

SUSTAINING GROWTH

DIALOG

DIALOG GROUP BERHAD
(178694-V)



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ANNUAL REPORT 2019
FINANCIAL STATEMENTS

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This Annual Report is available at

www.dialogasia.com

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 2019.

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 assets & services in tank terminals & supply base, upstream assets & services, engineering, procurement, construction & commissioning, specialist products & services, plant maintenance & catalyst handling services, fabrication and digital 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	552,317	324,095
Attributable to:		
Owners of the parent	535,836	324,095
Non-controlling interests	16,481	-
	552,317	324,095

DIVIDENDS

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

- Final cash dividend of 1.80 sen per ordinary share, amounting to RM101,489,535 in respect of the previous financial year paid on 18 December 2018; and
- Interim cash dividend of 1.50 sen per ordinary share, amounting to RM84,574,611 in respect of the current financial year paid on 27 June 2019.

The Directors recommended a final cash dividend of 2.30 sen per ordinary share, amounting to approximately RM130,000,000 in respect of the financial year ended 30 June 2019, 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.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

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

EMPLOYEES' SHARE OPTION SCHEME

The ESOS was approved by the shareholders at the Annual General Meeting held on 14 November 2018 and came into effect on 3 December 2018. The ESOS shall be in force for a period of ten (10) years until 2 December 2028 ("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 2016 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 total issued ordinary shares of the Company (excluding treasury shares, if any) 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;
- (d) The maximum number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's position, performance and length of service in the Company and its subsidiaries respectively, or such other matters that the ESOS Committee may in its discretion deem fit, 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 ordinary shares of the Company (excluding treasury shares, if any).
- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee; and
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The number of unissued ordinary shares under the option scheme was as follows:

Option price	----- Number of options over ordinary shares ----->				Balance as at 30.6.2019
	Balance as at 1.7.2018	Granted	Retracted*	Exercised	
RM2.69	-	38,000,000	(691,400)	-	37,308,600

* Due to resignation

None of the outstanding option is exercisable as at 30 June 2019.

Since the implementation of the ESOS, a total of 38,000,000 options had been granted to the eligible employees of the Group of which a total of 1,103,000 options had been granted to the Executive Directors of the Company and persons connected to the Executive Directors. During the financial year and since commencement of the ESOS, the Executive Directors and senior management of the Company and its subsidiaries have been granted 4% of the total options available under the ESOS.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 14 November 2018, 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 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 5,641,642,303 (2018: 5,641,642,303) issued and fully paid ordinary shares as at 30 June 2019, 3,335,032 (2018: 3,335,032) ordinary shares purchased for RM3,624,613 (2018: 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 5,638,307,271 (2018: 5,638,307,271).

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Tan Sri Dr Ngau Boon Keat
Chan Yew Kai
Datuk Oh Chong Peng
Kamariyah Binti Hamdan
Siti Khairon Binti Shariff
Dato' Ismail Bin Karim
Tunku Alizakri Bin Raja Muhammad Alias
Chew Eng Kar
Zainab Binti Mohd Salleh
Mohamad Hafiz Bin Kassim (Appointed as an alternate to Tunku Alizakri Bin Raja Muhammad Alias on 24 September 2019)

In accordance with Article 96 of the Company's Constitution, Kamariyah Binti Hamdan and Siti Khairon Binti Shariff retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Chew Eng Kar who is retiring from the Board in accordance with Article 96 of the Company's Constitution has indicated that he does not wish to seek re-election.

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' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2019 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 1.7.2018	Bought	Sold	Balance as at 30.6.2019
Shares in the Company				
<u>Direct interests:</u>				
Tan Sri Dr Ngau Boon Keat	65,904,103	-	(20,000,000)	45,904,103
Chan Yew Kai	35,384,767	-	(3,000,000)	32,384,767
Kamariyah Binti Hamdan	1,938,614	-	-	1,938,614
Chew Eng Kar	11,611,760	-	-	11,611,760
Zainab Binti Mohd Salleh	7,606,879	-	(215,000)	7,391,879
<u>Indirect interests:</u>				
Tan Sri Dr Ngau Boon Keat	1,063,445,842	40,000,000	(20,000,000)	1,083,445,842
Chan Yew Kai	-	3,000,000	-	3,000,000
Kamariyah Binti Hamdan	268,158	-	-	268,158
Chew Eng Kar	10,038,607	-	-	10,038,607
Dato' Ismail Bin Karim	63,472	-	-	63,472

DIRECTORS' INTERESTS (CONTINUED)

	<----- Number of options over ordinary shares ----->			
	Balance as at 1.7.2018	Granted	Exercised	Balance as at 30.6.2019
Share options in the Company				
<u>Direct interests:</u>				
Tan Sri Dr Ngau Boon Keat	-	236,000	-	236,000
Chan Yew Kai	-	215,000	-	215,000
Chew Eng Kar	-	179,000	-	179,000
Zainab Binti Mohd Salleh	-	163,000	-	163,000
<u>Indirect interests:</u>				
Tan Sri Dr Ngau Boon Keat	-	310,000	-	310,000

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' 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 31 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 30 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 25 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors 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 had satisfied themselves that there were 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 had 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.

(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.

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

(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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 35 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 36 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), 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 2019 are disclosed in Note 24 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Pengerang, Johor Darul Ta'zim
25 September 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 88 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 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



Tan Sri Dr Ngau Boon Keat
Director



Datuk Oh Chong Peng
Director

Pengerang, Johor Darul Ta'zim
25 September 2019

STATUTORY DECLARATION

I, Zainab Binti Mohd Salleh (CA 7672), 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 13 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Petaling Jaya in the state of
Selangor Darul Ehsan this
26 September 2019



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 2019 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 13 to 88.

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 2019, and of the 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 Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter was 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 this matter.

Revenue recognition for construction contracts

We refer to Note 23 to the financial statements on the recognition of revenue from construction contracts, which is recognised over time. This contract revenue contributed 52% of the Group's revenue.

We determined this to be a key audit matter as it requires management to exercise significant judgement in the measurement of the progress towards complete satisfaction of performance obligations. The progress towards complete satisfaction of performance obligations is measured using the output method, which is based on contract work certified to date which depicts the basis of direct measurements of value to the customers of the construction work performed up to reporting date relative to the remaining construction work promised under the contract. This includes the measurement of its progress towards complete satisfaction of performance obligations in respect of contract variations, claims and cost contingencies, which can vary with market conditions and unforeseen events during the contract period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD

Key Audit Matter (continued)

Revenue recognition for construction contracts (continued)

Audit response

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

- (i) Evaluated and tested key controls in respect of the 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 subsequent variation orders to acceptance and approval by customers; and
- (iii) Inspected documentation certified by engineers and acknowledgement by customers to support the contract works performed by the Group to-date.

We have determined that there is no key audit matter to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

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.

Responsibilities of the 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 the 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIALOG GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants



Koo Swee Lin
03281/08/2020 J
Chartered Accountant

Kuala Lumpur
25 September 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Group		Company	
		30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,303,995	1,297,026	-	-
Development of tank terminals	6	631,970	306,018	-	-
Intangible assets	7	364,187	288,368	-	-
Investments in subsidiaries	8	-	-	2,043,943	2,093,801
Investments in joint ventures and associates	9	2,137,451	2,043,155	-	-
Other investments	10	6,648	6,583	-	-
Deferred tax assets	11	50,324	56,866	-	-
Amounts owing by subsidiaries	12	-	-	502,471	536,936
		4,494,575	3,998,016	2,546,414	2,630,737
Current assets					
Inventories	13	95,593	92,416	-	-
Trade and other receivables	14	927,180	767,883	141	493
Amounts owing by subsidiaries	12	-	-	157,397	138,960
Amounts owing by joint ventures and associates	16	289,979	229,642	-	-
Current tax assets		18,049	12,311	-	-
Cash and bank balances	17	884,403	1,264,966	102,226	65,648
		2,215,204	2,367,218	259,764	205,101
TOTAL ASSETS		6,709,779	6,365,234	2,806,178	2,835,838
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	1,684,126	1,684,287	1,684,126	1,684,287
Treasury shares	18	(3,625)	(3,625)	(3,625)	(3,625)
Reserves	19	2,110,731	1,820,279	674,422	536,392
		3,791,232	3,500,941	2,354,923	2,217,054
Non-controlling interests		116,461	98,528	-	-
TOTAL EQUITY		3,907,693	3,599,469	2,354,923	2,217,054

STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	20	1,318,175	1,232,752	276,530	416,250
Deferred tax liabilities	11	4,978	5,846	-	-
		1,323,153	1,238,598	276,530	416,250
Current liabilities					
Trade and other payables	21	1,049,963	1,074,734	1,495	2,290
Amounts owing to joint ventures and associates	16	-	21	-	-
Borrowings	20	356,188	377,542	172,500	200,040
Current tax liabilities		72,782	74,870	730	204
		1,478,933	1,527,167	174,725	202,534
TOTAL LIABILITIES		2,802,086	2,765,765	451,255	618,784
TOTAL EQUITY AND LIABILITIES		6,709,779	6,365,234	2,806,178	2,835,838

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	23	2,386,453	3,110,579	328,274	223,746
Cost of sales and services		(1,881,457)	(2,671,920)	-	-
Gross profit		504,996	438,659	328,274	223,746
Fair value gain on deemed disposal of a joint venture	9(f)(vii)	-	65,590	-	-
Other operating income		67,116	95,487	31,588	29,225
Marketing and distribution costs		(4,064)	(3,858)	-	-
Administration expenses		(38,703)	(39,399)	(1,617)	(1,380)
Other operating expenses		(7,045)	(6,061)	(6,978)	-
Finance costs		(49,406)	(51,447)	(25,786)	(22,232)
Share of profit of joint ventures and associates, net of tax		180,102	129,121	-	-
Profit before tax	24	652,996	628,092	325,481	229,359
Tax expense	26	(100,679)	(99,799)	(1,386)	(908)
Profit for the financial year		552,317	528,293	324,095	228,451
Profit for the financial year attributable to:					
Owners of the parent		535,836	510,371	324,095	228,451
Non-controlling interests		16,481	17,922	-	-
		552,317	528,293	324,095	228,451

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

Basic earnings per ordinary share (sen)	27	9.50	9.06
Diluted earnings per ordinary share (sen)	27	9.50	9.06

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	552,317	528,293	324,095	228,451
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	2,186	(25,159)	-	-
Fair value (loss)/gain on cash flow hedge	(19,864)	15,887	-	-
Share of other comprehensive loss of joint ventures	(34,520)	(18,287)	-	-
Other comprehensive loss for the financial year	(52,198)	(27,559)	-	-
Total comprehensive income for the financial year	500,119	500,734	324,095	228,451
Total comprehensive income attributable to:				
Owners of the parent	482,020	487,696	324,095	228,451
Non-controlling interests	18,099	13,038	-	-
	500,119	500,734	324,095	228,451

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Note	Non-distributable				Distributable	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000			
Balance as at 1 July 2018		1,684,287	(3,625)	145,599	(35)	1,674,715	3,500,941	98,528	3,599,469
Profit for the financial year		-	-	-	-	535,836	535,836	16,481	552,317
Foreign currency translations		-	-	568	-	-	568	1,618	2,186
Fair value loss on cash flow hedge		-	-	-	(19,864)	-	(19,864)	-	(19,864)
Share of other comprehensive income/(loss) of joint ventures		-	-	18,151	(52,671)	-	(34,520)	-	(34,520)
Total comprehensive income, net of tax		-	-	18,719	(72,535)	535,836	482,020	18,099	500,119
Transactions with owners									
Previous financial year:									
- Final dividend	28	-	-	-	-	(101,490)	(101,490)	-	(101,490)
Current financial year:									
- Interim dividend	28	-	-	-	-	(84,575)	(84,575)	-	(84,575)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(111)	(111)
Acquisition of shares from non-controlling interests		-	-	-	-	(5,503)	(5,503)	(55)	(5,558)
Share issue expenses	18	(161)	-	-	-	-	(161)	-	(161)
Total transactions with owners		(161)	-	-	-	(191,568)	(191,729)	(166)	(191,895)
Balance as at 30 June 2019		1,684,126	(3,625)	164,318	(72,570)	2,018,983	3,791,232	116,461	3,907,693

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Note	Non-distributable					Distributable	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000			
Balance as at 1 July 2017		1,601,179	(3,625)	5,000	189,170	(20,931)	1,340,693	3,111,486	80,729	3,192,215
Profit for the financial year		-	-	-	-	-	510,371	510,371	17,922	528,293
Foreign currency translations		-	-	-	(20,275)	-	-	(20,275)	(4,884)	(25,159)
Fair value gain on cash flow hedge		-	-	-	-	15,887	-	15,887	-	15,887
Share of other comprehensive (loss)/income of joint ventures		-	-	-	(23,296)	5,009	-	(18,287)	-	(18,287)
Total comprehensive income, net of tax		-	-	-	(43,571)	20,896	510,371	487,696	13,038	500,734
Transactions with owners										
Previous financial year:										
- Final dividend		-	-	-	-	-	(81,756)	(81,756)	-	(81,756)
Current financial year:										
- Interim dividend	28	-	-	-	-	-	(78,936)	(78,936)	-	(78,936)
Share options vested under ESOS		-	-	4,826	-	-	-	4,826	1,880	6,706
Ordinary shares issued pursuant to ESOS	18	83,109	-	(9,826)	-	-	-	73,283	(1,880)	71,403
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(3,392)	(3,392)
Acquisition of a subsidiary	8(h)	-	-	-	-	-	-	-	42,076	42,076
Acquisition of shares from non-controlling interests		-	-	-	-	-	(15,657)	(15,657)	(47,123)	(62,780)
Additional shares subscription from non-controlling interest		-	-	-	-	-	-	-	13,200	13,200
Share issue expenses	18	(1)	-	-	-	-	-	(1)	-	(1)
Total transactions with owners		83,108	-	(5,000)	-	-	(176,349)	(98,241)	4,761	(93,480)
Balance as at 30 June 2018		1,684,287	(3,625)	-	145,599	(35)	1,674,715	3,500,941	98,528	3,599,469

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Company	Note	<----- Non-distributable ----->		Distributable	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	
Balance as at 1 July 2018		1,684,287	(3,625)	536,392	2,217,054
Profit for the financial year		-	-	324,095	324,095
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, net of tax		-	-	324,095	324,095
Transactions with owners					
Previous financial year:					
- Final dividend	28	-	-	(101,490)	(101,490)
Current financial year:					
- Interim dividend	28	-	-	(84,575)	(84,575)
Share issue expenses	18	(161)	-	-	(161)
Total transactions with owners		(161)	-	(186,065)	(186,226)
Balance as at 30 June 2019		1,684,126	(3,625)	674,422	2,354,923

STATEMENT OF CHANGES IN EQUITY

Company	Note	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Retained earnings RM'000	
Balance as at 1 July 2017		1,601,179	(3,625)	5,000	468,633	2,071,187
Profit for the financial year		-	-	-	228,451	228,451
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income, net of tax		-	-	-	228,451	228,451
Transactions with owners						
Previous financial year:						
- Final dividend		-	-	-	(81,756)	(81,756)
Current financial year:						
- Interim dividend	28	-	-	-	(78,936)	(78,936)
Share options vested under ESOS		-	-	6,706	-	6,706
Ordinary shares issued pursuant to ESOS	18	83,109	-	(11,706)	-	71,403
Share issue expenses	18	(1)	-	-	-	(1)
Total transactions with owners		83,108	-	(5,000)	(160,692)	(82,584)
Balance as at 30 June 2018		1,684,287	(3,625)	-	536,392	2,217,054

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		652,996	628,092	325,481	229,359
Adjustments for:					
Amortisation of intangible assets	7	46,428	34,655	-	-
Amount owing by a subsidiary written off		-	-	6,978	-
Depreciation of property, plant and equipment	5	82,129	69,400	-	-
Fair value gain on deemed disposal of a joint venture	9(f)(vii)	-	(65,590)	-	-
(Gain)/Loss on foreign exchange - unrealised		(389)	(1,669)	3,027	284
Gain on disposals of property, plant and equipment		(1,385)	(16,004)	-	-
Impairment losses on trade receivables	14(d)	2,251	114	-	-
Interest expense		48,107	50,956	25,786	22,232
Interest income		(56,894)	(64,481)	(31,986)	(28,119)
Property, plant and equipment written off	5	97	117	-	-
Reversal of impairment losses on receivables	14(d)	-	(48)	-	-
Share of profit of joint ventures and associates		(180,102)	(129,121)	-	-
Share options vested under ESOS		-	6,706	-	-
Operating profit before working capital changes		593,238	513,127	329,286	223,756
Increase in inventories		(112)	(12,458)	-	-
(Increase)/Decrease in trade and other receivables		(172,937)	40,617	352	347
Increase in amounts owing by joint ventures and associates		(60,358)	(13,184)	-	-
(Decrease)/Increase in trade and other payables		(36,200)	(141,762)	(795)	561
Cash generated from operations		323,631	386,340	328,843	224,664
Dividends received		57,126	51,000	-	-
Interest received		56,894	63,802	2,427	6,344
Tax paid		(104,445)	(66,538)	(860)	(687)
Tax refunded		1,092	7,046	-	1,885
Net cash from operating activities		334,298	441,650	330,410	232,206

STATEMENTS OF CASH FLOWS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions/Additions of:					
- subsidiaries, net of cash and cash equivalents acquired	8(f), 8(h)	(3,731)	(50,887)	-	-
- interests in subsidiaries		-	-	(5,200)	(325,604)
- interests in joint ventures and associates		(12,195)	(192,373)	-	-
- other investment	10(d)	-	(2,290)	-	-
Repayment from/(Advances to):					
- subsidiaries		-	-	62,773	(315,961)
- a joint venture		-	229,123	-	-
Acquisition of shares from non-controlling interests	8(g), 8(i)	(5,558)	(62,581)	-	-
Development of tank terminals	6(d)	(325,952)	(37,119)	-	-
Interest received		-	-	29,559	21,775
Placements of deposits pledged to licensed banks		(5,271)	(12,827)	-	-
Proceeds from disposals of property, plant and equipment		2,462	43,028	-	-
Purchases of:					
- intangible assets	7	(121,647)	(150,301)	-	-
- property, plant and equipment	5	(75,597)	(193,023)	-	-
Net cash (used in)/from investing activities		(547,489)	(429,250)	87,132	(619,790)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(48,107)	(50,956)	(25,786)	(22,232)
Dividends paid to non-controlling interests		(111)	(3,392)	-	-
Dividends paid to ordinary shareholders of the Company		(186,065)	(160,692)	(186,065)	(160,692)
Additional shares subscription from non-controlling interest		-	13,200	-	-
Proceeds from ordinary shares issued pursuant to ESOS exercised		-	48,212	-	48,212
Repayments of hire purchase creditors		-	(4)	-	-
Drawdowns of bank loans		532,986	447,331	139,649	271,141
Repayments of bank loans		(482,379)	(455,983)	(308,126)	(74,884)
Share issue expenses		(161)	(1)	(161)	(1)
Net cash (used in)/from financing activities		(183,837)	(162,285)	(380,489)	61,544
Net (decrease)/increase in cash and cash equivalents		(397,028)	(149,885)	37,053	(326,040)
Effect of exchange rate changes on cash and cash equivalents		10,351	(22,625)	(475)	(984)
Cash and cash equivalents at beginning of financial year		1,241,026	1,413,536	65,648	392,672
Cash and cash equivalents at end of financial year	17	854,349	1,241,026	102,226	65,648

STATEMENTS OF CASH FLOWS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank Loans					
As at 1 July		1,610,294	1,423,711	616,290	422,095
Cash flows:					
- Drawdowns of bank loans		532,986	447,331	139,649	271,141
- Repayments of bank loans		(482,379)	(455,983)	(308,126)	(74,884)
Non-cash flows:					
- Acquisition of a subsidiary	8(h)	-	214,481	-	-
- Effect of foreign exchange		13,462	(19,246)	1,217	(2,062)
As at 30 June	20	1,674,363	1,610,294	449,030	616,290

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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 PJU 7/5, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 30 June 2019 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 25 September 2019.

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 assets & services in tank terminals & supply base, upstream assets & services, engineering, procurement, construction & commissioning, specialist products & services, plant maintenance & catalyst handling services, fabrication and digital 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 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.

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 37.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year. Adoption of these Standards did not have any material effect on the financial performance or position of the Group and of the Company.

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.

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 the chief operating decision maker.

2019	Malaysia RM'000	Asia RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits	582,384	13,806	12,293	44,766	(253)	652,996
Included in the measure of segment profits are:						
Revenue from external customers	1,487,434	339,138	298,495	254,046	7,340	2,386,453
Inter-segment revenue	17,075	26,595	6,273	-	-	49,943
Depreciation of property, plant and equipment	59,936	3,685	9,845	8,663	-	82,129
Amortisation of intangible assets	44,588	42	1,798	-	-	46,428
Interest expense	43,964	94	1,471	2,578	-	48,107
Interest income	53,797	2,457	24	616	-	56,894
Share of profit in joint ventures and associates	180,676	81	(655)	-	-	180,102
Segment assets	5,689,688	494,330	159,290	316,147	-	6,659,455
Deferred tax assets						50,324
Total assets						6,709,779
Included in the measure of segment assets are:						
Investments in joint ventures and associates	2,136,462	989	-	-	-	2,137,451
Additions to non-current assets:						
- Property, plant and equipment	57,018	5,829	10,823	1,927	-	75,597
- Development of tank terminals	325,952	-	-	-	-	325,952
- Intangible assets	121,571	33	43	-	-	121,647
- Joint ventures and associates	12,195	-	-	-	-	12,195
Segment liabilities	2,560,711	98,668	67,474	70,255	-	2,797,108
Deferred tax liabilities						4,978
Total liabilities						2,802,086

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING SEGMENTS (CONTINUED)

2018	Malaysia RM'000	Asia RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits	545,466	20,641	13,265	49,163	(443)	628,092
Included in the measure of segment profits are:						
Revenue from external customers	2,237,317	326,956	276,159	260,890	9,257	3,110,579
Inter-segment revenue	6,947	26,561	6,345	579	-	40,432
Depreciation of property, plant and equipment	46,566	3,917	9,703	9,214	-	69,400
Amortisation of intangible assets	32,781	53	1,821	-	-	34,655
Interest expense	46,369	14	1,535	3,038	-	50,956
Interest income	62,293	2,053	27	108	-	64,481
Fair value gain on deemed disposal of a joint venture	65,590	-	-	-	-	65,590
Share of profit in joint ventures and associates	129,144	(23)	-	-	-	129,121
Segment assets	5,325,307	514,557	149,556	318,948	-	6,308,368
Deferred tax assets						56,866
Total assets						6,365,234
Included in the measure of segment assets are:						
Investments in joint ventures and associates	2,037,348	907	4,900	-	-	2,043,155
Additions to non-current assets:						
- Property, plant and equipment	178,968	4,438	8,325	1,292	-	193,023
- Development of tank terminals	37,119	-	-	-	-	37,119
- Intangible assets	150,272	15	14	-	-	150,301
- Joint ventures and associates	186,452	932	4,989	-	-	192,373
Segment liabilities	2,462,405	134,873	63,867	98,774	-	2,759,919
Deferred tax liabilities						5,846
Total liabilities						2,765,765

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

Major customers

Included in the Malaysia segment are revenue generated from joint ventures, Pengerang Terminals (Two) Sdn. Bhd. and Pengerang Independent Terminals Sdn. Bhd. amounting to RM202,920,000 (2018: RM1,380,704,000) and RM321,538,000 (2018: RM153,929,000) respectively.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2018 RM'000	Additions RM'000	Acquisition of a subsidiary (Note 8(f)) RM'000	Disposals RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassifications RM'000	Balance as at 30.6.2019 RM'000
Carrying amount									
Freehold land	30,763	-	-	-	-	-	-	-	30,763
Leasehold land	223,510	-	-	-	-	(4,574)	-	-	218,936
Buildings	209,989	520	-	-	-	(6,046)	1,340	-	205,803
Furniture, fittings and office equipment	836	3,558	-	(3)	(12)	(5,378)	140	9,379	8,520
Plant, machinery and equipment	788,496	23,377	-	(958)	(85)	(59,742)	2,029	9,414	762,531
Vessel	14,376	1,864	-	-	-	(2,131)	365	-	14,474
Motor vehicles	8,429	4,177	-	(116)	-	(2,552)	95	-	10,033
Renovation and electrical installation	5,191	394	-	-	-	(1,706)	410	-	4,289
Building under construction	-	-	10,296	-	-	-	-	-	10,296
Plant and equipment under construction	15,436	41,707	-	-	-	-	-	(18,793)	38,350
	1,297,026	75,597	10,296	(1,077)	(97)	(82,129)	4,379	-	1,303,995

Group	At 30.6.2019		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	30,763	-	30,763
Leasehold land	251,539	(32,603)	218,936
Buildings	254,015	(48,212)	205,803
Furniture, fittings and office equipment	67,904	(59,384)	8,520
Plant, machinery and equipment	1,234,672	(472,141)	762,531
Vessel	26,568	(12,094)	14,474
Motor vehicles	31,772	(21,739)	10,033
Renovation and electrical installation	13,435	(9,146)	4,289
Building under construction	10,296	-	10,296
Plant and equipment under construction	38,350	-	38,350
	1,959,314	(655,319)	1,303,995

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Balance as at 1.7.2017 RM'000	Additions RM'000	Acquisition of a subsidiary (Note 8(h)) RM'000	Disposals RM'000	Written off RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassifications RM'000	Balance as at 30.6.2018 RM'000
Carrying amount									
Freehold land	50,441	-	-	(19,678)	-	-	-	-	30,763
Leasehold land	73,214	70,849	82,554	(63)	-	(3,044)	-	-	223,510
Buildings	210,860	2,776	12,454	(5,352)	-	(6,415)	(4,334)	-	209,989
Furniture, fittings and office equipment	104	4,721	139	(6)	(17)	(4,541)	(492)	928	836
Plant, machinery and equipment	216,787	107,250	531,230	(1,464)	(100)	(49,554)	(14,725)	(928)	788,496
Vessel	17,475	152	-	-	-	(1,605)	(1,646)	-	14,376
Motor vehicles	8,379	2,582	383	(22)	-	(2,438)	(455)	-	8,429
Renovation and electrical installation	6,879	1,050	-	(439)	-	(1,803)	(496)	-	5,191
Plant and equipment under construction	-	3,643	11,801	-	-	-	(8)	-	15,436
	584,139	193,023	638,561	(27,024)	(117)	(69,400)	(22,156)	-	1,297,026

Group	At 30.6.2018		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	30,763	-	30,763
Leasehold land	251,539	(28,029)	223,510
Buildings	251,395	(41,406)	209,989
Furniture, fittings and office equipment	54,899	(54,063)	836
Plant, machinery and equipment	1,204,166	(415,670)	788,496
Vessel	24,082	(9,706)	14,376
Motor vehicles	29,035	(20,606)	8,429
Renovation and electrical installation	12,797	(7,606)	5,191
Plant and equipment under construction	15,436	-	15,436
	1,874,112	(577,086)	1,297,026

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.

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group reflects the Group's estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. 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	4% – 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) Certain freehold land and buildings with a carrying amount of RM126,748,000 (2018: RM129,105,000) are subject to fixed charges created to secure banking facilities granted to certain subsidiaries as disclosed in Note 20(i) to the financial statements.
- (c) Leasehold land is analysed as:

	Group	
	2019 RM'000	2018 RM'000
Short term (unexpired period less than 50 years)	148,110	151,914
Long term (unexpired period more than 50 years)	70,826	71,596
	218,936	223,510

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	
	2019 RM'000	2018 RM'000
Development of tank terminals, at cost	631,970	306,018

- (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 will be reclassified as either property, plant and equipment upon completion and when it is determined for own use or investments in joint ventures when investors to the future joint ventures are identified.
- (c) During the financial year, interest expense of RM16,241,000 (2018: RM13,402,000) was capitalised at rates ranging from 4.77% to 5.13% (2018: 4.47% 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	
	2019 RM'000	2018 RM'000
Balance as at 1 July	306,018	268,899
Additions	325,952	37,119
Balance as at 30 June	631,970	306,018

7. INTANGIBLE ASSETS

Group	Balance as at 1.7.2018 RM'000	Additions RM'000	Amortisation charge for the financial year RM'000	Exchange differences RM'000	Balance as at 30.6.2019 RM'000
Carrying amount					
Goodwill	13,522	-	-	440	13,962
Rights and concession	30,798	-	(1,987)	-	28,811
Development of oil and gas assets	234,320	113,804	(41,184)	-	306,940
Development of prototypes	1,417	7,560	(202)	-	8,775
Intellectual property	4,066	-	(1,444)	120	2,742
Computer software	4,245	283	(1,611)	40	2,957
	288,368	121,647	(46,428)	600	364,187

Group	<----- At 30.6.2019 ----->		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	20,578	(6,616)	13,962
Rights and concession	39,131	(10,320)	28,811
Development of oil and gas assets	417,927	(110,987)	306,940
Development of prototypes	10,594	(1,819)	8,775
Intellectual property	14,805	(12,063)	2,742
Computer software	24,054	(21,097)	2,957
	527,089	(162,902)	364,187

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

Group	Balance as at 1.7.2017 RM'000	Additions RM'000	Amortisation charge for the financial year RM'000	Exchange differences RM'000	Balance as at 30.6.2018 RM'000
Carrying amount					
Goodwill	14,225	-	-	(703)	13,522
Rights and concession	32,785	-	(1,987)	-	30,798
Development of oil and gas assets	115,777	148,186	(29,643)	-	234,320
Development of prototypes	1,619	-	(202)	-	1,417
Intellectual property	5,776	-	(1,448)	(262)	4,066
Computer software	3,731	2,115	(1,375)	(226)	4,245
	173,913	150,301	(34,655)	(1,191)	288,368

Group	At 30.6.2018		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	19,961	(6,439)	13,522
Rights and concession	39,131	(8,333)	30,798
Development of oil and gas assets	304,123	(69,803)	234,320
Development of prototypes	3,034	(1,617)	1,417
Intellectual property	14,321	(10,255)	4,066
Computer software	23,613	(19,368)	4,245
	404,183	(115,815)	288,368

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.

7. INTANGIBLE ASSETS (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
Malaysia	509	509
Australia and New Zealand	13,212	12,714
Other Asian countries	241	299
	13,962	13,522

The Group tests goodwill for impairment annually. 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:

	2019 %	2018 %
Growth rates:		
Malaysia	5.0	5.0
Australia and New Zealand	10.0	10.0
Other Asian countries	10.0	10.0
Pre-tax discount rate	9.3	8.1

The management believes that there is no reasonable 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 goodwill assessed as at 30 June 2019 as their recoverable amounts were in excess of their carrying amounts.

Judgement is required in the estimation of the present value of future cash flows generated by the CGU, which involve uncertainties and are affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could affect the results of the Group's tests for impairment of goodwill.

- (b) Rights and concession represent capitalisation of contribution fees 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 in 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 useful life of the PSC, which is twenty (20) years.

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

- (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 commencing from the date they are available for use. The principal amortisation periods used are as follow:
- | | |
|---------------------------|--------------|
| Development of prototypes | 5 - 15 years |
|---------------------------|--------------|
- (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 is not integral to the 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	
	2019 RM'000	2018 RM'000
Unquoted equity shares, at cost	644,895	639,695
Equity loan/Advances to subsidiaries	1,399,048	1,454,106
	2,043,943	2,093,801

- (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.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Equity loan/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.

(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
		2019	2018	
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.
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.

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
		2019	2018	
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.
Dialog Terminals Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
*Dialog Terminals Operations Sdn. Bhd.	Malaysia	100%	-	Provision of terminals management and operational services.
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.
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	100%	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 and investment holding.
@PT. Dialog Sistemindo	Indonesia	90%	90%	Provision of marketing of specialty chemicals and equipment and technical support services.
@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.

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
		2019	2018	
Subsidiaries of Dialog Systems (Asia) Pte. Ltd. (continued)				
@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.
@Dialog Fitzroy Limited (formerly known as Fitzroy Engineering Group Limited)	New Zealand	88%	88%	Provision of heavy fabrication & multi-disciplined engineering.
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	100%	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 Co. 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 Co. Ltd.	Kingdom of Saudi Arabia	60%	60%	Provision of logistic services of a supply base and trading of base oil.
Dialog Marine (Labuan) Ltd.	Malaysia	100%	100%	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
		2019	2018	
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%	100%	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%	Dormant.
*Cendana Sutera Sdn. Bhd.	Malaysia	100%	100%	Undergoing a voluntary strike off process.
Idaman Tropikal Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Corak Dahlia Sdn. Bhd.	Malaysia	100%	100%	Dormant.
*Emas Merdu Sdn. Bhd.	Malaysia	-	100%	Struck off.
*Dialog Mall Sdn. Bhd.	Malaysia	-	100%	Struck off.
*Tempo Setara Sdn. Bhd.	Malaysia	-	100%	Struck off.
Subsidiary of Dialog Services Pte. Ltd.				
*EC-Dialog Pte. Ltd.	Singapore	100%	100%	Investment holding.
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.	Malaysia	60%	60%	Provision of payment system and services, IT systems and other IT services.

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
		2019	2018	
Subsidiaries of Dialog Pengerang Sdn. Bhd.				
Pengerang Marine Operations Sdn. Bhd.	Malaysia	100%	100%	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 Dialog Fitzroy Limited (formerly known as Fitzroy Engineering Group Limited)				
@Dialog Fitzroy Australia Pty. Ltd. (formerly known as Fitzroy Engineering Australia Pty. Ltd.)	Australia	88%	88%	Provision of heavy fabrication and multi-disciplined engineering.
@Dialog Fitzroy Tower Services Limited (formerly known as Fitzroy Tower Services Limited)	New Zealand	89%	89%	Provision of power pylon painting services.
@Fineline Services Limited	New Zealand	88%	88%	Provision of plate profile cutting services.
@104 Dixon Street Limited	New Zealand	88%	-	Property development.
Subsidiary of DIV Services Sdn. Bhd.				
DIV Systems Sdn. Bhd.	Malaysia	39%	39%	Providing and operating payment system and other IT 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.

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
		2019	2018	
Subsidiaries of Dialog Equity (Two) Sdn. Bhd.				
[^] Pengerang Terminals (Five) Sdn. Bhd.	Malaysia	-	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%	100%	Specialised in catalyst handling, research and engineering.
Subsidiaries of Dialog Terminals Sdn. Bhd.				
Dialog Terminals Langsat (1) Sdn. Bhd. (formerly known as Langsat Terminal (One) Sdn. Bhd.)	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
Dialog Terminals Langsat (2) Sdn. Bhd. (formerly known as Langsat Terminal (Two) Sdn. Bhd.)	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
Dialog Terminals Langsat (3) Sdn. Bhd. (formerly known as Langsat Terminal (Three) Sdn. Bhd.)	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
Pengerang CTF Sdn. Bhd.	Malaysia	100%	100%	Provision of common tankage facilities.
[^] Pengerang Terminals (Five) Sdn. Bhd.	Malaysia	100%	-	Provision of tank terminal storage facilities and handling services.

+ Details of incorporation and deregistration of subsidiaries during the financial year are disclosed in Note 35 to the financial statements.

@ Subsidiaries audited by BDO member firms.

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

[^] Pengerang Terminals (Five) Sdn. Bhd. was formerly a subsidiary of Dialog Equity (Two) Sdn. Bhd. and became a subsidiary of Dialog Terminals Sdn. Bhd. during the financial year.

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. 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 2019 and 30 June 2018.

(f) Acquisition of subsidiary during the financial year ended 30 June 2019

In June 2019, Fitzroy Engineering Group Limited ("FEG"), an 88% subsidiary of the Group, acquired the remaining 40% equity interest in 104 Dixon Street Limited ("Dixon") for a total cash consideration of NZD1,360,000 (equivalent to RM3,749,520). Pursuant to that, Dixon became a wholly owned subsidiary of FEG. The Group then changed FEG's name to Dialog Fitzroy Limited.

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

	Note	At date of acquisition RM'000
Property, plant and equipment	5	10,296
Receivables		87
Cash and bank balances		19
Payables		(1,028)
Total identified net assets		9,374
Total deemed purchase consideration		9,374
Less: Carrying value of interest in a joint venture previously held	9(f)(vi)	(5,624)
Purchase consideration		3,750
Cash and cash equivalents of a subsidiary acquired		(19)
Net cash outflow of the Group on acquisition		3,731

Had the acquisition occurred on 1 July 2018, the revenue and profit after tax of the Group for the financial year ended 30 June 2019 would have been RM2,386,453,000 and RM551,868,000 respectively.

(g) Accretion of interests in subsidiaries during the financial year ended 30 June 2019

In August 2018, Dialog Engineering Pte. Ltd. ("DEPL"), an indirect owned subsidiary of the Company, acquired an additional 10% equity interest in Dialog Plant Services Pte. Ltd. ("DPSPL") for a total cash consideration of SGD11,006 (equivalent to RM33,018).

Subsequently in the same month, Dialog Systems (Asia) Pte. Ltd. ("DSAPL"), a wholly owned subsidiary of the Company, acquired the remaining 11.48% equity interest in DEPL for a total cash consideration of SGD1,841,514 (equivalent to RM5,524,542). Pursuant to that, DEPL and DPSPL became direct and indirect wholly owned subsidiaries of DSAPL respectively.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(h) Acquisition of subsidiary during the financial year ended 30 June 2018

In September 2017, the Company acquired the remaining 45% equity interest, which represented 4,500,000 ordinary shares and 10,800 redeemable preference shares, in a former joint venture company, Centralised Terminals Sdn. Bhd. ("CTSB") for a total cash consideration of RM137,015,577. In addition, the Company also took over the portion of shareholders loan, including principal and accrued interest, amounting to RM55,984,423. Pursuant to that, CTSB became a wholly owned subsidiary of the Group. The Group then changed CTSB's name to Dialog Terminals Sdn. Bhd. ("DTSB").

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

	Note	At date of acquisition RM'000
Property, plant and equipment	5	638,561
Receivables		9,303
Cash and bank balances		86,129
Payables		(172,956)
Borrowings		(214,481)
Total identified net assets		346,556
Non-controlling interests		(42,076)
Total deemed purchase consideration		304,480
Less: Carrying value of interest in a joint venture previously held	9(f)(vii)	(101,874)
Less: Fair value gain on deemed disposal of a joint venture	9(f)(vii)	(65,590)
Purchase consideration		137,016
Cash and cash equivalents of a subsidiary acquired		(86,129)
Net cash outflow of the Group on acquisition		50,887

Following the acquisition of DTSB, the Group determined the fair values of identifiable assets and liabilities via a purchase price allocation exercised performed by the management within the measurement period. The initial provisional goodwill has therefore been remeasured.

Had the acquisition occurred on 1 July 2017, the revenue and profit after tax of the Group for the financial year ended 30 June 2018 would have been RM3,139,216,000 and RM534,037,000 respectively.

(i) Accretion of interests in subsidiaries during the financial year ended 30 June 2018

In June 2018, DTSB acquired the remaining 20% equity interest, which represented 4,000,000 ordinary shares and 2,200,000 ordinary shares, in Langsat Terminal (One) Sdn. Bhd. ("LGT 1") and Langsat Terminal (Two) Sdn. Bhd. ("LGT 2") respectively for a total cash consideration of RM62,581,352. In addition, DTSB also took over the portion of shareholders loan, including principal and accrued interest, amounting to RM32,418,648. Consequently, LGT 1 and LGT 2 became 100% owned indirect subsidiaries of the Group. The Group then changed LGT 1 and LGT 2's names to Dialog Terminals Langsat (1) Sdn. Bhd. and Dialog Terminals Langsat (2) Sdn. Bhd. respectively.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Group	
	2019 RM'000	2018 RM'000
Joint ventures		
Unquoted equity shares, at cost	1,132,224	991,302
Advances to a joint venture	74,728	78,278
Share of post acquisition reserves, net of the Group's unrealised profit and dividends	165,428	105,957
Exchange differences	119	(677)
	1,372,499	1,174,860
Associates		
Unquoted equity shares, at cost	179,307	242,335
Advances to an associate	503,292	581,028
Share of post acquisition reserves, net of the Group's unrealised profit and dividends	85,339	44,393
Exchange differences	(2,986)	539
	764,952	868,295
	2,137,451	2,043,155

- (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.
- (b) Impairment assessment
- The recoverable amounts of these investments were determined based on the value-in-use model where judgements and estimates have been made on their future results and key assumptions applied to cash flow forecasts. These key assumptions include forecast growth in future revenue, operating profit margins and an appropriate pre-tax discount rate.
- Management has determined that the recoverable amounts are in excess of the carrying amounts of these investments and no impairment loss has been recorded in the financial statements.
- (c) 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 2019 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 2019.
- (d) Advances to a joint venture are unsecured, settlement is neither planned nor likely to occur in the foreseeable future and interest-free.
- (e) Advances to an associate are unsecured, settlement is neither planned nor likely to occur in the foreseeable future. These advances bear interest at a fixed rate of 6.50% (2018: 6.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) 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
		2019	2018	
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.
*BC Petroleum Sdn. Bhd.	Malaysia	32%	32%	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.
104 Dixon Street Limited	New Zealand	-	53%	Property development.
Subsidiary of Pengerang Terminals Sdn. Bhd.				
Pengerang Independent Terminals Sdn. Bhd.	Malaysia	46%	46%	Provision of independent petroleum terminal facilities for the handling, storage, processing and distribution of oil, petroleum and petrochemical products.

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

- (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.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

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

	Pengerang Terminals Sdn. Bhd. and its subsidiary		Pengerang Terminals (Two) Sdn. Bhd.	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets				
Non-current assets	2,554,734	2,247,137	4,104,978	3,492,984
Cash and cash equivalents	146,291	119,267	519,084	47,784
Other current assets	44,997	27,650	152,359	200,328
Total assets	2,746,022	2,394,054	4,776,421	3,741,096
Liabilities				
Non-current financial liabilities (excluding trade and other payables)	965,965	1,070,895	2,581,250	1,923,040
Other non-current liabilities (including trade and other payables)	-	3	71,201	69,650
Financial liabilities (excluding trade and other payables)	133,411	165,243	-	-
Other current liabilities (including trade and other payables)	180,471	20,962	277,152	86,860
Total liabilities	1,279,847	1,257,103	2,929,603	2,079,550
Net assets	1,466,175	1,136,951	1,846,818	1,661,546
Results				
Revenue	183,527	221,327	567,501	40,510
Depreciation of property, plant and equipment	(75,456)	(68,953)	(113,517)	(14,571)
Interest income	2,088	1,664	4,661	1,643
Interest expense	(55,494)	(60,577)	(47,808)	-
Tax expense	(769)	(659)	(835)	(400)
Profit for the financial year	14,694	51,502	282,034	12,686
Other comprehensive income/(loss)	24,068	(18,218)	(187,176)	(35,984)
Total comprehensive income/(loss)	38,762	33,284	94,858	(23,298)

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

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

	Pengerang Terminals Sdn. Bhd. and its subsidiary		Pengerang Terminals (Two) Sdn. Bhd.	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Share of net assets	747,749	579,845	461,705	415,386
Adjustment for unrealised profits, foreign currency translation and others	(64,510)	(64,733)	62,353	75,630
Carrying amount	683,239	515,112	524,058	491,016
Share of results for the financial year				
Share of profit or loss	7,494	26,266	70,509	3,172
Share of other comprehensive income/(loss)	12,274	(9,291)	(46,794)	(8,996)
Share of total comprehensive income/(loss)	19,768	16,975	23,715	(5,824)

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

	Group	
	2019 RM'000	2018 RM'000
Carrying amounts of interests in joint ventures	165,202	168,732
Share of results for the financial year		
Share of profit or loss	43,537	52,651
Share of other comprehensive income	-	-
Share of total comprehensive income	43,537	52,651
Dividend income from joint ventures	37,500	51,000

- (vi) Deemed disposal of a joint venture during the financial year ended 30 June 2019

In June 2019, Fitzroy Engineering Group Limited ("FEGFL"), an 88% subsidiary of the Group, acquired the remaining 40% equity interest in 104 Dixon Street Limited ("Dixon") for a total cash consideration of NZD1,360,000 (equivalent to RM3,749,520). Pursuant to that, Dixon became a wholly owned subsidiary of FEGFL. The Group then changed FEGFL's name to Dialog Fitzroy Limited.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

(vi) Deemed disposal of a joint venture during the financial year ended 30 June 2019 (continued)

The details of the deemed disposal are as follows:

Group	Note	At date of disposal RM'000
Cost of investment		6,291
Share of post-acquisition reserves		(667)
Share of interest in joint venture	8(f)	5,624
Fair value of interest held		(5,624)
Fair value gain on deemed disposal		-

(vii) Deemed disposal of a joint venture during the financial year ended 30 June 2018

In September 2017, the Company acquired the remaining 45% equity interest, which represented 4,500,000 ordinary shares and 10,800 redeemable preference shares, in Centralised Terminals Sdn. Bhd. ("CTSB") for a total cash consideration of RM137,015,577. In addition, the Company also took over its portion of shareholders loan, including principal and accrued interest, amounting to RM55,984,423. Pursuant to that, CTSB became a wholly owned subsidiary of the Group. The Group then changed CTSB's name to Dialog Terminals Sdn. Bhd. ("DTSB").

The details of the deemed disposal are as follows:

Group	Note	At date of disposal RM'000
Cost of investment		18,732
Share of post-acquisition reserves		83,142
Share of interest in joint venture	8(h)	101,874
Fair value of interest held		(167,464)
Fair value gain on deemed disposal	8(h)	(65,590)

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(g) 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
		2019	2018	
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.
Associate of Dialog OTEC Pte. Ltd.				
*Dialog OTEC E and C Inc.	Philippines	32%	32%	Construction services.

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

(ii) The Group does not have any associate, which is individually material to the Group for both financial years ended 30 June 2019 and 30 June 2018.

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

	Group	
	2019 RM'000	2018 RM'000
Carrying amounts of interests in associates	764,952	868,295
Share of results for the financial year		
Share of profit or loss	58,562	47,032
Share of other comprehensive income	-	-
Share of total comprehensive income	58,562	47,032
Dividend income from associates	19,626	-

10. OTHER INVESTMENTS

	Group	
	2019 RM'000	2018 RM'000
Financial assets at fair value through other comprehensive income		
- Unquoted shares in Malaysia	4,082	4,082
- Unquoted shares outside Malaysia	2,566	2,501
	6,648	6,583

- (a) On 1 July 2018, the equity securities were classified as financial assets at fair value through other comprehensive income pursuant to MFRS 9 *Financial Instruments*. The adoption of this Standard did not have any material effect on the financial performance or position of the Group. The fair value of other investments of the Group are categorised as Level 3 in the fair value hierarchy.
- (b) Prior to 1 July 2018, the equity securities were classified as available-for-sale financial assets measured at fair value pursuant to MFRS 139 *Financial Instruments: Recognition and Measurement*.
- (c) All regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.
- (d) The following table shows a reconciliation of Level 3 fair values of other investments:

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 July	6,583	4,467
Addition during the financial year	-	2,290
Exchange differences	65	(174)
Balance as at 30 June	6,648	6,583

- (e) Fair values of investments in unquoted shares are estimated based on the price to book valuation model.
- (f) 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 statements of financial position:

	Group	
	2019 RM'000	2018 RM'000
Deferred tax assets	50,324	56,866
Deferred tax liabilities	(4,978)	(5,846)
	45,346	51,020

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

	Note	Group	
		2019 RM'000	2018 RM'000
Balance as at 1 July		51,020	58,249
Recognised in profit or loss			
– property, plant and equipment		634	1,078
– amounts due from customers for contract works		5,144	(10,533)
– unabsorbed capital allowances		75	118
– unused tax losses		(27,149)	29,552
– accrued liabilities		18,294	(16,845)
– unrealised profits		(2,936)	(9,562)
– other deductible temporary differences		163	(1,015)
Exchange differences	26	(5,775)	(7,207)
		101	(22)
Balance as at 30 June		45,346	51,020

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	
	2019 RM'000	2018 RM'000
Deferred tax assets		
Unused tax losses	7,715	34,864
Unabsorbed capital allowances	8,265	8,190
Unrealised profits	12,440	15,376
Accrued liabilities	32,681	14,387
Other deductible temporary differences	637	474
Deferred tax assets (before off-setting)	61,738	73,291
Offsetting	(11,414)	(16,425)
Deferred tax assets (after off-setting)	50,324	56,866
Deferred tax liabilities		
Property, plant and equipment	9,301	10,036
Amounts due from customers for contract works	7,091	12,235
Deferred tax liabilities (before off-setting)	16,392	22,271
Offsetting	(11,414)	(16,425)
Deferred tax liabilities (after off-setting)	4,978	5,846

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

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2019 RM'000	2018 RM'000
Taxable temporary differences	(324,117)	(286,899)
Unabsorbed tax allowances	625,728	625,728
Unabsorbed capital allowances	1,827	984
Accrued liabilities	4,262	2,607
Unused tax losses		
- No expiry date	-	21,365
- Expires by 30 June 2019	12,777	12,087
- Expires by 30 June 2020	270	-
- Expires by 30 June 2024	-	1,771
- Expires by 30 June 2025	23,350	-
	344,097	377,643

For the Malaysian entities, the unused tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unused tax losses for the year of assessment 2019 onwards will expire in 7 years. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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.

12. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Non-current assets: Amounts owing by subsidiaries	502,471	536,936
Current assets: Amounts owing by subsidiaries	157,397	138,960

- (a) Amounts owing by subsidiaries are classified as financial assets measured at amortised cost.
- (b) The non-current amounts owing by subsidiaries represent unsecured advances of RM450,157,000 (2018: RM510,476,000), which bear interest at rates ranging from 4.50% to 6.02% (2018: 2.07% to 6.01%) per annum. The advances together with the interest receivable thereon, which amounted to RM502,471,000 (2018: RM536,936,000) are not payable within the next twelve months.
- (c) The current amounts owing by subsidiaries are non-trade in nature, unsecured, payable within twelve (12) months in cash and cash equivalents and interest-free except for an amount of RM155,452,000 (2018: RM131,836,000) owing by subsidiaries, which bears interest at rates ranging from 4.54% to 4.78% (2018: 4.48% to 4.76%) per annum.
- (d) The foreign currency exposure of amounts owing by subsidiaries of the Company are as follows:

	Company	
	2019 RM'000	2018 RM'000
New Zealand Dollar	-	1,508

NOTES TO THE FINANCIAL STATEMENTS

12. AMOUNTS OWING BY SUBSIDIARIES (CONTINUED)

- (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 2019				
Fixed rate	4.50	-	113,218	113,218
Floating rate	4.73	155,452	336,939	492,391
30 June 2018				
Fixed rate	4.69	-	259,272	259,272
Floating rate	4.47	131,836	251,204	383,040

- (f) Impairment for receivables from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 14(g) to the financial statements.
- (g) No expected credit loss is recognised arising from amounts owing by subsidiaries as the amount is negligible.

13. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At cost		
Construction materials	5,388	3,899
Trading inventories	90,205	88,517
	95,593	92,416

- (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 RM344,716,000 (2018: RM215,093,000).

14. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables					
Third parties		390,808	365,562	-	-
Amounts due from customers for contract works	15	458,920	306,775	-	-
		849,728	672,337	-	-
Less: Impairment losses		(2,368)	(114)	-	-
Total trade receivables		847,360	672,223	-	-
Other receivables					
Other receivables		43,996	42,300	85	93
Deposits		26,142	28,048	5	5
Total other receivables		70,138	70,348	90	98
Total receivables		917,498	742,571	90	98
Hedge derivative assets		46	15,368	-	342
Prepayments		9,636	9,944	51	53
		927,180	767,883	141	493

- (a) Total receivables are classified as financial assets measured at amortised cost. 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 (2018: 7 to 60 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
Euro	75	91
Singapore Dollar	552	6,757
Sterling Pound	-	6,208
United States Dollar	39,747	8,846

(d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probabilities of non-payments by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss ("ECL") for the trade receivables. The Group has identified the Bank Lending Rate ("BLR") and unemployment rate as the key macroeconomic factors. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss. On confirmation that the trade receivables would not be collectable, the gross carrying values of the assets would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Movements in the impairment allowance for trade receivables are as follows:

Group	*Total allowance RM'000
At 1 July 2018 under MFRS 139/Opening impairment loss in accordance with MFRS 9	114
Charge for the financial year	2,251
Exchange difference	3
At 30 June 2019	2,368

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment allowance for trade receivables are as follows (continued):

Group	*Total allowance RM'000
At 1 July 2017 under MFRS 139	48
Charge for the financial year	114
Reversal of impairment loss	(48)
At 30 June 2018	114

* Total allowance represent credit impaired allowance, which refer to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

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

Group	Gross carrying amount RM'000	Total allowance RM'000	Balance as at 30.6.2019 RM'000
2019			
Current	335,570	-	335,570
Past due			
61 to 90 days	28,162	-	28,162
91 to 120 days	9,627	-	9,627
More than 120 days	17,449	(2,368)	15,081
	55,238	(2,368)	52,870
	390,808	(2,368)	388,440
2018*			
Current	325,848	-	325,848
Past due			
61 to 90 days	14,933	-	14,933
91 to 120 days	11,160	-	11,160
More than 120 days	13,621	(114)	13,507
	39,714	(114)	39,600
	365,562	(114)	365,448

* Comparative information as required under MFRS 139 *Financial Instrument: Recognition and Measurement*.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (f) Included in trade receivables is total retention sum for contract works amounting to RM24,495,000 (2018: RM7,332,000).
- (g) Impairment of other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit loss along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit loss along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit loss along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the other receivables, changes to contractual terms, payment delays and past due information.

The probabilities of non-payments by other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for the other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward looking information and significant increase in credit risk.

- (h) No expected credit loss is recognised arising from other receivables as the amount is negligible.
- (i) 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 was no transfer between levels in the hierarchy during the financial year.
- (j) 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	
		2019 RM'000	2018 RM'000
Amounts due from customers for contract works	14	458,920	306,775
Amounts due to customers for contract works	21	(62,063)	(92,820)
		396,857	213,955

- (a) Amount due from/(to) customers for contract works represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect approximate physical completion of the contracts.

Amount due from customers for contract works are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Amount due to customers for contract works are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the amount due from/(to) customers for contract works during the financial year.

- (b) The effect on adoption of MFRS 15 *Revenue from Contract with Customers* is negligible.
- (c) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period are within two (2) years.

The aggregate amount of the performance obligations that are unsatisfied as of the end of the reporting period has not been disclosed as the Group has applied the exemption in paragraph 121(b) of MFRS 15.

- (d) Impairment for amounts due from customers from contract works that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 14(d) to the financial statements.
- (e) No expected credit loss is recognised arising from amounts due from customers for contract works as the amount is negligible.

NOTES TO THE FINANCIAL STATEMENTS

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

- (a) Amounts owing by/(to) joint ventures and associates are classified as financial assets/(financial liabilities) measured at amortised cost.
- (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 within next twelve (12) months in cash and cash equivalents.
- (c) The foreign currency exposure of amount owing by an associate of the Group is as follows:

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	3,529	-

- (d) Impairment for receivables from amounts owing by joint ventures and associates are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 14(g) to the financial statements.
- (e) No expected credit loss is recognised arising from amounts owing by joint ventures and associates as the amount is negligible.
- (f) The maturity profile of amounts owing to joint ventures and associates of the Group at the end of reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

17. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	551,294	822,118	23,035	11,737
Deposits with licensed banks (not more than three months)	333,109	442,848	79,191	53,911
As reported in the statements of financial position	884,403	1,264,966	102,226	65,648
Less:				
Bank balances and deposits pledged to licensed banks	(30,054)	(23,940)	-	-
Cash and cash equivalents included in the statements of cash flows	854,349	1,241,026	102,226	65,648

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) Deposits with licensed banks of the Group and of the Company have an average maturity period of 30 days (2018: 30 days).

17. CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Australian Dollar	342	352	-	-
Euro	1,308	1,158	-	-
India Rupees	2,734	-	-	-
Japanese Yen	294	738	-	-
Korean Won	6	12	-	-
New Zealand Dollar	63	45	-	-
Papua New Guinea Kina	32	31	-	-
Singapore Dollar	8,087	3,441	-	-
Sterling Pound	1,874	3,101	-	-
Thai Baht	736	660	-	-
United States Dollar	65,958	102,129	291	6,349

(d) The bank balances and deposits pledged to licensed banks are for bank guarantees and term loans granted to certain subsidiaries as disclosed in Note 20(i) to the financial statements.

(e) 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	
	2019 %	2018 %	2019 %	2018 %
Fixed rates	3.21	3.32	3.64	3.70

(f) No expected credit losses were recognised arising from the cash and bank balances and deposits with financial institutions because the probability of default by these financial institutions were negligible.

NOTES TO THE FINANCIAL STATEMENTS

18. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued and fully paid				
Balance as at 1 July	5,641,642	1,684,287	5,592,004	1,601,179
Issuance of ordinary shares pursuant to:				
- ESOS exercised	-	-	49,638	83,109
Share issue expenses	-	(161)	-	(1)
Balance as at 30 June	5,641,642	1,684,126	5,641,642	1,684,287

- (a) The Company did not issue any new shares or debentures during the financial year.
- (b) Of the total 5,641,642,303 (2018: 5,641,642,303) issued and fully paid ordinary shares as at 30 June 2019, 3,335,032 (2018: 3,335,032) ordinary shares purchased for RM3,624,613 (2018: 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 5,638,307,271 (2018: 5,638,307,271).
- (c) During the previous financial year ended 30 June 2018, the issued and fully paid-up ordinary share capital of the Company had increased from 5,592,004,153 ordinary shares to 5,641,642,303 ordinary shares by way of issuance of 49,638,150 new ordinary shares pursuant to 49,638,150 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices ranging from RM0.32 to RM1.58 per ordinary share for cash.
- (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.

19. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:				
Exchange translation reserve	164,318	145,599	-	-
Hedging reserve	(72,570)	(35)	-	-
	91,748	145,564	-	-
Distributable:				
Retained earnings	2,018,983	1,674,715	674,422	536,392
	2,110,731	1,820,279	674,422	536,392

19. RESERVES (CONTINUED)

(a) 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.

(b) 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.

20. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured				
Term loans				
- non-current	585,027	641,512	-	-
- current	125,379	144,365	-	-
	710,406	785,877	-	-
Unsecured				
Term loans				
- non-current	605,368	496,240	148,750	321,250
- current	215,430	186,995	172,500	164,750
Revolving credits				
- non-current	127,780	95,000	127,780	95,000
- current	15,379	46,182	-	35,290
	963,957	824,417	449,030	616,290
Total borrowings	1,674,363	1,610,294	449,030	616,290
Represented by:				
- non-current	1,318,175	1,232,752	276,530	416,250
- current	356,188	377,542	172,500	200,040
	1,674,363	1,610,294	449,030	616,290

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Term loan agreements entered into by the Group and the Company include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.
- (c) The borrowings of the Group and of the Company are denominated in the following currencies:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
New Zealand Dollar	33,894	26,755	-	-
Ringgit Malaysia	1,082,050	967,216	449,030	581,000
Saudi Riyal	33,034	53,668	-	-
Sterling Pound	760	-	-	-
United States Dollar	524,625	562,655	-	35,290
	1,674,363	1,610,294	449,030	616,290

- (d) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group and the Company for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group and the Company based on its size and its business risk. The fair value of the borrowings of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the financial year.
- (e) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	2019		2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Company				
Bank loans (fixed rates)	140,000	136,624	286,000	280,010

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

20. BORROWINGS (CONTINUED)

(f) The Group has the following outstanding interest rate swap contracts:

	Contract/Notional value		Net fair value (losses)/gains
	FC'000	RM'000	RM'000
2019			
With maturity 1 year to 3 years: Ringgit Malaysia		98,190	(243)
With maturity more than 3 years: United States Dollar	121,600	502,208	(4,552)

	Contract/Notional value		Net fair value (losses)/gains
	FC'000	RM'000	RM'000
2018			
With maturity 1 year to 3 years: Ringgit Malaysia		136,751	(82)
With maturity more than 3 years: United States Dollar	121,600	491,264	14,122

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (CONTINUED)

- (g) 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:

	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
Group						
30 June 2019						
Bank loans						
Fixed rates	5.16	140,000	-	-	-	140,000
Floating rates	4.77	216,188	362,513	715,593	240,069	1,534,363
30 June 2018						
Bank loans						
Fixed rates	4.91	146,000	140,000	-	-	286,000
Floating rates	4.44	231,542	190,048	667,176	235,528	1,324,294
Company						
30 June 2019						
Bank loans						
Fixed rates	5.16	140,000	-	-	-	140,000
Floating rates	4.68	32,500	189,030	87,500	-	309,030
30 June 2018						
Bank loans						
Fixed rates	4.91	146,000	140,000	-	-	286,000
Floating rates	4.47	54,040	32,500	243,750	-	330,290

20. BORROWINGS (CONTINUED)

- (h) 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:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
30 June 2019				
Bank loans	412,611	1,213,822	251,744	1,878,177
30 June 2018				
Bank loans	447,401	1,130,585	245,168	1,823,154
Company				
30 June 2019				
Bank loans	183,489	286,325	-	469,814
30 June 2018				
Bank loans	226,203	446,012	-	672,215

- (i) 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(d) to the financial statements.
- (j) Included in the borrowings of the Group is RM1,335,415,000 (2018: RM1,116,323,000) obtained under Islamic financing facilities.

NOTES TO THE FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables					
Third parties		778,322	818,562	-	-
Amounts due to customers for contract works	15	62,063	92,820	-	-
Total trade payables		840,385	911,382	-	-
Other payables					
Other payables		7,175	2,160	-	-
Accruals		197,269	160,599	1,495	1,947
Total other payables		204,444	162,759	1,495	1,947
Total payables		1,044,829	1,074,141	1,495	1,947
Hedge derivative liabilities		5,134	593	-	343
		1,049,963	1,074,734	1,495	2,290

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost 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 ranged from 7 to 60 days (2018: 7 to 60 days).
- (c) The foreign currency exposure of trade and other payables of the Group are as follows:

	Group	
	2019 RM'000	2018 RM'000
Euro	89	149
Singapore Dollar	2,832	2,460
Sterling Pound	1,045	2,349
United States Dollar	7,579	1,385

21. TRADE AND OTHER PAYABLES (CONTINUED)

- (d) 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 was no transfer between levels in the hierarchy during the financial year.
- (e) 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.

- (f) 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.

22. 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	
	2019 RM'000	2018 RM'000
Not later than one (1) year	9,243	8,536
Later than one (1) year and not later than five (5) years	10,508	12,481
Later than five (5) years	10,550	11,991
	30,301	33,008

- (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

22. 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	
	2019 RM'000	2018 RM'000
Not later than one (1) year	930	2,345
Later than one (1) year and not later than five (5) years	159	318
	1,089	2,663

(b) Capital commitments

	Group	
	2019 RM'000	2018 RM'000
(i) Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	9,500	400
Contracted but not provided for	17,500	2,000
	27,000	2,400
(ii) Commitments in respect of tank terminal business	1,410,000	309,000
(iii) Commitments in respect of upstream business	74,340	91,045

23. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers:				
- Contract revenue	1,252,780	2,160,109	-	-
- Sale of products and services rendered	1,133,673	950,470	-	-
Other revenue:				
- Dividend income from subsidiaries	-	-	328,274	223,746
	2,386,453	3,110,579	328,274	223,746
Timing of revenue recognition:				
- Transferred over time	1,252,780	2,160,109	-	-
- Transferred at a point in time	1,133,673	950,470	-	-
	2,386,453	3,110,579	-	-

(a) Construction contracts

Revenue from construction contracts are recognised over the period of the contract using the output method by reference to the progress towards complete satisfaction of that performance obligation if control of the assets transfers over time. The output method recognises revenue on the basis of direct measurements of value of the customer of the construction work performed to date relative to the remaining construction work promised under the contract.

Contract revenue contributed 52% of the Group's revenue. Significant judgement is required in estimating the progress towards complete satisfaction of performance obligations, 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 over the period of the contract by reference to the progress towards complete satisfaction of that performance obligations over time.

Revenue from services rendered in the provision of tank terminal facilities for the oil, gas and petrochemical industry is recognised at a point in time in the profit or loss upon performance services.

(c) Sale of products

Revenue from sale of products is recognised at a point in time when the products have been transferred to the customers and coincide 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

24. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	1,221	1,128	60	53
- under provision in prior years	17	76	7	6
- Non-statutory audit	4	4	4	4
Amount owing by a subsidiary written off	-	-	6,978	-
Contract expenditure	980,831	2,001,582	-	-
Interest expense on:				
- bank loans	48,079	50,939	25,786	22,232
- bank overdraft	28	17	-	-
Rental expense of:				
- equipment	412	605	-	-
- premises	10,545	9,500	-	-
- storage tanks	1,488	2,812	-	-
And crediting:				
Gain on disposals of property, plant and equipment	1,385	16,004	-	-
Interest income from:				
- deposits with licensed banks	22,045	24,819	2,427	6,344
- advances to joint ventures	-	6,097	-	679
- advances to an associate	34,849	33,565	-	-
- advances to subsidiaries	-	-	29,559	21,096
Rental income	4,338	8,450	-	-

24. PROFIT BEFORE TAX (CONTINUED)

- (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.
- (c) Net gains and losses arising from financial instruments are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	54,643	64,415	31,986	28,119
Financial liabilities at amortised cost	(48,107)	(50,956)	(25,786)	(22,232)
	6,536	13,459	6,200	5,887

25. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company:				
Executive:				
Emoluments other than fees	17,863	13,036	-	-
Non-Executive:				
Fees	735	632	735	632
Other emoluments	353	151	263	98
Total	18,951	13,819	998	730

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM140,000 (2018: RM176,000).

NOTES TO THE FINANCIAL STATEMENTS

26. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense based on profit for the financial year:				
Malaysian income tax	80,015	81,911	1,386	908
Foreign income tax	17,734	14,560	-	-
Over provision in prior years	97,749 (2,845)	96,471 (3,879)	1,386 -	908 -
Deferred tax (Note 11)	94,904	92,592	1,386	908
Relating to origination and reversal of temporary differences	5,153	7,519	-	-
Under/(Over) provision in prior years	622	(312)	-	-
	5,775	7,207	-	-
Tax expense for the financial year	100,679	99,799	1,386	908
Share of tax of joint ventures and associates	11,623	9,876	-	-
Total tax expense including joint ventures and associates	112,302	109,675	1,386	908

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	552,317	528,293	324,095	228,451
Add: Total tax expense including joint ventures and associates	112,302	109,675	1,386	908
Profit before tax	664,619	637,968	325,481	229,359

26. 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 are as follows (continued):

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Applicable tax rate	24.0	24.0	24.0	24.0
Tax effects in respect of:				
Non allowable expenses	(1.5)	(4.4)	0.7	0.2
Tax exempt income	(1.5)	(0.8)	(24.3)	(23.8)
Lower tax rates in foreign jurisdiction	1.9	1.7	-	-
Deferred tax assets not recognised in loss making subsidiaries	-	0.1	-	-
Effect of different effective tax rate of the joint ventures and associates	(4.4)	(2.8)	-	-
Utilisation of previously unrecognised deferred tax assets	(1.2)	-	-	-
	17.3	17.8	0.4	0.4
(Over)/Under provision in prior years:				
- current tax	(0.4)	(0.6)	-	-*
- deferred tax	-*	-*	-	-
Average effective tax rate	16.9	17.2	0.4	0.4

* Percentage is immaterial to disclose

NOTES TO THE FINANCIAL STATEMENTS

26. TAX EXPENSE (CONTINUED)

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

	Group		
	Before tax RM'000	Tax effect RM'000	After tax RM'000
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	2,186	-	2,186
Fair value loss on cash flow hedge	(19,864)	-	(19,864)
Share of other comprehensive loss of joint ventures	(34,520)	-	(34,520)
	(52,198)	-	(52,198)
2018			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(25,159)	-	(25,159)
Fair value gain on cash flow hedge	15,887	-	15,887
Share of other comprehensive loss of a joint venture	(18,287)	-	(18,287)
	(27,559)	-	(27,559)

27. EARNINGS PER ORDINARY SHARE

- (a) The basic and 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 after deducting treasury shares.

	Group	
	2019	2018
Profit for the financial year attributable to ordinary equity holders of the parent (RM'000)	535,836	510,371
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,635,778
Basic earnings per ordinary share (sen)	9.50	9.06
Diluted earnings per ordinary share (sen)	9.50	9.06

- (b) Diluted earnings per ordinary share

The diluted earnings per ordinary share equal to basic earnings per ordinary share because there were no potential dilutive ordinary shares as at end of the reporting period.

28. DIVIDENDS

	Group and Company			
	2019		2018	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
Interim cash dividend paid	1.50	84,575	1.40	78,936
Final cash dividend proposed/paid	2.30*	130,000*	1.80	101,490
	3.80	214,575	3.20	180,426

The dividend per share is based on ordinary shares.

- * The Directors recommended a final cash dividend of 2.30 sen per ordinary share, amounting to approximately RM130,000,000 in respect of the financial year ended 30 June 2019, 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 2019 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 2020.

NOTES TO THE FINANCIAL STATEMENTS

29. EMPLOYEE BENEFITS

	Group	
	2019 RM'000	2018 RM'000
Salaries, wages, bonuses and allowances	297,818	263,595
Directors' remuneration:		
- emoluments other than fees	26,960	22,882
Defined contribution plans	22,244	19,126
Share options vested under ESOS:		
- Other employees	-	6,706
Other employee benefits	15,207	13,425
	362,229	325,734

30. EMPLOYEES' SHARE OPTION SCHEME

The ESOS was approved by the shareholders at the Annual General Meeting held on 14 November 2018 and came into effect on 3 December 2018. The ESOS shall be in force for a period of ten (10) years until 2 December 2028 ("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 2016 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 ordinary shares of the Company (excluding treasury shares, if any) 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;
- (d) The maximum number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's position, performance and length of service in the Company and its subsidiaries respectively, or such other matters that the ESOS Committee may in its discretion deem fit, 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 ordinary shares of the Company (excluding treasury shares, if any).

30. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The main features of the ESOS are as follows (continued):

- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee; and
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

The details of the option over ordinary shares of the Company was as follows:

Option price	Number of options over ordinary shares				Balance as at 30.6.2019
	Balance as at 1.7.2018	Granted	Retracted*	Exercised	
RM2.69	-	38,000,000	(691,400)	-	37,308,600

* Due to resignation.

None of the outstanding option is exercisable as at 30 June 2019.

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 option measured at grant date and the assumptions used are as follows:

	2019
Average share price at grant date (RM)	2.99
Exercise price (RM)	2.69
Fair value of share option (RM)	0.51
Risk free rate of interest (%)	4.10
Expected dividend yield (%)	1.73
Expected volatility (%)	27.57

NOTES TO THE FINANCIAL STATEMENTS

31. 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; and
 - (iv) DIV Services Sdn. Bhd. ("DIV Services"), DIV Systems Sdn. Bhd. ("DIV Systems") and Dialog Innovation Ventures Sdn. Bhd. ("DIV") and its subsidiaries (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.
- (b) The Group and the Company had the following transactions with related parties during the financial year:

	2019 RM'000	2018 RM'000
Group		
Transactions with joint ventures and associates:		
Dividend income	57,126	51,000
Interest income	34,849	39,662
Sub-contract works received	561,145	1,545,158
Tank rental expenses	-	(685)
Transactions with DIV Group:		
Provision of IT system and related services by DIV Services	7,529	9,997
Rental of premises to DIV Services	588	548
Company		
Transactions with subsidiaries:		
Dividend income	328,274	223,746
Interest income on advances	29,559	21,096
Transactions with a joint venture:		
Interest income on advances	-	679

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.

31. 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 29 to the financial statements.

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

	Group	
	2019 Number (‘000)	2018 Number (‘000)
Balance as at 1 July	-	19,421
Granted	2,372	-
Exercised	-	(19,421)
Balance as at 30 June	2,372	-

None of the above option is exercisable as at 30 June 2019.

The terms and conditions of the ESOS are detailed in Note 30 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 2019 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

32. 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 2019 and 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Capital management (continued)

The Group monitors capital utilisation on the basis of net 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 2019 and 30 June 2018 are as follows:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	20	1,674,363	1,610,294	449,030	616,290
Less: Cash and bank balances	17	(884,403)	(1,264,966)	(102,226)	(65,648)
Net debt		789,960	345,328	346,804	550,642
Total equity attributable to shareholders		3,791,232	3,500,941	2,354,923	2,217,054
Net debt-to-equity ratio		0.21	0.10	0.15	0.25

Pursuant to the requirements of Practice Note No. 17 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the share 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 2019.

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 RM81,434,000 (2018: RM111,667,000) and RM291,000 (2018: RM6,349,000) 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.

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

Subsidiaries operating 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 2019	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate FC/RM	Expiry date
Euro	1,181	5,574	4.72	01.07.2019 - 29.10.2019
Singapore Dollar	791	2,408	3.04	29.07.2019 - 12.03.2020
Sterling Pound	254	1,365	5.37	17.09.2019 - 30.12.2019
United States Dollar	6,172	25,657	4.16	01.07.2019 - 07.01.2020

Company 30 June 2019	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate FC/Baht	Expiry date
Sterling Pound	364	14,813	40.68	31.07.2019

NOTES TO THE FINANCIAL STATEMENTS

32. 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 2018	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate FC/RM	Expiry date
Euro	254	1,222	4.81	03.07.2018 – 07.12.2018
New Zealand Dollar	17	46	2.71	03.12.2018
Singapore Dollar	204	613	3.00	06.07.2018 – 12.07.2018
Sterling Pound	100	539	5.39	30.11.2018 – 28.02.2019
United States Dollar	14,462	57,802	4.00	06.07.2018 – 29.03.2019

Company 30 June 2018	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate FC/RM	Expiry date
New Zealand Dollar	17	46	2.71	03.12.2018
United States Dollar	21	83	3.95	06.08.2018

Sensitivity analysis for foreign currency risk

The net exposure to foreign currency risk of the Group and of the Company 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 and of the Company.

(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 and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's and the Company's bank borrowings, deposits placed with licensed banks and advances to its subsidiaries.

Sensitivity analysis for interest rate risk

The net exposure to interest rate risk of the Group and of the Company 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 and of the Company.

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group and of the Company also seeks to invest cash assets safely and profitably with approved financial institutions in line with the Group's and the Company'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% (2018: 22%) and 99% (2018: 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 and the Company 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 and the Company measure and forecast their cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's activities.

33. CONTINGENT LIABILITIES - UNSECURED

- (a) The Company provides corporate guarantees up to a total amount of RM1,774,481,000 (2018: RM1,155,743,000) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM1,062,654,000 as at 30 June 2019 (2018: RM791,255,000).
- (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 SGD106,658,000 (2018: SGD129,566,000), equivalent to RM326,373,000 (2018: RM383,514,000) for project financing secured by a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

33. CONTINGENT LIABILITIES – UNSECURED (CONTINUED)

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 statements 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.

34. MATERIAL LITIGATIONS

The Company and its wholly owned subsidiary, Dialog Pengerang Sdn. Bhd. have received a Writ and Statement of Claim dated 18 April 2019 ("the Suit") from Teguh Kemajuan Sdn. Bhd. ("TKSB").

TKSB was the owner of a piece of land held under GRN82359 Lot 1208 Mukim Pengerang, District of Kota Tinggi, Johor, which was previously compulsorily acquired by the State Government of Johor as part of the land forming part of Pengerang Independent Terminals Sdn. Bhd. ("PITSB")'s land. The land acquisition was completed in April 2013. PITSB, a joint venture company between DIALOG, Vopak Group and the State Government of Johor, is currently operating an independent storage terminal.

TKSB had challenged the compulsory land acquisition under a judicial review, which has been dismissed by the courts and TKS B has exhausted its rights of appeal. In addition to the judicial review, TKS B also challenged the original compulsory land acquisition price awarded. TKS B was successfully awarded a higher price in January 2018. However, TKS B is appealing against this decision at the Federal Court and the matter is pending the appeal.

TKSB is now claiming against the Company, amongst others, for conspiracy to injure TKS B by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others, damages in the sum of US\$1,354,262,406 (or its equivalent in Ringgit Malaysia at the time of judgment or payment) as the projected profits which would have been gained by TKS B if TKS B had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just.

The Company and Dialog Pengerang Sdn. Bhd. have filed their respective applications to strike out the suit.

The Suit did not have ANY material impact on the operational and financial position of the Group for the financial year ended 30 June 2019.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) In September 2018, Emas Merdu Sdn. Bhd. (“EMAS”), a dormant indirect wholly owned subsidiary, obtained confirmation that its application for a voluntary strike off had been completed. EMAS has ceased to be an indirect wholly owned subsidiary of the Group.
- (b) In February 2019, Dialog Mall Sdn. Bhd. (“DMSB”) and Tempo Setara Sdn. Bhd. (“TSSB”), both dormant indirect wholly owned subsidiaries, obtained confirmation that their application for a voluntary strike off had been completed. DMSB and TSSB have ceased to be indirect wholly owned subsidiaries of the Group.
- (c) In February 2019, the Company incorporated a wholly owned subsidiary Dialog Terminals Operations Sdn. Bhd. (“DTOSB”). DTOSB currently has a share capital of RM300,000 divided into 300,000 ordinary shares and its principal activities is to provide terminals management and operational services.

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

In August 2019, Dialog D & P Sdn. Bhd. (“DDPSB”), a wholly owned subsidiary of the Company, acquired an additional 25% equity interest in Halliburton Bayan Petroleum Sdn. Bhd. (“HBP”) for a total cash consideration of USD8.22 million, equivalent to approximately RM34.5 million. Pursuant to that, DDPSB now holds 75% equity interest in HBP and HBP is now a subsidiary of the Group.

37. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

37.1 New MFRSs adopted during the financial year

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

Title	Effective Date
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

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company except for the classification of financial assets and financial liabilities as disclosed in Notes 10, 12, 14, 15, 16, 17, 20 and 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

37.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021

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

DIALOG

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