



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

Interim Financial Statements  
For The Financial Year Ended  
30 June 2019

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		449,340	607,126	2,386,453	3,110,579
Operating expenses		(330,916)	(506,371)	(1,931,269)	(2,721,238)
Other operating income		17,927	30,329	67,116	95,487
Fair value gain on deemed disposal of a joint venture	A16	-	-	-	65,590
Share of profit of joint ventures and associates, net of tax		51,106	31,387	180,102	129,121
Finance costs		(12,725)	(13,642)	(49,406)	(51,447)
<b>Profit before tax</b>		174,732	148,829	652,996	628,092
Tax expense		(25,966)	(27,353)	(100,679)	(99,799)
<b>Profit for the year</b>		<u>148,766</u>	<u>121,476</u>	<u>552,317</u>	<u>528,293</u>
<b>Profit for the year attributable to:</b>					
Owners of the parent		140,708	114,846	535,836	510,371
Non-controlling interests		8,058	6,630	16,481	17,922
		<u>148,766</u>	<u>121,476</u>	<u>552,317</u>	<u>528,293</u>
Basic earnings per ordinary share (sen)	B12	<u>2.50</u>	<u>2.04</u>	<u>9.50</u>	<u>9.06</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.50</u>	<u>2.04</u>	<u>9.50</u>	<u>9.06</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 YEAR ENDED 30 JUNE 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the year</b>	B13	148,766	121,476	552,317	528,293
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		447	(2,089)	2,186	(25,159)
Cash flow hedge		(8,378)	5,043	(19,864)	15,887
Share of other comprehensive loss of joint ventures		(6,786)	(2,940)	(34,520)	(18,287)
<b>Other comprehensive (loss)/income for the year</b>		(14,717)	14	(52,198)	(27,559)
<b>Total comprehensive income for the year</b>		<u>134,049</u>	<u>121,490</u>	<u>500,119</u>	<u>500,734</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		125,159	112,590	482,020	487,696
Non-controlling interests		8,890	8,900	18,099	13,038
		<u>134,049</u>	<u>121,490</u>	<u>500,119</u>	<u>500,734</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.)

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**INTERIM FINANCIAL REPORT**


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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	NOTE	30/06/2019 RM'000	30/06/2018 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,303,995	1,297,026
Development of tank terminals		631,970	306,018
Intangible assets		364,187	288,368
Investments in joint ventures and associates	B11	2,137,451	2,043,155
Other investments		6,648	6,583
Deferred tax assets		50,324	56,866
		<u>4,494,575</u>	<u>3,998,016</u>
<b>CURRENT ASSETS</b>			
Inventories		95,593	92,416
Trade and other receivables	A17	1,217,159	997,525
Current tax assets		18,049	12,311
Cash and cash equivalents	A18	884,403	1,264,966
		<u>2,215,204</u>	<u>2,367,218</u>
<b>TOTAL ASSETS</b>		<u><u>6,709,779</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		2,110,731	1,820,279
		3,791,232	3,500,941
Non-controlling interests		116,461	98,528
<b>TOTAL EQUITY</b>		<u><u>3,907,693</u></u>	<u><u>3,599,469</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,318,175	1,232,752
Deferred tax liabilities		4,978	5,846
		<u>1,323,153</u>	<u>1,238,598</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A19	1,049,963	1,074,755
Borrowings	B7	356,188	377,542
Current tax liabilities		72,782	74,870
		<u>1,478,933</u>	<u>1,527,167</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,802,086</u></u>	<u><u>2,765,765</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,709,779</u></u>	<u><u>6,365,234</u></u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u><u>67.2</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 YEAR ENDED 30 JUNE 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 year	-	-	(53,816)	535,836	482,020	18,099	500,119
Appropriation:							
Final dividend for FY2018	-	-	-	(101,490)	(101,490)	-	(101,490)
Interim dividend for FY2019	-	-	-	(84,575)	(84,575)	-	(84,575)
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 30 June 2019</b>	<b>1,684,126</b>	<b>(3,625)</b>	<b>91,748</b>	<b>2,018,983</b>	<b>3,791,232</b>	<b>116,461</b>	<b>3,907,693</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 year	-	-	(22,675)	510,371	487,696	13,038	500,734
Appropriation:							
Final dividend for FY2017	-	-	-	(81,756)	(81,756)	-	(81,756)
Interim dividend for FY2018	-	-	-	(78,936)	(78,936)	-	(78,936)
Dividend paid to non-controlling interests	-	-	-	-	-	(3,392)	(3,392)
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	-	-	-	-	-	13,200	13,200
Acquisition of shares from non-controlling interest	-	-	-	(15,657)	(15,657)	(47,123)	(62,780)
<b>Balance as at 30 June 2018</b>	<b>1,684,287</b>	<b>(3,625)</b>	<b>145,564</b>	<b>1,674,715</b>	<b>3,500,941</b>	<b>98,528</b>	<b>3,599,469</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 YEAR ENDED 30 JUNE 2019

	<b>12 MONTHS ENDED</b>	
	<b>30/06/2019</b>	<b>30/06/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	652,996	628,092
Adjustments for:		
Depreciation and amortisation	128,557	104,055
Net interest income	(8,787)	(13,525)
Share of profit of joint ventures and associates	(180,102)	(129,121)
Share options vested under ESOS	-	6,706
Other non-cash items	574	(83,080)
Operating profit before working capital changes	593,238	513,127
Changes in working capital :		
Net change in inventories and receivables	(233,406)	14,975
Net change in payables	(36,201)	(141,762)
<b>Cash from operations</b>	<b>323,631</b>	<b>386,340</b>
Dividend received	57,126	51,000
Interest received	56,894	63,802
Tax paid	(104,445)	(66,538)
Tax refunded	1,092	7,046
<b>Net cash from operating activities</b>	<b>334,298</b>	<b>441,650</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(3,731)	(50,887)
Acquisition of shares from non-controlling interests	(5,558)	(62,581)
Additions of intangible assets	(121,647)	(150,301)
Additions of other investment	-	(2,290)
Development of tank terminals	(325,952)	(37,119)
Investments in joint ventures and associates	(12,195)	(192,373)
Repayment of advances from a joint venture	-	229,123
Net change in deposits with licensed banks	(5,271)	(12,827)
Proceeds from disposal of property, plant and equipment	2,462	43,028
Purchases of property, plant and equipment	(75,597)	(193,023)
<b>Net cash used in investing activities</b>	<b>(547,489)</b>	<b>(429,250)</b>

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2019 (CONT'D)**

	<b>12 MONTHS ENDED</b>	
	<b>30/06/2019</b>	<b>30/06/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(48,107)	(50,956)
Share issue expenses	(161)	(1)
Dividend paid	(186,065)	(160,692)
Dividend paid to non-controlling interests	(111)	(3,392)
Additional shares subscription from non-controlling interest	-	13,200
Net drawdown/(Net repayment) of bank borrowings	50,607	(8,656)
Proceeds from issuances of shares	-	48,212
<b>Net cash used in financing activities</b>	<u>(183,837)</u>	<u>(162,285)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(397,028)	(149,885)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		
As previously reported	1,241,026	1,413,536
Effects of exchange rate changes on cash and cash equivalents	10,351	(22,625)
	<u>1,251,377</u>	<u>1,390,911</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A18)</b>	<u>854,349</u>	<u>1,241,026</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 year ended 30 June 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 year.

**A7 Debt and equity securities**

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

**A8 Dividends paid**

- i) 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.
- ii) A interim dividend of 1.50 sen per ordinary share, amounting to RM84,574,611 in respect of financial year ended 30 June 2019 was paid on 27 June 2019.

**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 financial year**

There were no material events subsequent to the current financial year ended 30 June 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 year ended 30 June 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>	582,384	13,806	12,293	44,766	(253)	652,996
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	1,487,434	339,138	298,495	254,046	7,340	2,386,453
<i>Inter-segment revenue</i>	17,075	26,595	6,273	-	-	49,943
<i>Depreciation and amortisation</i>	104,524	3,727	11,643	8,663	-	128,557
<i>Interest expense</i>	43,964	94	1,471	2,578	-	48,107
<i>Interest income</i>	53,797	2,457	24	616	-	56,894
<i>Share of profit of joint ventures and associates</i>	180,676	81	(655)	-	-	180,102
<b>Segment assets</b>	5,689,688	494,330	159,290	316,147	-	6,659,455
Deferred tax assets						50,324
<b>Total assets</b>						<u>6,709,779</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	2,136,462	989	-	-	-	2,137,451
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	57,018	5,829	10,823	1,927	-	75,597
- <i>Intangible assets</i>	121,571	33	43	-	-	121,647
- <i>Development of tank terminals</i>	325,952	-	-	-	-	325,952
- <i>Joint ventures and associates</i>	12,195	-	-	-	-	12,195
<b>Segment liabilities</b>	2,560,711	98,668	67,474	70,255	-	2,797,108
Deferred tax liabilities						4,978
<b>Total liabilities</b>						<u>2,802,086</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. ("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 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. The principal activities of DTOSB is to provide terminals management and operational services.

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

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

#### A13 Commitments

	<b>30/06/2019</b> <b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	9,500
- contracted but not provided for	17,500
	27,000
Commitments of the Group in respect of tank terminal business	1,410,000
Commitments of the Group in respect of upstream business	74,340
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	9,566
- later than one year and not later than five years	10,320
- after five years	10,426
	30,312
b) The Group as lessor	
- not later than one year	930
- later than one year and not later than five years	159
	1,089

## INTERIM FINANCIAL REPORT

### 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 RM1,774.5 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 RM1,062.7 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 SGD106.7 million, equivalent to RM326.4 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 financial year ended 30 June 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>12 MONTHS ENDED 30/06/2019 RM'000</b>
Transactions with joint ventures and an associate:	
Dividend income	57,126
Interest income	34,849
Subcontract works received	561,145
Transactions with related parties:	
Provision of IT and related services	7,529
Rental of office premises	588
	588

#### 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>30/06/2019 RM'000</b>
Trade receivables	388,440
Amounts due from customers for contract works	458,920
Amounts due from joint ventures and associates	289,979
Other receivables, deposits and prepayments	79,774
Hedge derivative assets	46
	1,217,159

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**INTERIM FINANCIAL REPORT**

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONT'D****A18 Cash and cash equivalents****30/06/2019****RM'000**

Bank balances and deposits with licensed banks	884,403
Less: Bank balances and deposits pledged to licensed banks	<u>(30,054)</u>
	<u><u>854,349</u></u>

**A19 Trade and other payables****30/06/2019****RM'000**

Amounts due to customers for contract works	62,063
Trade payables	778,322
Accruals and other payables	204,444
Hedge derivative liabilities	<u>5,134</u>
	<u><u>1,049,963</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**

The Group delivered another commendable performance for the financial year ended 30<sup>th</sup> June 2019. The net operating profit after tax including joint ventures and associates increased by 19.4% to RM552.3 million from RM462.7 million recorded previously, while revenue was lower by 23.3% at RM2.4 billion. In the previous financial 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 RM528.3 million as reported last year. As for the current reporting quarter against the corresponding quarter last year, the Group's net profit after tax rose by 22.5% to RM148.8 million, while revenue was lower by 26.0% at RM449.3 million.

The strong financial performance achieved in the current financial year was mainly contributed by the Malaysian operations which saw better performances delivered by the midstream and downstream activities, in particular from the engineering, construction and plant maintenance services performed in various projects. In addition, the Group's share of profit in joint ventures and associates was also higher in the current financial year. On the International front, the Group recorded a lower net profit after tax in current financial year against last year generally due to reduced margin as a result of increased market competition.

**B2 Variation of results against preceding quarter**

There was a slight increase in the Group's profit before tax for the current financial quarter to RM174.7 million from RM168.7 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.

Since then, the Group has continued to make progress for Phase 3 - land reclamation remains on track 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.

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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****B3 Prospects – cont'd**

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 other existing projects.

In July 2019, DIALOG secured a Groupwide Master Service Agreement from PETRONAS. The agreement covers integrated plant turnaround works and daily maintenance work on mechanical static for PETRONAS' plants groupwide and is valid for a period of 5 years with option to extend by PETRONAS. This long-term contract award will enable DIALOG to pursue our mission in sustaining growth for the Group.

In addition to Dialog Terminals Langsat 1 and 2 with a total capacity of 647,000 m<sup>3</sup>, we are planning to expand Dialog Terminals Langsat 3 into a 300,000 m<sup>3</sup> storage facility, in line with our strategy to grow sustainable and recurring income. Dialog Terminals Langsat 3 has commenced partial operations for its first 100,000 m<sup>3</sup> in August 2019.

In the upstream sector, the Group continues to develop new reserves from existing contracts. At the same time, the Group is actively looking for opportunities to increase its development and production services and assets.

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 2020.

**B4 Profit forecast and profit guarantee**

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

**B5 Taxation**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2019 RM'000	12 MONTHS ENDED 30/06/2019 RM'000
Current tax	28,457	97,749
Deferred tax	(52)	5,153
Over provision in prior years	<u>(2,439)</u>	<u>(2,223)</u>
Total tax expense	<u>25,966</u>	<u>100,679</u>
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	<u>21.0%</u>	<u>21.3%</u>

Lower effective tax rate than the Malaysia statutory tax rate of 24% mainly due to lower tax rates in foreign jurisdiction.

## 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., a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Pengerang CTF Sdn. Bhd., which is currently an indirect wholly owned subsidiary of the Company, to 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 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 Group, 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 30 June 2019, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	504	1,395
Ringgit Malaysia	-	71,203
United States Dollar	12,780	52,781
Unsecured:		
New Zealand Dollar	5,940	16,450
Ringgit Malaysia	-	180,565
Saudi Riyal	30,000	33,034
Sterling Pound	145	760
		<u>356,188</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	2,843	7,872
Ringgit Malaysia	-	105,311
United States Dollar	114,248	471,844
Unsecured:		
New Zealand Dollar	2,953	8,177
Ringgit Malaysia	-	724,971
		<u>1,318,175</u>
		<u>1,674,363</u>

The borrowings are mainly to part finance the Group's investment in its Terminals Business. Included in the borrowings for the current financial year is RM1,335.4 million (30.06.2018: RM1,116.3 million) obtained under Islamic financing facilities.



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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).

Tan Sri Dr Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd. together with Pengerang Terminals Sdn. Bhd. and Pengerang Independent Terminals Sdn. Bhd. have filed their respective applications to strike out the suit. The next case management date is 30 September 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 2020.

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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, pursuant to the Company's Constitution, recommends a final cash dividend of 2.30 sen (previous corresponding year: 1.80 sen) per ordinary share in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.
- b) The total cash dividend for current financial year of 3.80 sen per ordinary share is amounting to approximately RM214,574,611, comprises the following and represents an increase of 19% compared to RM180,426,000 in the previous financial year of 3.20 sen per ordinary share:
- i) Interim cash dividend of 1.50 sen per ordinary share amounted to RM84,574,611
- ii) Proposed final cash dividend of 2.30 sen per ordinary share amounting to approximately RM130,000,000

The total cash dividend for the current financial year is in line with the Company's dividend payout ratio policy of at least 40% of profits attributable to shareholders of RM535.8 million.

**B10 Derivative financial instruments**

As at 30 June 2019, the Group has the following outstanding derivatives:

	Contract/Notional Value		Net fair value
	FC'000	RM'000	losses RM'000
<b><u>Forward foreign exchange contracts</u></b>			
With maturity less than 1 year:			
Euro	1,181	5,574	(13)
Singapore Dollar	791	2,408	(4)
Sterling Pound	618	3,327	(122)
United States Dollar	6,172	25,657	(154)
<b><u>Interest rate swap contracts</u></b>			
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)

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

- a) the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- b) the cash requirement of the financial derivatives; and
- c) 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.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONT'D****B11 Investments in joint ventures and associates**

The investments in joint ventures and associates included unsecured advances amounting to RM503.3 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.

**B12 Earnings per share**

The basic and diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year 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		12 MONTHS ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Profit for the financial year attributable to owners of the Company (RM'000)	140,708	114,846	535,836	510,371
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,638,307	5,638,307	5,635,778

**B13 Profit for the year**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	12 MONTHS ENDED
	30/06/2019 RM'000	30/06/2019 RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(31,509)	(128,557)
Foreign exchange gain/(loss)	1,242	(423)
Gain on disposal of property, plant and equipment	840	1,385
Interest expense	(12,168)	(48,107)
Interest income	14,141	56,894
Property, plant and equipment written off	(1)	(97)
Rental income	455	4,338
Other miscellaneous income	1,250	5,019

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

Date: 15 August 2019