



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

Interim Financial Statements
For The Financial Period Ended
30 September 2018

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		RM'000	RM'000	RM'000	RM'000
Revenue		690,892	778,656	690,892	778,656
Operating expenses		(589,184)	(700,347)	(589,184)	(700,347)
Other operating income		17,946	26,468	17,946	26,468
Fair value gain on deemed disposal of a joint venture	A16	-	65,590	-	65,590
Share of profit after tax of equity-accounted joint ventures and associates		30,917	27,101	30,917	27,101
Finance costs		(11,986)	(11,112)	(11,986)	(11,112)
Profit before tax		138,585	186,356	138,585	186,356
Tax expense		(20,509)	(22,148)	(20,509)	(22,148)
Profit for the period		<u>118,076</u>	<u>164,208</u>	<u>118,076</u>	<u>164,208</u>
Profit for the period attributable to:					
Owners of the parent		114,643	160,925	114,643	160,925
Non-controlling interests		3,433	3,283	3,433	3,283
		<u>118,076</u>	<u>164,208</u>	<u>118,076</u>	<u>164,208</u>
Basic earnings per ordinary share (sen)	B12	<u>2.03</u>	<u>2.86</u>	<u>2.03</u>	<u>2.86</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.03</u>	<u>2.86</u>	<u>2.03</u>	<u>2.86</u>

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	118,076	164,208	118,076	164,208
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(1,470)	(3,678)	(1,470)	(3,678)
Cash flow hedge		3,052	(231)	3,052	(231)
Share of other comprehensive income of joint ventures		20,492	899	20,492	899
Other comprehensive income/(loss) for the period		<u>22,074</u>	<u>(3,010)</u>	<u>22,074</u>	<u>(3,010)</u>
Total comprehensive income for the period		<u>140,150</u>	<u>161,198</u>	<u>140,150</u>	<u>161,198</u>
Total comprehensive income attributable to:					
Owners of the parent		135,046	158,833	135,046	158,833
Non-controlling interests		<u>5,104</u>	<u>2,365</u>	<u>5,104</u>	<u>2,365</u>
		<u>140,150</u>	<u>161,198</u>	<u>140,150</u>	<u>161,198</u>

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	NOTE	30/09/2018 RM'000	30/06/2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,293,268	1,297,026
Development of tank terminals		361,523	306,018
Intangible assets		311,403	288,368
Investments in joint ventures and associates	B11	2,119,238	2,043,155
Other investments		6,661	6,583
Deferred tax assets		53,239	56,866
		<u>4,145,332</u>	<u>3,998,016</u>
CURRENT ASSETS			
Inventories		98,507	92,416
Trade and other receivables	A17	969,056	997,525
Current tax assets		8,886	12,311
Cash and cash equivalents	A18	1,157,358	1,264,966
		<u>2,233,807</u>	<u>2,367,218</u>
TOTAL ASSETS		<u><u>6,379,139</u></u>	<u><u>6,365,234</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,684,287	1,684,287
Treasury shares		(3,625)	(3,625)
Reserves		1,949,822	1,820,279
		3,630,484	3,500,941
Non-controlling interests		103,466	98,528
TOTAL EQUITY		<u><u>3,733,950</u></u>	<u><u>3,599,469</u></u>
NON-CURRENT LIABILITIES			
Borrowings	B7	1,244,214	1,232,752
Deferred tax liabilities		5,590	5,846
		<u>1,249,804</u>	<u>1,238,598</u>
CURRENT LIABILITIES			
Trade and other payables	A19	956,141	1,074,755
Borrowings	B7	364,519	377,542
Current tax liabilities		74,725	74,870
		<u>1,395,385</u>	<u>1,527,167</u>
TOTAL LIABILITIES		<u><u>2,645,189</u></u>	<u><u>2,765,765</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,379,139</u></u>	<u><u>6,365,234</u></u>
Net assets per share attributable to owners of the parent (sen)		<u><u>64.4</u></u>	<u><u>62.1</u></u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Attributable to owners of the parent					Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000		
Balance as at 1 July 2018	1,684,287	(3,625)	145,564	1,674,715	3,500,941	98,528	3,599,469
Total comprehensive income for the period	-	-	20,403	114,643	135,046	5,104	140,150
Dividend paid to non-controlling interests	-	-	-	-	-	(111)	(111)
Acquisition of shares from non-controlling interests	-	-	-	(5,503)	(5,503)	(55)	(5,558)
Balance as at 30 September 2018	<u>1,684,287</u>	<u>(3,625)</u>	<u>165,967</u>	<u>1,783,855</u>	<u>3,630,484</u>	<u>103,466</u>	<u>3,733,950</u>
Balance as at 1 July 2017	1,601,179	(3,625)	173,239	1,340,693	3,111,486	80,729	3,192,215
Total comprehensive income for the period	-	-	(2,092)	160,925	158,833	2,366	161,199
Share options vested under ESOS	-	-	4,826	-	4,826	1,880	6,706
Share options exercised	83,109	-	(9,826)	-	73,283	(1,880)	71,403
Share issue expenses	(1)	-	-	-	(1)	-	(1)
Acquisition of subsidiary	-	-	-	-	-	42,076	42,076
Additional shares subscription from non-controlling interest	-	-	-	-	-	6,000	6,000
Balance as at 30 September 2017	<u>1,684,287</u>	<u>(3,625)</u>	<u>166,147</u>	<u>1,501,618</u>	<u>3,348,427</u>	<u>131,171</u>	<u>3,479,598</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	3 MONTHS ENDED	
	30/09/2018	30/09/2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	138,585	186,356
Adjustments for :		
Depreciation and amortisation expenses	30,420	19,945
Net interest income	(3,156)	(6,837)
Share of results of joint ventures and associates	(30,917)	(27,101)
Share options vested under ESOS	-	6,706
Other non-cash items	235	(71,941)
	<u>135,167</u>	<u>107,128</u>
Operating profit before working capital changes		
Changes in working capital :		
Net change in inventories and receivables	31,851	151,623
Net change in payables	(122,268)	(134,529)
	<u>44,750</u>	<u>124,222</u>
Cash from operations		
Interest received	14,863	16,919
Tax paid	(12,916)	(16,764)
Tax refunded	51	6,464
	<u>46,748</u>	<u>130,841</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents acquired	-	(50,887)
Acquisition of shares from non-controlling interests	(5,558)	-
Additions of intangible assets	(32,417)	(42,515)
Additions of other investment	-	(1,040)
Development of tank terminals	(55,505)	(3,254)
Investments in joint ventures and associates	(27,047)	(98,945)
Advances to a joint venture	-	(53,480)
Net change in deposits with licensed banks	(2,474)	(3,455)
Proceeds from disposal of property, plant and equipment	923	16,159
Purchases of property, plant and equipment	(13,650)	(10,989)
	<u>(135,728)</u>	<u>(248,406)</u>
Net cash used in investing activities		

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

	3 MONTHS ENDED	
	30/09/2018	30/09/2017
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,707)	(10,761)
Dividend paid to non-controlling interests	(111)	-
Additional shares subscription from non-controlling interests	-	6,000
(Net repayment)/Net drawdown of bank borrowings	(17,324)	68,652
Proceeds from issuances of shares	-	48,211
	<u>(29,142)</u>	<u>112,102</u>
Net cash (used in)/from financing activities		
	<u>(29,142)</u>	<u>112,102</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(118,122)	(5,463)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	1,241,026	1,413,536
Effects of exchange rate changes on cash and cash equivalents	7,416	(1,266)
	<u>1,248,442</u>	<u>1,412,270</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	<u>1,130,320</u>	<u>1,406,807</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the reporting requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2018 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB. As per requirements under MFRS, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2018 except as discussed below:

As of 1 July 2018, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs

Title		Effective Date
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 of 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 and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140	<i>Transfers of Investment Property</i>	1 January 2018

The adoption of the above MFRSs and Amendments of MFRSs did not have any material impact to the condensed financial statements.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A3 Auditors' report of preceding annual audited financial statements

The auditors' report on preceding year's audited financial statements was not subject to any qualification.

A4 Seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 30 September 2018.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in the prior financial year, which have a material effect in the current financial period.

A7 Debt and equity securities

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

A8 Dividends paid

There was no dividend paid by the Company during the current financial period.

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 2018 and up to the date of this report, which is likely to substantially affect the profits of the Group.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONT'D

A11 Operating segments

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

The Group's operating segments for the financial period ended 30 September 2018 are as follows:

	Malaysia	Singapore	Australia & New Zealand	Middle East	Other Countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profits before tax	122,596	2,028	2,141	12,176	(356)	138,585
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	466,192	25,530	67,084	66,401	65,685	690,892
<i>Inter-segment revenue</i>	5,902	2,747	1,463	-	593	10,705
<i>Depreciation and amortisation</i>	24,326	759	2,794	2,184	357	30,420
<i>Interest expense</i>	10,691	7	356	653	-	11,707
<i>Interest income</i>	14,310	421	5	125	2	14,863
<i>Share of results of joint ventures and associates</i>	30,955	(38)	-	-	-	30,917
Segment assets	5,331,853	332,006	149,021	333,594	179,426	6,325,900
Deferred tax assets						53,239
Total assets						<u>6,379,139</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	2,113,361	884	4,993	-	-	2,119,238
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	9,707	618	2,724	585	16	13,650
- <i>Intangible assets</i>	32,396	13	8	-	-	32,417
- <i>Development of tank terminals</i>	55,505	-	-	-	-	55,505
- <i>Joint ventures and associates</i>	27,047	-	-	-	-	27,047
Segment liabilities	2,344,497	83,062	62,111	90,479	59,450	2,639,599
Deferred tax liabilities						5,590
Total liabilities						<u>2,645,189</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A12 Changes in the composition of the Group

In September 2018, Emas Merdu Sdn Bhd (“EMS B”), a dormant indirect wholly owned subsidiary, obtained confirmation that its application for a voluntary strike off had been completed. EMS B has ceased to be an indirect wholly owned subsidiary of the Group.

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

A13 Commitments

	30/09/2018 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	6,200
- contracted but not provided for	3,400
	9,600
Commitments of the Group in respect of tank terminal business	410,000
Commitments of the Group in respect of upstream business	57,144
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	8,322
- later than one year and not later than five years	12,708
- after five years	10,767
	31,797
b) The Group as lessor	
- not later than one year	1,834
- later than one year and not later than five years	200
	2,034

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,485.5 million (as at 30.06.2018: RM1,155.7 million) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM818.4 million (as at 30.06.2018: RM791.3 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD124.5 million, equivalents to RM377.3 million (as at 30.06.2018: SGD129.6 million, equivalent to RM383.5 million) for project financing secured by a joint venture.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial year ended 30 September 2018 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2018.

	3 MONTHS ENDED 30/09/2018 RM'000
Transactions with joint ventures and associate:	
Interest income	9,318
Subcontract works received	272,747
Transactions with related parties:	
Provision of IT and related services	954
Rental of office premises	137
	<u> </u>

A16 Fair value gain on deemed disposal of a joint venture

In the previous financial year, the Group acquired the remaining 45% equity interest in a jointly controlled entity, Centralised Terminals Sdn. Bhd. ("CTSB"). Following this acquisition, the Group recorded a RM65.6 million fair value gain and CTSB became a wholly owned subsidiary. The Group then changed CTSB's name to Dialog Terminals Sdn. Bhd..

A17 Trade and other receivables

	30/09/2018 RM'000
Trade receivables	363,295
Amounts due from customers for contract works	274,585
Amounts due from joint ventures and associate	222,953
Other receivables, deposits and prepayments	90,395
Hedge derivative assets	17,828
	<u> </u>
	<u>969,056</u>

A18 Cash and cash equivalents

	30/09/2018 RM'000
Bank balances and deposits with licensed banks	1,157,358
Bank balances and deposits pledged to licensed banks	(27,038)
	<u> </u>
	<u>1,130,320</u>

A19 Trade and other payables

	30/09/2018 RM'000
Amounts due to customers for contract works	88,855
Trade payables	692,563
Accruals and other payables	174,702
Amounts due to joint ventures	21
	<u> </u>
	<u>956,141</u>

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**B1 Performance analysis**

For the 1st quarter ended 30th September 2018, the Group recorded a commendable financial performance with net operating profit after tax including joint ventures and associates of RM118.1 million, higher by 20% against RM98.6 million registered in the corresponding quarter last year. This better result was achieved despite an 11% decrease in revenue to RM690.9 million for the current quarter from RM778.7 million recorded in the corresponding quarter last year.

In the corresponding quarter last year, the Group acquired and converted a jointly controlled entity into a wholly owned subsidiary and recorded a fair value gain of RM65.6 million. This resulted in a total net profit after tax of RM164.2 million reported in the corresponding quarter last year. Without the fair value gain, the Group would have recorded a net profit after tax of RM98.6 million in the corresponding quarter last year.

The revenue from our Malaysian operations for the current reporting quarter declined by 17% primarily due to reduced downstream activities, in particular the engineering, construction and fabrication works from various projects. The lower revenue from these activities were, however, partially offset by revenue from Langsat Terminals as they became subsidiaries in September 2017. The revenue from upstream activities was also higher following the increase in oil prices in the current quarter. Despite the drop in revenue, the net profit after tax from our Malaysian operations was higher by 22% when compared to the corresponding quarter last year. This was mainly attributable to the increased contributions from terminal and upstream activities, and cost savings realised from various completed projects during the financial quarter under review.

On the International front, the revenue and net profit after tax were higher by 3% and 20% respectively, against the corresponding quarter last year, mainly attributable to an increase in contributions from logistic services.

The profit after tax contribution from joint ventures and associates for the current reporting quarter was RM30.9 million, higher by 14% against the corresponding quarter last year. The increased contributions were primarily from the terminal businesses and from the upstream joint venture following the higher oil prices.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM138.6 million was 7% lower compared to RM148.8 million recorded in the preceding quarter. Included in the preceding quarter was a gain on disposal of a petrol retail station of RM10.0 million. Without the gain, the profit before tax for the preceding quarter would have been RM138.8 million.

B3 Prospects

As a leading integrated technical service provider that is diversified across the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry, DIALOG remains confident that its business model is well structured to manage oil price volatility and currency movements.

DIALOG remains committed to enhancing efficiency and productivity by incorporating new technologies and improving business processes to remain competitive moving forward.

The ongoing operations of Pengerang Deepwater Terminals ("PDT") Phase 1 is currently being expanded by 430,000 m³. Phase 2A, the dedicated petroleum and petrochemicals terminal for Refinery and Petrochemical Integrated Development ("RAPID"), remains on track for full completion in early 2019. In Phase 2B, the Liquefied Natural Gas ("LNG") regasification facilities and LNG storage tanks commenced commercial operations in November 2017.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**B3 Prospects – cont'd.**

The Group also made progress for Phase 3 of PDT with the signing of a Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) to invest and develop common tankage facilities (including shared infrastructure) and deepwater marine facilities to support and promote the petroleum and petrochemicals storage and handling tank terminal business. Phase 3 will be developed on approximately 300 acres of land within PDT with an indicative initial investment cost of RM2.5 billion. The land reclamation activities have started and we are in discussions with potential customers for Phase 3. There will also be a balance of approximately 500 acres available for future phases.

In addition to Langsat Terminal (One) Sdn Bhd and Langsat Terminal (Two) Sdn Bhd's capacity of 647,000 m³, we are also expanding Langsat Terminal (Three) Sdn Bhd into a 300,000 m³ storage facility, in line with our strategy to grow sustainable and recurring income.

In the upstream sector, the Group continues to actively develop new reserves from existing contracts. At the same time, the Group is looking for viable production assets, which may become available for possible acquisition.

Moving forward, the Group will continue to grow its core businesses with recurring income, especially in its logistics services which includes storage tank terminals.

Barring any unforeseen circumstances, the Group is confident that its performance will remain strong for the financial year ending 30 June 2019.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/09/2018 RM'000	3 MONTHS ENDED 30/09/2018 RM'000
Current tax	20,396	20,396
Deferred tax	4,364	4,364
Over provision in prior years	(4,251)	(4,251)
Total tax expense	<u>20,509</u>	<u>20,509</u>
Effective tax rate on profit before tax excluding share of results of joint ventures and associates	<u>19.0%</u>	<u>19.0%</u>

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D
B6 Status of corporate proposals

- (i) Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI")

In April 2018, Dialog Pengerang Sdn. Bhd. ("DPgSB"), a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding ("MOU") with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Pengerang CTF Sdn. Bhd. ("PCTF"), which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities ("Jetty 3") to support and promote the petroleum and petrochemical storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial cost of investment is approximately RM2.5 billion. The Company, State Government of Johor Darul Ta'zim and SSI are currently in discussions to establish the joint venture.

- (ii) Proposed Establishment of A New Employees' Share Option Scheme

The proposed establishment and implementation of an employees' share option scheme ("ESOS") of up to ten percent (10%) of the total number of issued ordinary shares of Dialog (excluding treasury shares, if any) at any point in time over the duration of the ESOS for the eligible directors and employees of Dialog Group Berhad and its non-dormant subsidiaries ("Proposed ESOS"). The Proposed ESOS was announced on 16 August 2018 and is currently pending shareholders' approval and implementation.

There is no other corporate proposal announced but not completed as at date of this report.

B7 Borrowings and debt securities

As at 30 September 2018, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	631	1,720
Ringgit Malaysia	-	69,703
United States Dollar	18,057	74,756
Unsecured:		
New Zealand Dollar	5,536	15,096
Ringgit Malaysia	-	136,000
Saudi Riyal	20,000	22,157
Thai Baht	15,000	1,919
United States Dollar	10,427	43,168
		<u>364,519</u>

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**B7 Borrowings and debt securities cont'd**

As at 30 September 2018, the Group's borrowings were denominated in the following currencies cont'd:

	FC'000	RM'000
Long term borrowings:		
Secured:		
New Zealand Dollar	3,728	10,166
Ringgit Malaysia	-	165,043
United States Dollar	112,479	465,663
Unsecured:		
New Zealand Dollar	953	2,598
Ringgit Malaysia	-	567,507
Saudi Riyal	30,000	33,237
		<u>1,244,214</u>
		<u>1,608,733</u>

The borrowings are mainly to part finance the Group's investment in tank terminals and logistic business. Included in the borrowings for the current financial period is RM1,176.5 million (30.06.2018: RM1,116.3 million) obtained under Islamic financing facilities.

B8 Material litigation

The Group is not engaged in any material litigation and is not aware of any legal proceeding that might materially affect the financial position or business of the Group.

B9 Dividends

The Board of Directors, pursuant to the Company's Constitution, had recommended a final dividend of 1.80 sen (previous corresponding year: 1.45 sen) per ordinary share in respect of the previous financial year for approval of the shareholders at the forthcoming Annual General Meeting.

Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 28 November 2018 and the date of payment will be on 18 December 2018.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D
B10 Derivative financial instruments

As at 30 September 2018, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Net fair value
	FC'000	RM'000	(losses) or gains RM'000
With maturity less than 1 year:			
Australian Dollar	403	1,224	(16)
Euro	118	560	8
New Zealand Dollar	12	33	1
Singapore Dollar	132	395	1
Sterling Pound	201	1,084	4
United States Dollar	12,991	52,379	1,231

These forward contracts are mainly to hedge the foreign currency risk associated with trade receivables and trade payables.

There is no significant change to the financial derivatives in respect of the following since the last financial year ended 30 June 2018:

- the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- the cash requirement of the financial derivatives; and
- the policy in place for mitigating or controlling the risk associated with these financial derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted in the Group recording a gain when the rates moved in its favour and recording a loss when the rates moved unfavourably against the Group.

As at the end of the reporting period, the Group has entered into interest rate swap contracts to swap notional principals amounts of RM133,550,694 (2018:RM136,750,694) and USD121,600,000 (2018:USD121,600,000) 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 October 2021 and January 2018 to January 2023 respectively.

B11 Investments in joint ventures and associates

The investments in joint ventures and associates included unsecured advances amounting to RM588.0 million which bear interest at a rate 6.50% per annum.

The Company also provided a sponsor's undertaking to a joint venture as disclosed in A14.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**B12 Earnings per share**

The basic and diluted earnings per ordinary share for the current financial period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Profit for the financial period attributable to owners of the Company (RM'000)	<u>114,643</u>	<u>160,925</u>	<u>114,643</u>	<u>160,925</u>
Weighted average number of ordinary shares in issue ('000)	<u>5,638,307</u>	<u>5,628,271</u>	<u>5,638,307</u>	<u>5,628,271</u>

B13 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	3 MONTHS ENDED
	30/09/2018 RM'000	30/09/2018 RM'000
This is arrived at after (charging)/crediting:		
Interest income	14,863	14,863
Interest expense	(11,707)	(11,707)
Depreciation and amortisation	(30,420)	(30,420)
Foreign exchange gain	262	262
Gain on disposal of property, plant and equipment	176	176
Property, plant and equipment written off	(66)	(66)
Rental income	1,635	1,635
Other miscellaneous income	<u>1,076</u>	<u>1,076</u>

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

Date: 12 November 2018