



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

Interim Financial Statements  
For The Financial Period Ended  
30 September 2019

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		645,757	690,892	645,757	690,892
Operating expenses		(540,071)	(589,184)	(540,071)	(589,184)
Other operating income		13,000	17,946	13,000	17,946
Fair value gain on deemed disposal of a joint venture	A16	28,538	-	28,538	-
Share of profit of joint ventures and associates, net of tax		57,806	30,917	57,806	30,917
Finance costs		(10,533)	(11,986)	(10,533)	(11,986)
<b>Profit before tax</b>		194,497	138,585	194,497	138,585
Tax expense		(25,326)	(20,509)	(25,326)	(20,509)
<b>Profit for the period</b>		<u>169,171</u>	<u>118,076</u>	<u>169,171</u>	<u>118,076</u>
<b>Profit for the period attributable to:</b>					
Owners of the parent		164,635	114,643	164,635	114,643
Non-controlling interests		4,536	3,433	4,536	3,433
		<u>169,171</u>	<u>118,076</u>	<u>169,171</u>	<u>118,076</u>
Basic earnings per ordinary share (sen)	B12	<u>2.92</u>	<u>2.03</u>	<u>2.92</u>	<u>2.03</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.92</u>	<u>2.03</u>	<u>2.92</u>	<u>2.03</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 2019 and the accompanying explanatory notes attached to the Interim Financial Statements.)

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	B13	169,171	118,076	169,171	118,076
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		10,724	(1,470)	10,724	(1,470)
Cash flow hedge		(2,067)	3,052	(2,067)	3,052
Share of other comprehensive (loss)/income of joint ventures		(33,877)	20,492	(33,877)	20,492
<b>Other comprehensive (loss)/income for the period</b>		(25,220)	22,074	(25,220)	22,074
<b>Total comprehensive income for the period</b>		143,951	140,150	143,951	140,150
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		139,231	135,046	139,231	135,046
Non-controlling interests		4,720	5,104	4,720	5,104
		143,951	140,150	143,951	140,150

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2019 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 SEPTEMBER 2019**

	NOTE	30/09/2019 RM'000	30/06/2019 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,314,469	1,303,995
Development of tank terminals		808,692	631,970
Intangible assets		733,303	364,187
Investments in joint ventures and associates	B11	2,071,551	2,137,451
Other investments		6,680	6,648
Deferred tax assets		43,595	50,324
		<u>4,978,290</u>	<u>4,494,575</u>
<b>CURRENT ASSETS</b>			
Inventories		105,212	95,593
Trade and other receivables	A17	1,291,833	1,217,159
Current tax assets		27,859	18,049
Cash and cash equivalents	A18	1,299,234	884,403
		<u>2,724,138</u>	<u>2,215,204</u>
<b>TOTAL ASSETS</b>		<u><u>7,702,428</u></u>	<u><u>6,709,779</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		1,684,126	1,684,126
Treasury shares		(3,625)	(3,625)
Reserves		2,249,209	2,110,731
		3,929,710	3,791,232
Non-controlling interests		137,688	116,461
<b>TOTAL EQUITY</b>		<u>4,067,398</u>	<u>3,907,693</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,453,170	1,318,175
Lease liabilities		15,124	-
Deferred tax liabilities		6,593	4,978
		<u>1,474,887</u>	<u>1,323,153</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A19	1,584,923	1,049,963
Borrowings	B7	510,815	356,188
Lease liabilities		1,990	-
Current tax liabilities		62,415	72,782
		<u>2,160,143</u>	<u>1,478,933</u>
<b>TOTAL LIABILITIES</b>		<u>3,635,030</u>	<u>2,802,086</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,702,428</u></u>	<u><u>6,709,779</u></u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u>69.7</u>	<u>67.2</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Statements.)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 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 2019</b>							
- As previously reported	1,684,126	(3,625)	91,748	2,018,983	3,791,232	116,461	3,907,693
- Effect of adoption of MFRS 16	-	-	-	(1,676)	(1,676)	(903)	(2,579)
- As restated	1,684,126	(3,625)	91,748	2,017,307	3,789,556	115,558	3,905,114
Total comprehensive (loss)/income for the period	-	-	(25,404)	164,635	139,231	4,720	143,951
Share options granted under ESOS	-	-	923	-	923	27	950
Acquisition of a subsidiary	-	-	-	-	-	19,149	19,149
Acquisition of shares from non-controlling interests	-	-	-	-	-	(1,766)	(1,766)
<b>Balance as at 30 September 2019</b>	<u>1,684,126</u>	<u>(3,625)</u>	<u>67,267</u>	<u>2,181,942</u>	<u>3,929,710</u>	<u>137,688</u>	<u>4,067,398</u>
<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 income for the period	-	-	20,403	114,643	135,046	5,104	140,150
Dividend paid to non-controlling interests	-	-	-	-	-	(111)	(111)
Acquisition of shares from non-controlling interest	-	-	-	(5,503)	(5,503)	(55)	(5,558)
<b>Balance as at 30 September 2018</b>	<u>1,684,287</u>	<u>(3,625)</u>	<u>165,967</u>	<u>1,783,855</u>	<u>3,630,484</u>	<u>103,466</u>	<u>3,733,950</u>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

## INTERIM FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	3 MONTHS ENDED	
	30/09/2019	30/09/2018
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	194,497	138,585
Adjustments for:		
Depreciation and amortisation	40,350	30,420
Net interest income	(2,976)	(3,156)
Share of profit of joint ventures and associates	(57,806)	(30,917)
Share options granted under ESOS	950	-
Other non-cash items	(26,195)	235
Operating profit before working capital changes	148,820	135,167
Changes in working capital :		
Net change in inventories and receivables	(22,020)	31,851
Net change in payables	228,142	(122,268)
<b>Cash from operations</b>	354,942	44,750
Interest received	13,282	14,863
Tax paid	(40,027)	(12,916)
Tax refunded	-	51
<b>Net cash from operating activities</b>	328,197	46,748
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	66,492	-
Acquisition of shares from non-controlling interests	(1,766)	(5,558)
Additions of intangible assets	(29,167)	(32,417)
Development of tank terminals	(176,722)	(55,505)
Investments in joint ventures and associates	(22,797)	(27,047)
Net change in deposits with licensed banks	16,242	(2,474)
Proceeds from disposal of property, plant and equipment	224	923
Purchases of property, plant and equipment	(21,258)	(13,650)
<b>Net cash used in investing activities</b>	(168,752)	(135,728)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)**

	<b>3 MONTHS ENDED</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(10,306)	(11,707)
Dividend paid to non-controlling interests	-	(111)
Net drawdown/(Net repayment) of bank borrowings	284,801	(17,324)
<b>Net cash from/(used in) financing activities</b>	<u>274,495</u>	<u>(29,142)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	433,940	(118,122)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	854,349	1,241,026
Effects of exchange rate changes on cash and cash equivalents	(3,327)	7,416
	<u>851,022</u>	<u>1,248,442</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)</b>	<u><u>1,284,962</u></u>	<u><u>1,130,320</u></u>

*(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

## INTERIM FINANCIAL REPORT

## NOTES TO THE INTERIM FINANCIAL REPORT

## A EXPLANATORY NOTES PURSUANT TO MFRS 134

## A1 Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the reporting requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of 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 2019. 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 2019.

## A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2019 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 2019 except as discussed below:

As of 1 July 2019, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

## MFRSs, Amendments to MFRSs

Title		Effective Date
MFRS 16	<i>Leases</i>	1 January 2019
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128	<i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019



## INTERIM FINANCIAL REPORT

## A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

## A2 Changes in accounting policies continued

The adoption of the said MFRSs and Amendments of MFRSs did not have any impact to the condensed financial statements except the changes arising from MFRS 16 *Leases*, as disclosed below:

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss. A lessor continues to classify all leases as either operating leases or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effects of adoption MFRS 16 as at 1 July 2019 are as follows:

	As at 30/06/2019 RM'000	Changes RM'000	As at 01/07/2019 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,303,995	-	1,303,995
- Right-of-use assets	-	15,124	15,124
	1,303,995	15,124	1,319,119
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Lease liabilities	-	17,703	17,703
<b>Equity</b>			
Retained earnings	2,018,983	(1,676)	2,017,307
Non-controlling interests	116,461	(903)	115,558
	2,135,444	15,124	2,150,568

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**INTERIM FINANCIAL REPORT**

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED**

**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 30 September 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**

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

**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 period ended 30 September 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 - CONTINUED**

**A11 Operating segments**

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

The Group's operating segments for the financial period ended 30 September 2019 are as follows:

	Malaysia RM'000	Asia RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
<b>Segment profits before tax</b>	179,227	3,724	1,202	10,129	215	194,497
<i>Included in the measure of segment profits are:</i>						
Revenue from external customers	394,160	105,378	72,875	70,073	3,271	645,757
Inter-segment revenue	-	14,222	371	-	-	14,593
Depreciation and amortisation	34,339	915	3,045	2,051	-	40,350
Interest expense	9,506	5	377	418	-	10,306
Interest income	12,464	663	14	141	-	13,282
Fair value gain on deemed disposal of a joint venture	28,538	-	-	-	-	28,538
Share of profit/(loss) of joint ventures and associates	57,873	(67)	-	-	-	57,806
<b>Segment assets</b>	6,674,008	495,735	149,300	339,790	-	7,658,833
Deferred tax assets						43,595
<b>Total assets</b>						<u>7,702,428</u>
<i>Included in the measure of segment assets are:</i>						
Investments in joint ventures and associates	2,070,628	923	-	-	-	2,071,551
<i>Additions to non-current assets:</i>						
- Property, plant and equipment	16,399	2,019	2,533	307	-	21,258
- Intangible assets	29,166	-	1	-	-	29,167
- Development of tank terminals	176,722	-	-	-	-	176,722
- Joint ventures and associates	22,797	-	-	-	-	22,797
<b>Segment liabilities</b>	3,398,524	89,736	63,055	77,122	-	3,628,437
Deferred tax liabilities						6,593
<b>Total liabilities</b>						<u>3,635,030</u>

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**INTERIM FINANCIAL REPORT**


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

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

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

**A13 Commitments**

	<b>30/09/2019</b>
	<b>RM'000</b>
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	700
- contracted but not provided for	7,600
	<u>8,300</u>
Commitments of the Group in respect of tank terminal business	<u>1,305,000</u>
Commitments of the Group in respect of upstream business	<u>571,000</u>

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

The Company provides corporate guarantees up to a total amount of RM1,786.2 million (as at 30.06.2019: RM1,774.5 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 RM1,201.7 million (as at 30.06.2019: RM1,062.7 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD101.0 million, equivalent to RM306.0 million (as at 30.06.2019: SGD106.7 million, equivalent to RM326.4 million) for project financing secured by a joint venture.

**INTERIM FINANCIAL REPORT**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED**

**A15 Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 30 September 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 2019.

	<b>3 MONTHS ENDED 30/09/2019 RM'000</b>
Transactions with joint ventures and an associate:	
Interest income	8,411
Subcontract works received	47,540
Transactions with related parties:	
Provision of IT and related services	320
Rental of office premises	95
	<u>95</u>

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

During the current financial period, the Group acquired an additional 25% equity interest in a jointly controlled entity. Following this acquisition, the Group booked a RM28.5 million non-cash fair value gain from business combination of a jointly controlled entity to a subsidiary.

**A17 Trade and other receivables**

	<b>30/09/2019 RM'000</b>
Trade receivables	500,813
Amounts due from customers for contract works	643,573
Amounts due from joint ventures and associates	80,914
Other receivables, deposits and prepayments	66,533
	<u>1,291,833</u>

**A18 Cash and cash equivalents**

	<b>30/09/2019 RM'000</b>
Bank balances and deposits with licensed banks	1,299,234
Less: Bank balances and deposits pledged to licensed banks	(14,272)
	<u>1,284,962</u>

**A19 Trade and other payables**

	<b>30/09/2019 RM'000</b>
Amounts due to customers for contract works	187,346
Trade payables	1,209,313
Accruals and other payables	181,107
Hedge derivative liabilities	7,157
	<u>1,584,923</u>



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**INTERIM FINANCIAL REPORT**

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**A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED**

**A20 Employees' Share Option Scheme ("ESOS")**

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at the Annual General Meeting held on 14 November 2018 and came into effect on 3 December 2018. The ESOS shall be in force for a period of ten (10) years until 2 December 2028.

In compliance with Malaysian Financial Reporting Standard, MFRS 2 on Share-based Payment, a total ESOS cost for share options amounted to RM950,000 was charged to statement of profit or loss for the current financial period.

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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 1<sup>st</sup> quarter ended 30<sup>th</sup> September 2019, the Group recorded a net operating profit after tax of RM140.6 million, an increase of 19.1% from RM118.1 million reported in the corresponding quarter last year. This better result was achieved despite a 6.5% drop in the current quarter's revenue to RM645.8 million from RM690.9 million recorded in the corresponding quarter last year.

The better result achieved in the current financial quarter was contributed by strong performance of all activities within the Malaysian operations. In addition, the Group's share of profit on joint ventures and associates was also higher in the current reporting quarter.

The International operations also recorded a higher net profit after tax in the current financial quarter contributed by higher engineering and construction activities and increased specialist products and services sales.

During the reporting quarter, the Group booked a RM28.5 million non-cash fair value gain arising from business combination of a jointly controlled entity to a subsidiary. With this, the Group's total net profit after tax for the 1<sup>st</sup> quarter ended 30<sup>th</sup> September 2019 was RM169.2 million.

**B2 Variation of results against preceding quarter**

The Group's profit before tax for the current financial quarter of RM194.5 million was 11.3% higher compared to RM174.7 million recorded in the preceding quarter. This was mainly attributable to the non-cash fair value gain recorded from business combination of a jointly controlled entity to a subsidiary during the current financial 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 and sustain itself through periods of economic uncertainty, oil price volatility and currency movements.

Looking forward in the midstream sector, the ongoing development of Pengerang Deepwater Terminals ("PDT") will continue to take centre stage. For oil, gas and petrochemical players who are looking to capture Asia Pacific demand growth over the next 30 years, PDT offers a compelling value proposition for the establishment of strategic hub operations given its ideal location and one-stop integrated hub offering.

With Phase 1 and Phase 2 of PDT already in operation, the entry into the Long Term Storage Agreement with BP Singapore Pte. Limited for Phase 3 of PDT is another significant milestone in this direction and is expected to catalyse the further development of PDT in the coming years. The Phase 3 land reclamation progress 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") have also begun and completion is expected in mid-2021.

With approximately another 500 acres available for development, we are still in the early stages of developing PDT into the largest petroleum and petrochemical hub for the Asia Pacific that we have envisioned it to be.

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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 – CONTINUED****B3 Prospects – continued**

In addition to Dialog Terminals Langsat 1 and 2 with a total capacity of 647,000 m<sup>3</sup>, Dialog Terminals Langsat 3 has commenced partial operations for its 120,000 m<sup>3</sup> storage facility in August 2019. 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.

In the downstream sector, we will continue to leverage on our strengths and established track record in integrated technical services comprising Engineering, Procurement, Construction & Commissioning, (“EPCC”), Plant Maintenance & Catalyst Handling Services, and Specialist Products and Services.

With the 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.

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

Barring any unforeseen circumstances, the Group is confident that its performance will remain on a positive trajectory 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 period.

**B5 Taxation**

	<b>INDIVIDUAL PERIOD</b>	<b>CUMULATIVE PERIOD</b>
	<b>3 MONTHS ENDED 30/09/2019 RM'000</b>	<b>3 MONTHS ENDED 30/09/2019 RM'000</b>
Current tax	20,437	20,437
Deferred tax	5,475	5,475
Over provision in prior years	(586)	(586)
Total tax expense	<u>25,326</u>	<u>25,326</u>
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates and fair value gain on deemed disposal of a joint venture	<u>23.4%</u>	<u>23.4%</u>



## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED****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 Dialog Terminals Pengerang CTF Sdn. Bhd. (formerly known as 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 September 2019, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,306
Ringgit Malaysia	-	71,203
United States Dollar	13,060	54,721
Unsecured:		
New Zealand Dollar	5,908	15,394
Ringgit Malaysia	-	241,130
Saudi Riyal	30,000	33,412
Sterling Pound	1,064	5,449
United States Dollar	21,050	88,200
		<u>510,815</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	2,702	7,040
Ringgit Malaysia	-	93,840
United States Dollar	107,578	450,752
Unsecured:		
New Zealand Dollar	2,772	7,224
Ringgit Malaysia	-	894,314
		<u>1,453,170</u>
		<u>1,963,985</u>

Included in the borrowings for the current financial period is RM1,562.5 million (30.06.2019: RM1,335.4 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 – CONTINUED****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; and
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 hearing date for the striking out application is 19 February 2020. In the meantime, the Plaintiff has filed in an application for discovery of documents, which will be dealt with after the hearing of the striking out application.

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.

## INTERIM FINANCIAL REPORT

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

The Board of Directors, pursuant to the Company's Constitution, had recommended a final cash dividend of 2.30 sen (previous corresponding year: 1.80 sen) per ordinary share in respect of the previous financial year for approval of the shareholders at the forthcoming Annual General Meeting.

Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 28 November 2019 and the date of payment will be on 18 December 2019.

**B10 Derivative financial instruments**

As at 30 September 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:			
Australian Dollar	446	1,275	(14)
Euro	1,249	5,887	(165)
Singapore Dollar	584	1,776	(14)
Sterling Pound	204	1,094	(39)
United States Dollar	9,082	37,796	(64)
<b><u>Interest rate swap contracts</u></b>			
With maturity 1 year to 3 years:			
Ringgit Malaysia		94,990	(247)
With maturity more than 3 years:			
United States Dollar	116,700	488,973	(6,612)

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2019:

- 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.

## INTERIM FINANCIAL REPORT

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED****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 period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Profit for the financial period attributable to owners of the Company (RM'000)	<u>164,635</u>	<u>114,643</u>	<u>164,635</u>	<u>114,643</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>5,638,307</u>

**B13 Profit for the period**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	3 MONTHS ENDED
	30/09/2019	30/09/2019
	RM'000	RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(40,350)	(40,350)
Foreign exchange loss	(1,805)	(1,805)
Gain on disposal of property, plant and equipment	201	201
Interest expense	(10,306)	(10,306)
Interest income	13,282	13,282
Property, plant and equipment written off	(20)	(20)
Rental income	495	495
Other miscellaneous income	<u>847</u>	<u>847</u>

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