



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

Interim Financial Statements  
For The Financial Period Ended  
31 December 2018

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 31 DECEMBER 2018

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		609,613	857,426	1,300,505	1,636,082
Operating expenses		(480,983)	(758,231)	(1,070,167)	(1,458,578)
Other operating income		14,143	21,252	32,089	47,720
Fair value gain on deemed disposal of a joint venture	A16	-	-	-	65,590
Share of profit of joint ventures and associates, net of tax		40,876	38,881	71,793	65,982
Finance costs		(12,674)	(14,561)	(24,660)	(25,673)
<b>Profit before tax</b>		170,975	144,767	309,560	331,123
Tax expense		(30,708)	(24,526)	(51,217)	(46,674)
<b>Profit for the period</b>		<u>140,267</u>	<u>120,241</u>	<u>258,343</u>	<u>284,449</u>
<b>Profit for the period attributable to:</b>					
Owners of the parent		136,779	115,763	251,422	276,688
Non-controlling interests		3,488	4,478	6,921	7,761
		<u>140,267</u>	<u>120,241</u>	<u>258,343</u>	<u>284,449</u>
Basic earnings per ordinary share (sen)	B12	<u>2.43</u>	<u>2.05</u>	<u>4.46</u>	<u>4.91</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.43</u>	<u>2.05</u>	<u>4.46</u>	<u>4.91</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 DECEMBER 2018

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	B13	140,267	120,241	258,343	284,449
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		1,436	(8,502)	(34)	(12,180)
Cash flow hedge		(8,281)	3,991	(5,229)	3,760
Share of other comprehensive (loss)/income of joint ventures		(19,891)	(11,894)	601	(10,995)
<b>Other comprehensive loss for the period</b>		(26,736)	(16,405)	(4,662)	(19,415)
<b>Total comprehensive income for the period</b>		<u>113,531</u>	<u>103,836</u>	<u>253,681</u>	<u>265,034</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		109,841	102,452	244,887	261,285
Non-controlling interests		3,690	1,384	8,794	3,749
		<u>113,531</u>	<u>103,836</u>	<u>253,681</u>	<u>265,034</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 DECEMBER 2018

	NOTE	31/12/2018 RM'000	30/06/2018 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,284,328	1,297,026
Development of tank terminals		409,784	306,018
Intangible assets		330,154	288,368
Investments in joint ventures and associates	B11	2,139,158	2,043,155
Other investments		6,651	6,583
Deferred tax assets		50,785	56,866
		<u>4,220,860</u>	<u>3,998,016</u>
<b>CURRENT ASSETS</b>			
Inventories		108,888	92,416
Trade and other receivables	A17	1,107,356	997,525
Current tax assets		10,070	12,311
Cash and cash equivalents	A18	1,117,033	1,264,966
		<u>2,343,347</u>	<u>2,367,218</u>
<b>TOTAL ASSETS</b>		<u><u>6,564,207</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		1,958,173	1,820,279
		3,638,674	3,500,941
Non-controlling interests		107,156	98,528
<b>TOTAL EQUITY</b>		<u><u>3,745,830</u></u>	<u><u>3,599,469</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,199,153	1,232,752
Deferred tax liabilities		4,681	5,846
		<u>1,203,834</u>	<u>1,238,598</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A19	1,043,562	1,074,755
Borrowings	B7	481,399	377,542
Current tax liabilities		89,582	74,870
		<u>1,614,543</u>	<u>1,527,167</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,818,377</u></u>	<u><u>2,765,765</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,564,207</u></u>	<u><u>6,365,234</u></u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u><u>64.5</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 DECEMBER 2018**

	Attributable to owners of the parent					Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000		
<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	-	-	(6,535)	251,422	244,887	8,794	253,681
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 December 2018</b>	<b>1,684,126</b>	<b>(3,625)</b>	<b>139,029</b>	<b>1,819,144</b>	<b>3,638,674</b>	<b>107,156</b>	<b>3,745,830</b>
<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	-	-	(15,403)	276,688	261,285	3,750	265,035
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	-	-	-	-	-	42,076	42,076
Additional shares subscription from non-controlling interest	-	-	-	-	-	6,000	6,000
<b>Balance as at 31 December 2017</b>	<b>1,684,287</b>	<b>(3,625)</b>	<b>152,836</b>	<b>1,535,626</b>	<b>3,369,124</b>	<b>132,555</b>	<b>3,501,679</b>

*(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 DECEMBER 2018

	6 MONTHS ENDED	
	31/12/2018	31/12/2017
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	309,560	331,123
Adjustments for :		
Depreciation and amortisation	62,225	46,818
Net interest income	(5,137)	(10,040)
Share of profit of joint ventures and associates	(71,793)	(65,982)
Share options vested under ESOS	-	6,706
Other non-cash items	1,455	(72,832)
Operating profit before working capital changes	296,310	235,793
Changes in working capital :		
Net change in inventories and receivables	(123,825)	156,218
Net change in payables	(35,945)	(178,623)
<b>Cash from operations</b>	136,540	213,388
Interest received	47,321	64,197
Tax paid	(28,360)	(31,271)
Tax refunded	51	6,464
<b>Net cash from operating activities</b>	155,552	252,778
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary, net of cash and cash equivalents acquired	-	(50,887)
Acquisition of shares from non-controlling interests	(5,558)	-
Additions of intangible assets	(63,159)	(78,979)
Additions of other investment	-	(1,040)
Development of tank terminals	(103,766)	(6,849)
Investments in joint ventures and associates	(44,397)	(168,930)
Repayment of advances from a joint venture	-	229,123
Net change in deposits with licensed banks	(79,699)	(6,967)
Proceeds from disposal of property, plant and equipment	1,300	17,025
Purchases of property, plant and equipment	(25,577)	(20,253)
<b>Net cash used in investing activities</b>	(320,856)	(87,757)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONT'D)**

	<b>6 MONTHS ENDED</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(24,184)	(24,836)
Share issue expenses	(161)	(1)
Dividend paid	(101,490)	(81,755)
Dividend paid to non-controlling interests	(111)	-
Additional shares subscription from non-controlling interests	-	6,000
Net drawdown/(Net repayment) of bank borrowings	54,372	(155,963)
Proceeds from issuances of shares	-	48,212
<b>Net cash used in financing activities</b>	<u>(71,574)</u>	<u>(208,343)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(236,878)	(43,322)
<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	8,817	(12,075)
	<u>1,249,843</u>	<u>1,401,461</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)</b>	<u>1,012,965</u>	<u>1,358,139</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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**INTERIM FINANCIAL REPORT**

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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 December 2018.

**A6 Material changes in estimates**

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

**A7 Debt and equity securities**

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

**A8 Dividends paid**

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 December 2018 and up to the date of this report, which is likely to substantially affect the profits of the Group.

**INTERIM FINANCIAL REPORT**

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

**A11 Operating segments**

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

The Group's operating segments for the financial period ended 31 December 2018 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>	271,675	7,273	4,960	25,680	(28)	309,560
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	865,359	154,052	142,088	133,797	5,209	1,300,505
<i>Inter-segment revenue</i>	3,361	13,001	4,786	-	-	21,148
<i>Depreciation and amortisation</i>	50,219	1,874	5,740	4,392	-	62,225
<i>Interest expense</i>	22,065	29	746	1,344	-	24,184
<i>Interest income</i>	28,213	813	9	286	-	29,321
<i>Share of profit of joint ventures and associates</i>	71,694	98	1	-	-	71,793
<b>Segment assets</b>	5,489,189	527,182	146,885	350,166	-	6,513,422
Deferred tax assets						50,785
<b>Total assets</b>						<u>6,564,207</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	2,133,283	885	4,990	-	-	2,139,158
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	18,839	657	5,035	1,046	-	25,577
- <i>Intangible assets</i>	63,135	13	11	-	-	63,159
- <i>Development of tank terminals</i>	103,766	-	-	-	-	103,766
- <i>Joint ventures and associates</i>	44,397	-	-	-	-	44,397
<b>Segment liabilities</b>	2,500,219	155,647	60,002	97,828	-	2,813,696
Deferred tax liabilities						4,681
<b>Total liabilities</b>						<u>2,818,377</u>

## INTERIM FINANCIAL REPORT

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

#### A12 Changes in the composition of the Group

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

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

#### A13 Commitments

	<b>31/12/2018</b> <b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	1,400
- contracted but not provided for	4,400
	5,800
Commitments of the Group in respect of tank terminal business	341,000
Commitments of the Group in respect of upstream business	44,847
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	10,114
- later than one year and not later than five years	11,690
- after five years	11,352
	33,156
b) The Group as lessor	
- not later than one year	1,349
- later than one year and not later than five years	82
	1,431

#### A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,485.5 million (as at 30.06.2018: RM1,155.7 million) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM936.5 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 SGD118.6 million, equivalent to RM360.4 million (as at 30.06.2018: SGD129.6 million, equivalent to RM383.5 million) for project financing secured by a joint venture.

**INTERIM FINANCIAL REPORT**

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

**A15 Significant related party transactions**

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

	<b>6 MONTHS ENDED 31/12/2018 RM'000</b>
Transactions with joint ventures and an associate:	
Dividend income	18,000
Interest income	18,450
Subcontract works received	514,060
Transactions with related parties:	
Provision of IT and related services	1,953
Rental of office premises	436
	<u><u>436</u></u>

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

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

**A17 Trade and other receivables**

	<b>31/12/2018 RM'000</b>
Trade receivables	388,069
Amounts due from customers for contract works	306,467
Amounts due from joint ventures and associates	299,137
Other receivables, deposits and prepayments	104,113
Hedge derivative assets	9,570
	<u><u>1,107,356</u></u>

**A18 Cash and cash equivalents**

	<b>31/12/2018 RM'000</b>
Bank balances and deposits with licensed banks	1,117,033
Less: Bank balances and deposits pledged to licensed banks	(104,068)
	<u><u>1,012,965</u></u>

**A19 Trade and other payables**

	<b>31/12/2018 RM'000</b>
Amounts due to customers for contract works	101,945
Trade payables	774,564
Accruals and other payables	167,045
Amounts due to a joint venture	8
	<u><u>1,043,562</u></u>

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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****B1 Performance analysis**

For the 2nd quarter ended 31st December 2018, the Group recorded another commendable financial performance with net profit after tax of RM140.3 million, higher by 16.7% against RM120.2 million registered in the corresponding quarter last year. This better result was achieved despite a 28.9% decrease in revenue to RM609.6 million for the current quarter from RM857.4 million recorded in the corresponding quarter last year.

The revenue from our Malaysian operations for the current quarter was lower primarily due to 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 was higher as compared to the corresponding quarter last year, but recorded a lower net profit after tax mainly due to reduced margins as a result of increased market competition.

For the current financial year to date ended 31st December 2018, the Group's net operating profit after tax including joint ventures and associates of RM258.3 million was higher by 18.0% against RM218.8 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 RM284.4 million reported in the corresponding period last year.

**B2 Variation of results against preceding quarter**

The Group's profit before tax for the current financial quarter of RM171.0 million was 23.4% higher compared to RM138.6 million recorded in the preceding quarter. The better performance was mainly due to the increased contributions from both Malaysian and International operations and higher share of profit from joint ventures and associates.

**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.

## INTERIM FINANCIAL REPORT

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

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. Since then, the Group has continued to make progress for Phase 3 - land reclamation activities are in progress and is scheduled for completion at end of 2019, and we are in active discussions with potential customers for Phase 3.

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

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

In addition to Langsat Terminal (One) Sdn. Bhd. and Langsat Terminal (Two) Sdn. Bhd.'s capacity of 647,000 m<sup>3</sup>, we are also expanding 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**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 31/12/2018 RM'000	6 MONTHS ENDED 31/12/2018 RM'000
Current tax	28,569	48,967
Deferred tax	1,591	5,954
Over provision in prior years	548	(3,704)
Total tax expense	<u>30,708</u>	<u>51,217</u>
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	<u>23.6%</u>	<u>21.5%</u>

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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****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. ("DPgSB"), a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding ("MOU") with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Pengerang CTF Sdn. Bhd. ("PCTF"), which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities ("Jetty 3") to support and promote the petroleum and petrochemical storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial 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 December 2018, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	621	1,717
Ringgit Malaysia	-	70,703
United States Dollar	24,447	101,211
Unsecured:		
New Zealand Dollar	5,536	15,314
Ringgit Malaysia	-	268,500
Saudi Riyal	20,000	22,051
Thai Baht	15,000	1,903
		<u>481,399</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	3,581	9,907
Ringgit Malaysia	-	141,163
United States Dollar	120,638	499,441
Unsecured:		
New Zealand Dollar	881	2,438
Ringgit Malaysia	-	513,126
Saudi Riyal	30,000	33,078
		<u>1,199,153</u>
		<u>1,680,552</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 RM1,231.0 million (30.06.2018: RM1,116.3 million) obtained under Islamic financing facilities.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B8 Material litigation**

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

**B9 Dividends**

The Board does not recommend any interim dividend in respect of the current financial period.

**B10 Derivative financial instruments**

As at 31 December 2018, the Group has the following outstanding forward foreign exchange contracts.

	Contract Value		Net fair value (losses) or gains
	FC'000	RM'000	RM'000
With maturity less than 1 year:			
Australian Dollar	149	447	(14)
Euro	100	483	(9)
New Zealand Dollar	307	877	22
Singapore Dollar	792	2,384	(30)
Sterling Pound	94	513	(15)
United States Dollar	8,905	36,447	473

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 RM117,470,394 (2018:RM136,750,694) and USD134,200,000 (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		6 MONTHS ENDED	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Profit for the financial period attributable to owners of the Company (RM'000)	<u>136,779</u>	<u>115,763</u>	<u>251,422</u>	<u>276,688</u>
Weighted average number of ordinary shares in issue ('000)	<u>5,638,307</u>	<u>5,638,307</u>	<u>5,638,307</u>	<u>5,633,289</u>

**B13 Profit for the period**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	6 MONTHS ENDED
	31/12/2018 RM'000	31/12/2018 RM'000
This is arrived at after crediting/(charging):		
Interest income	14,458	29,321
Interest expense	(12,477)	(24,184)
Depreciation and amortisation	(31,805)	(62,225)
Foreign exchange loss	(1,740)	(1,478)
Gain on disposal of property, plant and equipment	86	262
Property, plant and equipment written off	(14)	(80)
Rental income	1,130	2,765
Other miscellaneous income	<u>223</u>	<u>1,299</u>

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

Date: 14 February 2019