



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

Interim Financial Statements  
For The Financial Period Ended  
31 March 2019

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**INTERIM FINANCIAL REPORT**


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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 31 MARCH 2019**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2019	31/03/2018	31/03/2019	31/03/2018
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		636,608	867,371	1,937,113	2,503,453
Operating expenses		(530,186)	(756,289)	(1,600,353)	(2,214,867)
Other operating income		17,100	17,438	49,189	65,158
Fair value gain on deemed disposal of a joint venture	A16	-	-	-	65,590
Share of profit of joint ventures and associates, net of tax		57,203	31,752	128,996	97,734
Finance costs		(12,021)	(12,132)	(36,681)	(37,805)
<b>Profit before tax</b>		168,704	148,140	478,264	479,263
Tax expense		(23,496)	(25,772)	(74,713)	(72,446)
<b>Profit for the period</b>		<u>145,208</u>	<u>122,368</u>	<u>403,551</u>	<u>406,817</u>
<b>Profit for the period attributable to:</b>					
Owners of the parent		143,706	118,837	395,128	395,525
Non-controlling interests		1,502	3,531	8,423	11,292
		<u>145,208</u>	<u>122,368</u>	<u>403,551</u>	<u>406,817</u>
Basic earnings per ordinary share (sen)	B12	<u>2.55</u>	<u>2.11</u>	<u>7.01</u>	<u>7.02</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.55</u>	<u>2.11</u>	<u>7.01</u>	<u>7.02</u>

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

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2019	31/03/2018	31/03/2019	31/03/2018
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	B13	145,208	122,368	403,551	406,817
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		1,773	(10,890)	1,739	(23,070)
Cash flow hedge		(6,257)	7,084	(11,486)	10,844
Share of other comprehensive loss of joint ventures		(28,335)	(4,352)	(27,734)	(15,347)
<b>Other comprehensive loss for the period</b>		<u>(32,819)</u>	<u>(8,158)</u>	<u>(37,481)</u>	<u>(27,573)</u>
<b>Total comprehensive income for the period</b>		<u>112,389</u>	<u>114,210</u>	<u>366,070</u>	<u>379,244</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		111,974	113,821	356,861	375,106
Non-controlling interests		<u>415</u>	<u>389</u>	<u>9,209</u>	<u>4,138</u>
		<u>112,389</u>	<u>114,210</u>	<u>366,070</u>	<u>379,244</u>

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

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2019

	NOTE	31/03/2019 RM'000	30/06/2018 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,272,724	1,297,026
Development of tank terminals		448,268	306,018
Intangible assets		342,005	288,368
Investments in joint ventures and associates	B11	2,111,562	2,043,155
Other investments		6,625	6,583
Deferred tax assets		47,112	56,866
		<u>4,228,296</u>	<u>3,998,016</u>
<b>CURRENT ASSETS</b>			
Inventories		118,985	92,416
Trade and other receivables	A17	1,188,234	997,525
Current tax assets		10,925	12,311
Cash and cash equivalents	A18	1,150,718	1,264,966
		<u>2,468,862</u>	<u>2,367,218</u>
<b>TOTAL ASSETS</b>		<u><u>6,697,158</u></u>	<u><u>6,365,234</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		1,684,126	1,684,287
Treasury shares		(3,625)	(3,625)
Reserves		2,070,147	1,820,279
		3,750,648	3,500,941
Non-controlling interests		107,571	98,528
<b>TOTAL EQUITY</b>		<u><u>3,858,219</u></u>	<u><u>3,599,469</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,340,305	1,232,752
Deferred tax liabilities		5,132	5,846
		<u>1,345,437</u>	<u>1,238,598</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A19	1,061,619	1,074,755
Borrowings	B7	346,867	377,542
Current tax liabilities		85,016	74,870
		<u>1,493,502</u>	<u>1,527,167</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,838,939</u></u>	<u><u>2,765,765</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,697,158</u></u>	<u><u>6,365,234</u></u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u><u>66.5</u></u>	<u><u>62.1</u></u>

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

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2019**

	Attributable to owners of the parent					Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000		
<b>Balance as at 1 July 2018</b>	1,684,287	(3,625)	145,564	1,674,715	3,500,941	98,528	3,599,469
Total comprehensive (loss)/income for the period	-	-	(38,267)	395,128	356,861	9,209	366,070
Appropriation :							
Final dividend for FY2018	-	-	-	(101,490)	(101,490)	-	(101,490)
Dividend paid to non-controlling interests	-	-	-	-	-	(111)	(111)
Share issue expenses	(161)	-	-	-	(161)	-	(161)
Acquisition of shares from non-controlling interests	-	-	-	(5,503)	(5,503)	(55)	(5,558)
<b>Balance as at 31 March 2019</b>	<u>1,684,126</u>	<u>(3,625)</u>	<u>107,297</u>	<u>1,962,850</u>	<u>3,750,648</u>	<u>107,571</u>	<u>3,858,219</u>
<b>Balance as at 1 July 2017</b>	1,601,179	(3,625)	173,239	1,340,693	3,111,486	80,729	3,192,215
Total comprehensive (loss)/income for the period	-	-	(20,419)	395,525	375,106	4,138	379,244
Appropriation :							
Final dividend for FY2017	-	-	-	(81,755)	(81,755)	-	(81,755)
Share options vested under ESOS	-	-	4,826	-	4,826	1,880	6,706
Share options exercised	83,109	-	(9,826)	-	73,283	(1,880)	71,403
Share issue expenses	(1)	-	-	-	(1)	-	(1)
Acquisition of a subsidiary	-	-	-	-	-	42,077	42,077
Additional shares subscription from non-controlling interest	-	-	-	-	-	13,200	13,200
<b>Balance as at 31 March 2018</b>	<u>1,684,287</u>	<u>(3,625)</u>	<u>147,820</u>	<u>1,654,463</u>	<u>3,482,945</u>	<u>140,144</u>	<u>3,623,089</u>

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

## INTERIM FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	9 MONTHS ENDED	
	31/03/2019 RM'000	31/03/2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	478,264	479,263
Adjustments for :		
Depreciation and amortisation	97,048	74,998
Net interest income	(6,814)	(11,719)
Share of profit of joint ventures and associates	(128,996)	(97,734)
Share options vested under ESOS	-	6,706
Other non-cash items	2	(72,242)
Operating profit before working capital changes	439,504	379,272
Changes in working capital :		
Net change in inventories and receivables	(219,272)	(26,987)
Net change in payables	(15,686)	(160,858)
<b>Cash from operations</b>	204,546	191,427
Dividend and interest received	80,379	78,673
Tax paid	(58,028)	(52,572)
Tax refunded	52	7,008
<b>Net cash from operating activities</b>	226,949	224,536
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(50,887)
Acquisition of shares from non-controlling interests	(5,558)	-
Additions of intangible assets	(88,674)	(117,951)
Additions of other investment	-	(2,290)
Development of tank terminals	(142,250)	(5,971)
Investments in joint ventures and associates	(7,024)	(81,547)
Repayment of advances from a joint venture	-	229,123
Net change in deposits with licensed banks	(99,485)	(10,093)
Proceeds from disposal of property, plant and equipment	1,768	17,943
Purchases of property, plant and equipment	(36,107)	(178,155)
<b>Net cash used in investing activities</b>	(377,330)	(199,828)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED 31 MARCH 2019 (CONT'D)**

	<b>9 MONTHS ENDED</b>	
	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(35,939)	(37,632)
Share issue expenses	(161)	-
Dividend paid	(101,490)	(81,755)
Dividend paid to non-controlling interests	(111)	-
Additional shares subscription from non-controlling interests	-	13,200
Net drawdown/(Net repayment) of bank borrowings	68,737	(56,646)
Proceeds from issuances of shares	-	48,211
<b>Net cash used in financing activities</b>	<u>(68,964)</u>	<u>(114,622)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(219,345)	(89,914)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	1,241,026	1,413,536
Effects of exchange rate changes on cash and cash equivalents	6,440	(23,149)
	<u>1,247,466</u>	<u>1,390,387</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)</b>	<u>1,028,121</u>	<u>1,300,473</u>

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

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**INTERIM FINANCIAL REPORT**


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**NOTES TO THE INTERIM FINANCIAL REPORT****A EXPLANATORY NOTES PURSUANT TO MFRS 134****A1 Basis of preparation**

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

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

**A2 Changes in accounting policies**

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

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

**MFRSs, Amendments to MFRSs**

<b>Title</b>		<b>Effective Date</b>
Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification of MFRS 15		1 January 2018
MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2	<i>Classification and Measurement of Share based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22	<i>Foreign Currency and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140	<i>Transfers of Investment Property</i>	1 January 2018

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



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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D**

**A3 Auditors' report of preceding annual audited financial statements**

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

**A4 Seasonal or cyclical factors**

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 31 March 2019.

**A6 Material changes in estimates**

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

**A7 Debt and equity securities**

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

**A8 Dividends paid**

A final dividend of 1.80 sen per ordinary share, amounting to RM101,489,535 in respect of financial year ended 30 June 2018 was paid on 18 December 2018.

**A9 Property, plant and equipment**

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

**A10 Material events subsequent to the end of the interim period**

There were no material events subsequent to the current financial period ended 31 March 2019 and up to the date of this report, which is likely to substantially affect the profits of the Group.

**INTERIM FINANCIAL REPORT**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONT'D**

**A11 Operating segments**

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

The Group's operating segments for the financial period ended 31 March 2019 are as follows:

	<b>Malaysia</b>	<b>Asia</b>	<b>Australia &amp; New Zealand</b>	<b>Middle East</b>	<b>Other Countries</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment profits before tax</b>	428,670	6,324	7,366	36,135	(231)	478,264
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	1,295,137	233,076	210,173	192,358	6,369	1,937,113
<i>Inter-segment revenue</i>	8,600	16,355	4,696	-	-	29,651
<i>Depreciation and amortisation</i>	79,019	2,814	8,665	6,550	-	97,048
<i>Interest expense</i>	32,715	70	1,101	2,053	-	35,939
<i>Interest income</i>	40,691	1,530	14	518	-	42,753
<i>Share of profit of joint ventures and associates</i>	128,872	127	(3)	-	-	128,996
<b>Segment assets</b>	5,640,033	501,576	149,882	358,555	-	6,650,046
Deferred tax assets						47,112
<b>Total assets</b>						<u>6,697,158</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	2,104,241	1,033	6,288	-	-	2,111,562
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	25,045	1,740	7,856	1,466	-	36,107
- <i>Intangible assets</i>	88,628	33	13	-	-	88,674
- <i>Development of tank terminals</i>	142,250	-	-	-	-	142,250
- <i>Joint ventures and associates</i>	7,024	-	-	-	-	7,024
<b>Segment liabilities</b>	2,547,760	124,582	60,985	100,480	-	2,833,807
Deferred tax liabilities						5,132
<b>Total liabilities</b>						<u>2,838,939</u>

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D****A12 Changes in the composition of the Group**

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

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.

In February 2019, the Company incorporated Dialog Terminals Operations Sdn. Bhd. ("DTOSB"), a directly wholly owned subsidiary in Malaysia. DTOSB has a share capital of RM1,000 divided into 1,000 ordinary shares. The intended business of DTOSB is to provide terminals management and operational services.

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

**A13 Commitments**

	<b>31/03/2019</b>
	<b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	15,200
- contracted but not provided for	6,800
	<u>22,000</u>
Commitments of the Group in respect of tank terminal business	<u>1,572,000</u>
Commitments of the Group in respect of upstream business	<u>15,529</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	10,097
- later than one year and not later than five years	10,977
- after five years	10,774
	<u>31,848</u>
b) The Group as lessor	
- not later than one year	1,056
- later than one year and not later than five years	207
	<u>1,263</u>

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D**

**A14 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantees up to a total amount of RM1,766.3 million (as at 30.06.2018: RM1,155.7 million) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM1,036.6 million (as at 30.06.2018: RM791.3 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD112.3 million, equivalent to RM338.1 million (as at 30.06.2018: SGD129.6 million, equivalent to RM383.5 million) for project financing secured by a joint venture.

**A15 Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 31 March 2019 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2018.

	<b>9 MONTHS ENDED 31/03/2019 RM'000</b>
Transactions with joint ventures and an associate:	
Dividend income	37,626
Interest income	26,588
Subcontract works received	602,209
Transactions with related parties:	
Provision of IT and related services	2,817
Rental of office premises	576
	<u>576</u>

**A16 Fair value gain on deemed disposal of a joint venture**

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

**A17 Trade and other receivables**

	<b>31/03/2019 RM'000</b>
Trade receivables	473,188
Amounts due from customers for contract works	417,398
Amounts due from joint ventures and associates	201,069
Other receivables, deposits and prepayments	93,251
Hedge derivative assets	3,328
	<u>1,188,234</u>

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D****A18 Cash and cash equivalents****31/03/2019****RM'000**

Bank balances and deposits with licensed banks	1,150,718
Less: Bank balances and deposits pledged to licensed banks	<u>(122,597)</u>
	<u><u>1,028,121</u></u>

**A19 Trade and other payables****31/03/2019****RM'000**

Amounts due to customers for contract works	80,499
Trade payables	804,582
Accruals and other payables	<u>176,538</u>
	<u><u>1,061,619</u></u>

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

For the 3rd quarter ended 31st March 2019, the Group recorded another commendable financial performance with net profit after tax of RM145.2 million, higher by 18.7% against RM122.4 million registered in the corresponding quarter last year. This better result was achieved despite a 26.6% decrease in revenue to RM636.6 million for the current quarter from RM867.4 million recorded in the corresponding quarter last year.

The revenue from our Malaysian operations for the current quarter was lower primarily due to the near completion of the Engineering, Procurement, Construction and Commissioning ("EPCC") works in Pengerang Deepwater Terminals Phase 2 projects. However, the net profit after tax for the current quarter was higher mainly due to cost savings realised on completed projects and increased share of profit in joint ventures and associates.

The Group's International operations' revenue and net profit after tax was lower as compared to the corresponding quarter last year mainly due to reduced margin as a result of increased market competition.

For the current financial year to date ended 31st March 2019, the Group's net operating profit after tax including joint ventures and associates of RM403.6 million was higher by 18.3% against RM341.2 million in the corresponding period last year. In the corresponding period last year, the Group acquired and converted a jointly controlled entity into a wholly owned subsidiary and recorded a fair value gain of RM65.6 million. This resulted in a total net profit after tax of RM406.8 million reported in the corresponding period last year.

**B2 Variation of results against preceding quarter**

There was no significant variation noted in the Group's profit before tax for the current financial quarter of RM168.7 million against RM171.0 million recorded in the preceding quarter.

**B3 Prospects**

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

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

The ongoing operations of Pengerang Deepwater Terminals ("PDT") Phase 1 is currently being expanded by 430,000 m<sup>3</sup>. Phase 2A, the dedicated petroleum and petrochemicals terminal for Refinery and Petrochemical Integrated Development ("RAPID") commenced its initial stages of commercial operations in November 2018.

In April 2018, the Group signed a Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) to invest and develop common tankage facilities (including shared infrastructure) and deepwater marine facilities to support and promote the petroleum and petrochemicals storage and handling tank terminal business. Phase 3 will be developed on approximately 300 acres of land within PDT with an indicative initial investment cost of RM2.5 billion.

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

Since then, the Group has continued to make progress for Phase 3 - land reclamation is currently 62% complete and is scheduled for completion at the end of 2019. The construction of a storage terminal, common tankage facilities (including shared infrastructure) and deepwater marine facilities (“Jetty 3”) (collectively, “Terminals and Facilities”) have also begun. The development of this terminal, is the first of such terminals in Phase 3, and completion is expected in mid-2021.

There will also be a balance of approximately 500 acres available for future phases.

With the near completion of the PDT Phase 2 and the refinery projects at RAPID, we are now actively involved in the plant maintenance services for these projects.

In addition to Dialog Terminals Langsat (1) Sdn. Bhd. (formerly known as Langsat Terminal (One) Sdn. Bhd.) and Dialog Terminals Langsat (2) Sdn. Bhd. (formerly known as Langsat Terminal (Two) Sdn. Bhd.)'s capacity of 647,000 m<sup>3</sup>, we are planning to expand Dialog Terminals Langsat (3) Sdn. Bhd. (formerly known as Langsat Terminal (Three) Sdn. Bhd.) into a 300,000 m<sup>3</sup> storage facility, in line with our strategy to grow sustainable and recurring income.

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

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

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

**B4 Profit forecast and profit guarantee**

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

**B5 Taxation**

	<b>INDIVIDUAL PERIOD</b>	<b>CUMULATIVE PERIOD</b>
	<b>3 MONTHS ENDED 31/03/2019 RM'000</b>	<b>9 MONTHS ENDED 31/03/2019 RM'000</b>
Current tax	20,327	69,293
Deferred tax	(749)	5,205
Over provision in prior years	3,918	215
Total tax expense	<u>23,496</u>	<u>74,713</u>
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	<u>21.1%</u>	<u>21.4%</u>

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B6 Status of corporate proposals**Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI")

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

There are no other corporate proposals announced but not completed as at date of this report.

**B7 Borrowings and debt securities**

As at 31 March 2019, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	621	1,719
Ringgit Malaysia	-	70,703
United States Dollar	12,780	52,270
Unsecured:		
New Zealand Dollar	5,536	15,329
Ringgit Malaysia	-	180,000
Saudi Riyal	20,000	21,831
Sterling Pound	580	3,085
Thai Baht	15,000	1,930
		<u>346,867</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	3,424	9,480
Ringgit Malaysia	-	129,692
United States Dollar	114,248	467,274
Unsecured:		
New Zealand Dollar	810	2,243
Ringgit Malaysia	-	698,869
Saudi Riyal	30,000	32,747
		<u>1,340,305</u>
		<u>1,687,172</u>

The borrowings are mainly to part finance the Group's investment in its Terminals Business. Included in the borrowings for the current financial period is RM1,328.6 million (30.06.2018: RM1,116.3 million) obtained under Islamic financing facilities.



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**INTERIM FINANCIAL REPORT**

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

**B8 Material litigation**

As at the date of this announcement, there was no material litigation since the last audited financial statements except for the following:-

High Court At Johor Bahru Suit No. Ja-23ncvc-4-04/2019 Teguh Kemajuan Sdn. Bhd. Vs Tan Sri Dr. Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd., Pengerang Terminals Sdn. Bhd., Pengerang Independent Terminals Sdn. Bhd. And Others ("The Defendants")

Dialog Group Berhad ("DIALOG" or "the Company") and its wholly owned subsidiary, Dialog Pengerang Sdn. Bhd. ("DPengerang") 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 TKSB has exhausted its rights of appeal. In addition to the judicial review, TKSB also challenged the original compulsory land acquisition price awarded. TKSB was successfully awarded a higher price in January 2018. However, TKSB is appealing against this decision at the Federal Court and the matter is pending the appeal.

TKSB is now claiming against the Defendants, amongst others, for conspiracy to injure TKSB by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others:

1. 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 TKSB if TKSB had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just;
2. against PITSB, a declaration that PITSB is a constructive trustee for TKSB;
3. against PITSB, that it is and shall be liable to account to the Plaintiff for all incomes and profits it derives or may derive from its independent deepwater petroleum-storage terminal ("IDPT") project (or for such parts or proportions of the same as may be considered fair and just by the Court).

The case has been fixed for Case Management at the Johor Bahru High Court on 22 May 2019.

The matter has been referred to DIALOG's solicitors and DIALOG intends to pursue all available legal avenues to defend and challenge the claims. DIALOG believes that the claims are scandalous, frivolous, vexatious and amounts to an abuse of process of the Court.

DIALOG is of the opinion that the Suit is not expected to have a material impact on the operational and financial position of DIALOG for the financial year ending 30 June 2019.

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**INTERIM FINANCIAL REPORT**


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**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D**
**B9 Dividends**

- a) The Board of Directors declared an interim dividend of 1.50 sen (previous corresponding period: 1.40 sen) per ordinary share in respect of the financial year ending 30 June 2019.

The entitlement of the interim dividend will be determined based on the shareholders registered in the record of depositors as at 14 June 2019 and the date of payment will be on 27 June 2019.

- b) The total dividend for current period to date is 1.50 sen per ordinary share.

**B10 Derivative financial instruments**

As at 31 March 2019, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Net fair value
	FC'000	RM'000	(losses) or gains RM'000
With maturity less than 1 year:			
Euro	62	289	(5)
New Zealand Dollar	204	583	15
Singapore Dollar	2,984	9,002	3
United States Dollar	4,762	19,426	(3)

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

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2018:

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

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

As at the end of the reporting period, the Group has entered into interest rate swap contracts to swap notional principal amounts of RM114,270,394 (2018:RM136,750,694) and USD121,600,000 (2018:USD121,600,000) from floating interest rate to fixed rate to hedge against interest rate fluctuations. The effective periods for these interest rate swaps are from March 2014 to October 2021 and January 2018 to January 2023 respectively.

**B11 Investments in joint ventures and associates**

The investments in joint ventures and associates included unsecured advances amounting to RM530.0 million which bear interest at a rate 6.50% per annum.

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

## INTERIM FINANCIAL REPORT

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

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
Profit for the financial period attributable to owners of the Company (RM'000)	143,706	118,837	395,128	395,525
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,638,307	5,638,307	5,634,937

**B13 Profit for the period**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	9 MONTHS ENDED
	31/03/2019	31/03/2019
	RM'000	RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(34,823)	(97,048)
Dividend income	2,010	2,010
Foreign exchange loss	(187)	(1,665)
Gain on disposal of property, plant and equipment	283	545
Interest expense	(11,755)	(35,939)
Interest income	13,432	42,753
Property, plant and equipment written off	(16)	(96)
Rental income	1,118	3,883
Other miscellaneous income	460	1,759

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

Date: 14 May 2019