



REVIEW OF CORE BUSINESS



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MARKETING AND TECHNICAL SERVICES



• Dialog's technical sales/service engineers conducting a field trial for Conoco's Refined Power drag reducing agent in Xinjiang, China in June 2000.



• Preparations for a field trial in Serdang, South Sumatera, Indonesia in July 2000.

The Marketing and Technical Services Division had continued to contribute positively to the Group's performance for the current financial year. The recovery of the economy in the region and the rise in the oil price played a significant role in the Division's performance. The continuous efforts by the sales and marketing team in expanding the territorial coverage for the products, securing new accounts and maintaining the excellent relationship with the principals and clients are the other key factors leading to the improved performance of the Division.

Some of the key products that contributed to the revenue were the Conoco Specialty Products Inc. drag reducing agent, ICI Syntex catalysts, Shell MDS Saraline drilling base oil and other products including Vikoma's oil spill response equipment, Octel's petroleum additives, Lisega's pipe hangers and Conoco's Hydroclear lubricants.

The Marketing Division continued to expand its base in the region. In 1999, we had reported the incorporation of Dialog Systems (Thailand) Ltd in Bangkok and for year 2000 we are pleased to report the formation of PT. Dialog Sistemindo in Jakarta. The Indonesian office, albeit with a very small staff strength of only four, has

already started contributing to an increase in the sales of Conoco's Liquid Power drag reducing agent as well as securing sales of Syntex catalysts to new clients.

We have and will continue to identify new accounts. In China, successful field tests were carried out onshore for Conoco's Refined Power drag reducing agent for petroleum products. In Indonesia, successful field tests were conducted for Conoco's Liquid Power drag reducing agent.

In terms of territorial coverage for existing products, we are pleased to report the inclusion of Indonesia and Brunei as additional territories for the sales and marketing of Syntex catalyst.



• Commissioning of Vikoma's oil spill response equipment (helicopter spray) in Kuching, Sarawak on 8th June 2000.

MARKETING AND TECHNICAL SERVICES (con't)



• Visit by senior executives from Conoco.

The sales and marketing team have also successfully renewed term supply contracts for petroleum additives with a number of oil majors in Singapore and Malaysia. We were also able to secure new term supply contracts with these oil majors for both existing and new additive packages.

The current financial year also saw a strong concerted effort in marketing some niche specialist technical services namely Tracerco's Radioisotope Diagnostic Services and Technivac catalyst changeout services. We have provided the first Technivac catalyst changeout services for a major refinery in Singapore and carried out the first Tracerco's radioisotope diagnostic service at another refinery also in Singapore. This unique diagnostic technology allows plant operators to have a good image of the operating

condition within the enclosed vessels onstream, without having to bear the cost and suffer inconvenience of a plant shutdown to check on possible source of internal deficiency. These niche supporting services are intended to complement and enhance our existing services so that our customers are better served continually.

During the financial year under review, we



• Our technical service engineers undergoing training at Tracerco's facility in UK.

continued with the training of our sales and marketing staff both in-house by our principals as well as at our principals' offices, factories and in the field. We will strive to continue to develop and enhance our capability in providing technical support and services to our clients.

We will continue to seek new niche or specialty products, new accounts and accordingly expand our geographical coverage. Plans are also in place to improve the supply chain of our products to the customers, thus adding greater value to the customers. This includes the blending and repackaging of products and the stocking of a minimum inventory of critical items for our customers' needs.

With the above efforts in place and in view of the firming up of the crude oil prices, we would expect to improve our performance even further for the new coming financial year.



ENGINEERING, PROCUREMENT, CONSTRUCTION, COMMISSIONING (“EPCC”) SERVICE PROVIDER

The EPCC Division of the Group, viz. Dialog E & C Sdn Bhd (formerly known as Dialog Holdings Sdn Bhd) (“DECSB”) has made significant progress during the financial year with the successful completion of major projects namely the Kertih Centralised Tankage Facility (“KCTF”) Project Phase 1, the Malaysian Acetyls Project and the Kuantan Propylene Tank & Ancillary Facilities and the Common Piperack Project.

The above projects were completed within schedule and budget, and most importantly had clocked a total of over 5 million manhours without Lost Time Incident (“LTI”).

During the same period, we have progressively completed the Mechanical 4 Offsite Work Packages for Petronas Gas Berhad Central Utilities Facility (“PGB-CUF”). The workscope was subsequently expanded to include the installation of 132KV/33KV HT cabling works, which are progressing satisfactorily.

For the coming financial year, the Division will continue with the ongoing and new projects such as the KCTF Phase 2, the PGB-CUF Works, the BASF Petronas

Chemicals Sdn Bhd Butanediol Complex Project (in alliance with Kvaerner) and Petronas Service Stations and re-imaging works. The Division will also continue to aggressively tender for and secure new projects in related areas such as transmission pipelines and process plant expansion works.

The key events and achievements of the projects are summarised below.

KERTIH CENTRALISED TANKAGE FACILITY PROJECT, KERTIH

The KCTF Project made significant progress during the financial year with the successful completion of all Phase 1 terminal facilities



• Two nos. 45.0m diameter x 27.2m height refrigerated ammonia tanks.

for the project owner, Kertih Terminals Sdn Bhd (“KTSB”) whose users are Aromatics Malaysia Sdn Bhd (“AMSB”), Vinyl Chloride (Malaysia) Sdn Bhd (“VCMMSB”), BP Petronas Acetyls Sdn Bhd (“BPPASB”) and Petronas Ammonia Sdn Bhd (“PASB”). The project clocked a major safety milestone of 3.5 million manhours without any Lost Time Incident (“LTI”) on 7th July 2000, and a peak site workforce of 650 people was registered



• Jetty main trestle and jetty facility.

EPCC SERVICE PROVIDER (con't)

in August 1999. With the completion of 18 storage tanks and the associated terminal facilities, KTSB received its partial Certificate of Fitness from Majlis Daerah Kemaman ("MDK") on 22nd December 1999.

The Phase 2 facilities for KTSB's user, Optimal Group of Companies ("OGC") commenced site construction in March 2000. Under construction are 23 storage tanks in various sizes and some 29 nos. of feedstock / product pipelines linking the OGC plants with the terminal and the Kertih Port. The project is currently ahead of schedule to meet the progressive hand over to KTSB by August 2001.



• Site installation of methanol mass flow metering skid.

In March 2000 OGC has further increased the KCTF work scope to include a turnkey Drumming and Warehousing / Tank Truck Cleaning Facilities on a 10 acres site adjacent to OGC's Plant Facilities in Kertih Integrated Petrochemical Complex. The



• State-of-art vapour emission control system.

facility when completed in August 2001, will package more than 300,000 drums per year of products.

Meanwhile KTSB has commenced commercial operation of the KCTF facilities on 3rd January 2000. With this KCTF Phase 2 project is being implemented under a "live" plant environment.

With nearly 3 years of project implementation under a full alliancing arrangement among the joint venture partners, the project has realised significant tangible benefits in meeting safety, quality, schedule improvement and cost targets.

The estimated project cost for KCTF is approximately RM600 million.



• 5,000mt methanol shipment at Berth 5.

EPCC SERVICE PROVIDER (con't)

MALAYSIAN ACETYLS PROJECT, KERTIH

The Malaysian Acetyls Project carried out as an Alliancing Agreement between partners, BP Petronas Acetyls Sdn Bhd ("BPPASB"), BP Licensing, Kvaerner E & C UK Ltd., Kvaerner Petrominco Sdn Bhd and DECSB is entering the final stage of commissioning. Construction works involved multi disciplinary scope including civil works, buildings, piping, mechanical installation, instrumentation, electrical and instrumentation works. The project facilities Certificate of Fitness requirements have been fulfilled. The plant is



- Checking of pipe spools pieces prior to installation.



- Insulated acid storage tanks inside epoxy coated concrete bund walls with central utility facilities interconnecting piperack and pipeline corridor to Kertih central tank farm in background.

now considered "live" and ready to commence production.

A team of Dialog supervisors and workers has been stationed at the plant to assist in commissioning and start-up activities which are scheduled to carry through until commencement of production. Dialog is pleased to have contributed to the successful completion of the project



- Visual inspection of valves prior to installation.

within budget under the framework of an alliancing arrangement.

The project has been accorded a 2000 Bronze Award for Occupational Safety from the prestigious Royal Society for the Prevention of Accidents ("RoSPA"), United Kingdom.

PROPYLENE TANK & ANCILLARY FACILITIES AND COMMON PIPERACK FACILITY PROJECT, KUANTAN

This EPCC project involved a new tank terminal with a cryogenic tank of 20,000 m³ capacity at Kuantan Port and a 9km long by 5m wide multi-tier piperack linking the Gebeng Industrial Area to the Kuantan Port. The project was successfully completed



- Site discussion with KuTSB project director.

EPCC SERVICE PROVIDER (con't)



• Site inspection.

within schedule and the allocated budget, and was handed over to the owner, Kuantan Terminals Sdn Bhd ("KuTSB") in June 2000.

Although the project was on EPCC basis, KuTSB and DECSB successfully executed the project with an integrated project team under the alliancing arrangement. The total project cost is RM138 million.

The tank terminal was fully commissioned in April 2000 following the first scheduled import shipment of propylene in mid March 2000.



• Propylene tank & ancillary facilities.

The piperack was substantially completed in September 1999 to allow the main user, BASF Petronas Chemicals Sdn Bhd to install their pipelines and the ancillary supporting facilities were then completed in June 2000.



• Safety accomplishment.



• Pipebridge at Gebeng.

Upon project completion, a 1.5 million manhours safety milestone was achieved.

PETRONAS GAS BERHAD CENTRAL UTILITIES FACILITY PROJECT ("PGB-CUF") MECHANICAL 4, OFFSITE CORRIDOR PACKAGE, KERTIH

The project was awarded by PGB-CUF in March 1999. The workscope comprises :-

- Cable trenching work including laying, testing and commissioning of some 80km of 11KV and 33KV cables from CUF plant to KCTF and Kertih Aromatics Plant. Several highway crossings by horizontal directional drilling technique were undertaken.



• 132kv cable termination in progress at CUF substation M.

EPCC SERVICE PROVIDER (con't)



• 132kv cable laying work at south of Lot N.

- Design, supply and installation of approximately 2km of 8 in. and 4 in. nitrogen lines from CUF to KCTF and the Aromatics Plant battery limit. Scope included installation of 2 nitrogen metering skids provided by PGB-CUF, and associated fibre-optic cable link.
- 3km 132 KV TNB Hot Standby Power Supply between TNB and CUF.
- 250m 132 KV CUF - Optimal Power Supply.
- 1km 33 KV CUF - LDPE / Petlin Power Supply.



• Completed cabling work with cables signboard and cable bridge at the background.

Construction works commenced in March 1999, on a fast track schedule, and all HT cabling work was successfully completed in mid July 1999. The construction of the nitrogen lines and metering system was completed at the end of August 1999. The remaining works are progressing satisfactorily with stage hand over by late October 2000.

Total contract cost for the above works is estimated at RM13 million. To date the above projects have clocked about 110,000 manhours without any LTI.



• General view of Petronas Gas Berhad Central Utilities Facility ("CUF"), Kertih.

CONSTRUCTION AND RE-IMAGING OF PETRONAS SERVICE STATIONS

It has been another good year for Dialog in the service station construction sector. This year witnessed the continued growth of the re-imaging business and the appointment of DECSB as a panel contractor for the engineering, procurement, construction and commissioning (Turnkey) of new built Petronas petrol stations.

For this year, DECSB has been awarded seven (7) new service station sites for the turnkey projects and covering Johor, Pulau Pinang and Pahang area.

Dialog's active involvement in the re-imaging business continued unabated throughout the year and to date, fifteen (15) service stations have been re-imaged with a total of 38,500 manhours achieved without any LTI.



• Petronas Service Station.

PLANT MAINTENANCE SERVICES



- Conducting lead in air test after removal of blending facilities.

The Plant Maintenance Division continued to grow in strength in this financial year with the Division making inroads into Malaysia, Singapore and Indonesia markets.

The core areas of the Division's expertise are multi-disciplined process plant turnaround / shutdown, term maintenance services and the provision of multi-disciplined specialist task squads. The services also include specialist equipment services such as catalyst handling, controlled bolting, bundle pulling and cleaning, positive material identification, hydro-jet cleaning and process diagnostic services.

Currently the Division operates out of two strategic centres, viz. Nilai in Negri Sembilan which covers the West Coast of Peninsular Malaysia, and Kertih in Terengganu covering the East Coast. We are therefore able to respond to customers' service requests and mobilise promptly our resources especially during unplanned shutdowns or outages.

Among the projects undertaken in this financial year, of note is the catalyst changeout at Pertamina UP-V1 Refinery in



- Preparing blending tank for decontamination process.

Balangan, Indonesia in September 1999. The project was successfully completed on schedule and within budget. This is also the Division's first project in Indonesia.

In Singapore, the Division undertook and successfully completed three catalyst changeout jobs in 2000 for Shell Eastern Petroleum Pte Ltd.

On the Malaysian front, we have completed the first warranty turnaround for the urea plant of Petronas Fertilizer (Kedah) Sdn Bhd ("PFKSB") in October 2000 with a peak workforce of 200 people. In April 2000 a catalyst changeout work was also carried out for BP Amoco PTA plant at Kuantan. Earlier in September 1999, a toxic lead removal and disposal job was undertaken



- Cleaning works in progress.

for Petronas Penapisan (Terengganu) Sdn Bhd.

Since November 1999, the Division was involved in the provision of a multi-disciplined specialist task squad and the provision of minor construction materials for the completion and the pre-commissioning of the Centralised Utility Facilities ("CUF") Project in Kertih. The task squad comprise civil, mechanical, electrical and instrumentation for CUF punchlist clearing, loop checking, completing outstanding construction, reinstatement works and commissioning assistance on various work fronts. The task squad peaked at 400 people in April 2000, and as of end September 2000 clocked 700,000 manhours without LTI.



- Safety banner for PFK turnaround.

The Plant Maintenance Division is poised for further growth with expansion into more comprehensive specialist services. In this regard, we are aggressively recruiting / training technical personnel and increasing investments in additional equipment. Such equipment include heat exchangers bundle pullers, high pressure jet cleaning equipment, refurbishment of the current inventory of bolt tensioning equipment, latest version of the catalyst changeout equipment and the state-of-art process diagnostic instruments.



CENTRALISED TANKAGE FACILITY SERVICES



• Overall view of the facility as at August 2000.

Dialog Equity Sdn Bhd through its 30% equity stake in Kertih Terminals Sdn Bhd ("KTSB") owns and operates the first centralised tankage facility in Malaysia. The joint venture company, KTSB was set up in April 1997 to provide centralised storage and distribution services for petrochemical plants in the Kertih Integrated Petrochemical Complex ("KIPC"). KTSB is jointly owned by Petronas (40%), Dialog Equity Sdn Bhd (30%) and GATX Terminals (Jurong) Pte Ltd (30%).

The customers for the first phase of the project (KCTF Phase 1) are Vinyl Chloride (Malaysia) Sdn Bhd ("VCMSB"), Aromatics Malaysia Sdn Bhd ("AMSB"), BP Petronas Acetyls Sdn Bhd ("BPPASB") and Petronas Ammonia Sdn Bhd ("PASB"). The second phase of the project is being constructed to serve the Optimal Group of Companies ("OGC"). The customers themselves are joint venture companies between Petronas and other multinational corporations such as BP, Mitsui, Mitsubishi and Union Carbide Corporation.

We are pleased to report that KTSB has commenced its commercial operations with the successful import of Heavy Aromatics and Mixed Xylene on 3rd January 2000 for AMSB. The tankage facilities for KCTF Phase 1 customers has been commissioned in stages. As of end of September 2000, the terminal has handled 42 shipments and the following products are stored and handled in the facilities:

- Ethylene Dichloride
- Vinyl Chloride Monomer
- Benzene
- Paraxylene
- Heavy Aromatics
- Methanol

- Acetic Acid
- Anhydrous Ammonia

The construction of Phase 2 facilities, currently in progress, is scheduled for completion in the third quarter 2001. Phase 2 will also include facilities for product drumming and tank truck cleaning.

When fully completed, the facility is expected to handle well in excess of three million tons of petrochemical products per annum. With its strategic location adjacent to the Kertih Port and sufficient land for additional tankage facilities, KTSB is well positioned to expand further to serve additional customers within the KIPC area.



• VCM storage spheres.



• Precommissioning work in progress.

PETROLEUM RETAIL

Our involvement in the petroleum retailing business started when we signed a Memorandum of Understanding with ProJET Malaysia Sdn Bhd to build, own and operate about 20 petrol retail and convenience stores in 1999. ProJET is the newest brand of petrol in Malaysia introduced by Conoco. Conoco is an integrated, international energy company with 125 years of experience in the energy sector and operates in more than 40 countries.

Since the opening of the first outlet at Jalan Kapar, Klang, ProJET in Malaysia has enjoyed prominent recognition for marketing quality fuel, providing quick service, food and convenience related items.

The convenience store, called Destina, is also setting a new standard for the convenience store consumers in Malaysia. Generally, the retail outlets feature extensive landscaping, a spacious layout and environmentally friendly colours and décor. Destina convenience store space is normally up to 5,000 square feet in area displaying and offering over 2,500 competitively priced items to customers.

We have today purchased four sites which are located at Jalan Ulu Kelang, Jalan Kajang / Semenyih, Jalan Klang / Banting and in Seremban. The four sites are in various stages of development for petrol stations. It is expected that our very first outlet will be in commercial operations at Jalan Kajang / Semenyih by 2001. We are actively seeking more suitable sites in the Klang Valley to expand our petroleum retail network.

