21.8.2017 |

| Company 30 June 2017 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|-------------------------|---|--|--------------------------------------|----------------------|
| New Zealand Dollar | 264 | 825 | 3.13 | 3.7.2017 – 1.11.2017 |
| United States Dollar | 14 | 60 | 4.29 | 5.10.2017 |

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Risk Management (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 (continued):

| Group 30 June 2016 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|-------------------------------|--|---|---|------------------------|
| Euro | 238 | 1,148 | 4.82 | 27.7.2016 – 31.10.2016 |
| New Zealand Dollar | 263 | 741 | 2.82 | 29.7.2016 – 30.11.2016 |
| Sterling Pound | 6 | 33 | 5.83 | 16.8.2016 |
| United States Dollar | 52,274 | 211,779 | 4.05 | 1.7.2016 – 13.4.2017 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in United States Dollar (USD'000) | Average contractual rate FC/USD | Expiry date |
|--------------|--|--|--|----------------------|
| Japanese Yen | 31,360 | 289 | 108.51 | 1.8.2016 – 30.9.2016 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Thai Baht (Baht'000) | Average contractual rate FC/Baht | Expiry date |
|----------------------|--|--|---|--------------------|
| Sterling Pound | 400 | 20,668 | 51.67 | 31.1.2017 |
| United States Dollar | 110 | 3,941 | 35.83 | 29.7.2016 |

| | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Indonesian Rupiah (IDR'000) | Average contractual rate FC/IDR | Expiry date |
|----------------------|--|---|--|--------------------|
| United States Dollar | 204 | 2,768,915 | 13,570 | 29.8.2016 |

| Company 30 June 2016 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|---------------------------------|--|---|---|------------------------|
| New Zealand Dollar | 263 | 741 | 2.82 | 29.7.2016 – 30.11.2016 |
| United States Dollar | 15 | 60 | 4.07 | 30.9.2016 |

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 of the Group.

NOTES TO THE FINANCIAL STATEMENTS**35. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Financial Risk Management (continued)

(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.

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 of the Group.

(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.

Deposits with licensed banks, that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

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 14 to the financial statements.

Credit risk concentration profile

At the end of each reporting period, the Group and the Company have no significant concentration of credit risk except for the amounts owing by two (2) joint ventures and subsidiaries constituting 21% (2016: 4%) and 95% (2016: 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS**36. CONTINGENT LIABILITIES – UNSECURED**

- (a) The Company provides corporate guarantees up to a total amount of RM1,527,165,000 (2016: RM1,153,875,000) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM957,005,000 as at 30 June 2017 (2016: RM364,934,000).
- (b) In addition, the Company also provides a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of up to SGD156,340,500 (2016: SGD181,628,000), equivalent to RM487,782,000 (2016: RM543,068,000) for project financing secured by a joint venture.
- (c) In the previous financial year, the Company had given corporate guarantees amounting to RM175,000 to third parties for supply of goods and warehouse licenses to certain subsidiaries. The amounts owing by these subsidiaries to the third parties totalled RM175,000.

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 would 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.

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.

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

37. MATERIAL LITIGATIONS

- (a) 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 an Engineering, Procurement, Construction and Commissioning Contract ("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 in August 2008 leading to TLP's Notice of Arbitration.

TLP is claiming an amount of approximately RM700,000,000 and the fire incident was caused by DECSB's breaches of its obligations under the EPCC Contract.

The arbitration proceedings have been suspended pending settlement negotiations. The arbitration proceeding did not have any impact on the operational and financial position of the Group for the financial year ended 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS**37. MATERIAL LITIGATIONS (CONTINUED)**

- (b) In October 2014, Centralised Terminals Sdn. Bhd. ("CTSB") through its 80% owned subsidiary, Langsat Terminal (One) Sdn. Bhd. ("LgT-1") had commenced arbitration proceedings against TLP, in relation to the recovery of losses and damages suffered by LgT-1. LgT-1 is claiming for TLP's breaches of its obligations to provide a minimum draft of 16.5 meters at the approach channel in order that the Very Large Crude Carriers would be able to access and berth at the port.

The arbitral proceedings have been suspended pending settlement negotiations. The arbitration proceeding did not have any impact on the operational and financial position of the Group for the financial year ended 30 June 2017.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

NOTES TO THE FINANCIAL STATEMENTS

39. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In September 2017, the Company had entered into a Share Purchase Agreement with MISC Berhad ("MISC") to acquire the remaining 45% equity interest, representing 4,500,000 ordinary shares and 10,800 redeemable preference shares in Centralised Terminals Sdn. Bhd. ("CTSB") ("Proposed Acquisition") for a total cash consideration of RM137,015,577.

In addition, the Company will repay MISC and take over its portion of shareholders loan to CTSB, including principal and accrued interest, amounting to RM55,984,423. The Proposed Acquisition has been completed and CTSB became a wholly owned subsidiary of the Company. The acquisition is expected to have an immediate positive effect on earnings and net assets of the Group and of the Company for the financial year ending 30 June 2018.

40. COMPANIES ACT 2016

Companies Act 2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism had appointed 31 January 2017 as the date on which the Companies Act 2016 came into operation except Section 241 and Division 8 of Part III of the Companies Act 2016.

Consequently, the Group and the Company effected the following changes as at 31 January 2017:

- (a) Authorised share capital has been removed;
- (b) Par or nominal value of ordinary shares have been removed; and
- (c) Balance in the share premium account has been transferred into the share capital account.

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

41.1 New MFRSs adopted during the financial year

The Group and 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 14 <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016 |
| Amendments to MFRS 101 <i>Disclosure Initiative</i> | 1 January 2016 |
| Amendments to MFRS 116 and 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 |
| Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i> | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i> | Deferred |

NOTES TO THE FINANCIAL STATEMENTS

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

41.1 New MFRSs adopted during the financial year (continued)

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in grouping together supporting information for items presented in the financial statements and disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

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 the Company:

| Title | Effective Date |
|---|---------------------------------------|
| Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> | 1 January 2017 |
| Amendments to MFRS 107 <i>Disclosure Initiative</i> | 1 January 2017 |
| Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2017 |
| Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Clarification to MFRS 15 | 1 January 2018 |
| MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i> | 1 January 2018 |
| Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| Amendments to MFRS 140 <i>Transfers of Investment Property</i> | 1 January 2018 |
| Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i> | See MFRS 4 Paragraphs 46 and 48 |
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |

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

42. 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 | |
|--|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| – realised | 1,336,570 | 1,206,155 | 470,966 | 424,460 |
| – unrealised | 42,218 | 22,454 | (2,333) | 3,766 |
| | 1,378,788 | 1,228,609 | 468,633 | 428,226 |
| Total share of accumulated losses from associates: | | | | |
| – realised | (2,517) | (1,632) | – | – |
| – unrealised | – | – | – | – |
| Total share of retained earnings from joint ventures: | | | | |
| – realised | 173,106 | 101,968 | – | – |
| – unrealised | 8,760 | 9,696 | – | – |
| Total before consolidation adjustments | | | | |
| – realised | 1,507,159 | 1,306,491 | 470,966 | 424,460 |
| – unrealised | 50,978 | 32,150 | (2,333) | 3,766 |
| | 1,558,137 | 1,338,641 | 468,633 | 428,226 |
| Less: Consolidation adjustments | (217,444) | (238,859) | – | – |
| Total retained earnings | 1,340,693 | 1,099,782 | 468,633 | 428,226 |

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