



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Year Ended
30 June 2022**

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
 FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2022	30/06/2021	30/06/2022	30/06/2021
		RM'000	RM'000	RM'000	RM'000
Revenue		675,654	522,139	2,319,025	1,609,925
Operating expenses		(597,350)	(445,968)	(2,040,879)	(1,299,875)
Other operating income		13,085	21,208	60,668	83,903
Share of profit of joint ventures and associates, net of tax		54,560	60,864	251,589	227,432
Finance costs		(19,269)	(2,866)	(40,101)	(26,376)
Profit before tax		126,680	155,377	550,302	595,009
Tax expense		(10,968)	(14,951)	(44,424)	(51,945)
Profit for the year		115,712	140,426	505,878	543,064
Profit for the year attributable to:					
Owners of the parent		118,249	138,542	508,005	543,141
Non-controlling interests		(2,537)	1,884	(2,127)	(77)
		115,712	140,426	505,878	543,064
Basic earnings per ordinary share (sen)	B13	2.10	2.46	9.00	9.63
Diluted earnings per ordinary share (sen)	B13	2.10	2.46	9.00	9.63

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2022**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2022	30/06/2021	30/06/2022	30/06/2021
		RM'000	RM'000	RM'000	RM'000
Profit for the year	B14	115,712	140,426	505,878	543,064
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Fair value (loss)/gain on other investment		(7,094)	29,890	(4,208)	29,890
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		19,333	(841)	34,653	(25,725)
Cash flow hedge		3,340	111	3,378	20,947
Share of other comprehensive gain/(loss) of joint ventures		46,523	(2,388)	114,772	69,185
Other comprehensive income for the year		<u>62,102</u>	<u>26,772</u>	<u>148,595</u>	<u>94,297</u>
Total comprehensive income for the year		<u>177,814</u>	<u>167,198</u>	<u>654,473</u>	<u>637,361</u>
Total comprehensive income attributable to:					
Owners of the parent		177,731	164,777	652,653	637,364
Non-controlling interests		83	2,421	1,820	(3)
		<u>177,814</u>	<u>167,198</u>	<u>654,473</u>	<u>637,361</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 2021 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2022**

	NOTE	30/06/2022 RM'000	30/06/2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,710,580	2,759,469
Development of tank terminals		639,640	589,899
Intangible assets		807,094	835,056
Investments in joint ventures and associates	B12	1,535,590	1,504,761
Inventories	A16	237,805	-
Other investments		55,238	57,368
Deferred tax assets		65,183	49,521
		<u>6,051,130</u>	<u>5,796,074</u>
CURRENT ASSETS			
Inventories	A16	73,452	66,200
Trade and other receivables	A17	859,876	620,737
Current tax assets		17,290	32,213
Other investment		5,000	8,630
Cash and cash equivalents	A18	1,840,307	1,453,356
		<u>2,795,925</u>	<u>2,181,136</u>
TOTAL ASSETS		<u><u>8,847,055</u></u>	<u><u>7,977,210</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,698,303	1,697,751
Treasury shares		(3,625)	(3,625)
Reserves		3,359,720	2,903,542
		5,054,398	4,597,668
Perpetual Sukuk Wakalah	B8	498,940	498,940
Non-controlling interests		99,115	102,255
TOTAL EQUITY		<u>5,652,453</u>	<u>5,198,863</u>
NON-CURRENT LIABILITIES			
Bank Borrowings	B7	1,526,934	1,637,941
Senior Sukuk Wakalah	B8	500,000	-
Lease liabilities		17,789	20,438
Deferred tax liabilities		1,484	4,475
		<u>2,046,207</u>	<u>1,662,854</u>
CURRENT LIABILITIES			
Trade and other payables	A19	740,695	747,483
Bank Borrowings	B7	337,175	297,702
Lease liabilities		5,885	6,173
Current tax liabilities		64,640	64,135
		<u>1,148,395</u>	<u>1,115,493</u>
TOTAL LIABILITIES		<u>3,194,602</u>	<u>2,778,347</u>
TOTAL EQUITY AND LIABILITIES		<u><u>8,847,055</u></u>	<u><u>7,977,210</u></u>
Net assets per share attributable to owners of the parent (sen)		<u>89.6</u>	<u>81.5</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2022**

	Attributable to owners of the parent					Perpetual Sukuk Wakalah RM'000	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			
Balance as at 1 July 2021	1,697,751	(3,625)	110,916	2,792,626	4,597,668	498,940	102,255	5,198,863
Total comprehensive income for the year	-	-	144,648	505,504	650,152	2,501	1,820	654,473
Appropriation:								
Final dividend for FY2021	-	-	-	(107,209)	(107,209)	-	-	(107,209)
Interim dividend for FY2022	-	-	-	(73,353)	(73,353)	-	-	(73,353)
Share options granted under ESOS	-	-	3,024	-	3,024	-	231	3,255
Issuance of ordinary shares pursuant to ESOS exercised	553	-	(87)	-	466	-	(3)	463
Share issue expenses	(1)	-	-	-	(1)	-	-	(1)
Distribution payable to holders of Perpetual Sukuk Wakalah	-	-	-	-	-	(2,501)	-	(2,501)
Distribution paid to holders of Perpetual Sukuk Wakalah	-	-	-	(20,750)	(20,750)	-	-	(20,750)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,177)	(4,177)
Additional shares subscription from non-controlling interest	-	-	-	-	-	-	3,690	3,690
Acquisition of shares from non-controlling interests	-	-	-	4,401	4,401	-	(4,701)	(300)
Balance as at 30 June 2022	1,698,303	(3,625)	258,501	3,101,219	5,054,398	498,940	99,115	5,652,453
Balance as at 1 July 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	-	111,603	4,243,750
Total comprehensive income/(loss) for the year	-	-	94,223	543,141	637,364	-	(3)	637,361
Appropriation:								
Final dividend for FY2020	-	-	-	(107,192)	(107,192)	-	-	(107,192)
Interim dividend for FY2021	-	-	-	(67,709)	(67,709)	-	-	(67,709)
Share options granted under ESOS	-	-	5,380	-	5,380	-	99	5,479
Issuance of ordinary shares pursuant to ESOS exercised	13,626	-	(2,025)	-	11,601	-	(188)	11,413
Share issue expenses	(1)	-	-	-	(1)	-	-	(1)
Issuance of Perpetual Sukuk Wakalah	-	-	-	-	-	500,000	-	500,000
Transaction costs for issuance of Perpetual Sukuk Wakalah	-	-	-	-	-	(1,060)	-	(1,060)
Distribution paid to holders of Perpetual Sukuk Wakalah	-	-	-	(10,346)	(10,346)	-	-	(10,346)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5,354)	(5,354)
Acquisition of shares from non-controlling interests	-	-	-	(3,576)	(3,576)	-	(3,902)	(7,478)
Balance as at 30 June 2021	1,697,751	(3,625)	110,916	2,792,626	4,597,668	498,940	102,255	5,198,863

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2022**

	12 MONTHS ENDED	
	30/06/2022	30/06/2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	550,302	595,009
Adjustments for:		
Depreciation and amortisation	239,246	226,661
Net interest expense/(income)	20,407	(2,661)
Share of profit of joint ventures and associates	(251,589)	(227,432)
Share options granted under ESOS	3,255	5,479
Other non-cash items	(1,922)	(25,347)
Operating profit before working capital changes	559,699	571,709
Changes in working capital :		
Net change in inventories and receivables	(248,486)	104,820
Net change in payables	(15,752)	(199,322)
Cash from operations	295,461	477,207
Dividends received	254,026	68,535
Interest received	19,376	28,503
Tax paid	(70,349)	(73,499)
Tax refunded	21,780	13,498
Net cash from operating activities	520,294	514,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from non-controlling interests	(300)	(7,478)
Additions of intangible assets	(70,203)	(171,859)
Additions of other investment	(4,426)	(23,324)
Development of tank terminals	(49,741)	(76,137)
Investments in joint ventures and associates	(6,860)	-
Redemption of redeemable preference shares from an associate	102,969	-
Repayment of advances from an associate	-	438,503
Net change in deposits with licensed banks	21	37,092
Proceeds from disposal of property, plant and equipment	12,746	26,693
Proceeds from disposal of other investment	12,193	-
Purchase of property, plant and equipment	(61,559)	(811,623)
Purchase of properties for development	(228,192)	-
Net cash used in investing activities	(293,352)	(588,133)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

	12 MONTHS ENDED	
	30/06/2022	30/06/2021
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(39,783)	(25,842)
Share issue expenses	(1)	(1)
Dividends paid	(180,562)	(174,901)
Distribution to Sukuk holders	(20,750)	(10,346)
Dividends paid to non-controlling interests	(4,177)	(5,354)
Additional shares subscription from non-controlling interest	3,690	-
Net (repayment)/drawdown of bank borrowings	(104,419)	28,667
Net proceeds from issuance of Perpetual Sukuk Wakalah	-	498,940
Net proceeds from issuance of Senior Sukuk Wakalah	499,470	-
Proceeds from issuances of shares	463	11,413
Net cash from financing activities	153,931	322,576
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,873	248,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	1,453,252	1,201,432
Effects of exchange rate changes on cash and cash equivalents	6,058	3,133
	1,459,310	1,204,565
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A18)	1,840,183	1,453,252

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2021. 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 2021.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2021 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 2021 except as discussed below:

As of 1 July 2021, 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
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021

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

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.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

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 2022.

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 except for the following:

- i. exercise of 172,224 share options under the Employees' Share Option Scheme; and
- ii. issuance of RM500 million Senior Sukuk Wakalah in nominal value with tenure of 10 years with a periodic distribution rate 4.53% per annum.

A8 Dividends paid

- i. A final dividend of 1.90 sen per ordinary share, amounting to RM107,208,804 in respect of financial year ended 30 June 2021 was paid on 21 December 2021.
- ii. A interim dividend of 1.30 sen per ordinary share, amounting to RM73,353,409 in respect of financial year ended 30 June 2022 was paid on 28 June 2022.

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 2022 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 energy sectors 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 2022 are as follows:

	Malaysia	Asia	Australia & New Zealand	Middle East	Other Countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profits before tax	531,162	(36,393)	17,906	37,444	183	550,302
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	1,330,691	333,081	368,423	286,740	90	2,319,025
<i>Inter-segment revenue</i>	221,675	5,132	5,967	-	-	232,774
<i>Depreciation and amortisation</i>	210,602	4,306	15,061	9,277	-	239,246
<i>Interest expense</i>	37,501	264	1,421	597	-	39,783
<i>Interest income</i>	18,844	513	19	-	-	19,376
<i>Share of profit/(loss) of joint ventures and associates</i>	251,668	(79)	-	-	-	251,589
Segment assets	7,688,539	411,410	412,527	269,396	-	8,781,872
Deferred tax assets						65,183
Total assets						8,847,055
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,535,057	533	-	-	-	1,535,590
<i>Changes to non-current assets:</i>						
- <i>Property, plant and equipment</i>	42,319	5,663	12,774	803	-	61,559
- <i>Intangible assets</i>	68,755	23	1,425	-	-	70,203
- <i>Development of tank terminals</i>	49,741	-	-	-	-	49,741
- <i>Joint ventures and associates</i>	(96,109)	-	-	-	-	(96,109)
- <i>Inventories</i>	-	-	228,192	-	-	228,192
- <i>Other investments</i>	-	4,426	-	-	-	4,426
Segment liabilities	2,906,747	150,106	76,743	59,522	-	3,193,118
Deferred tax liabilities						1,484
Total liabilities						3,194,602

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

- (i) In August 2021, Dialog Fabricators Sdn. Bhd. (“DFSB”), a wholly owned subsidiary of the Company, had entered into a Joint Venture Agreement (“JVA”) with Morimatsu Technology and Service Company (“MTS”) to provide one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions.

Subsequent in September 2021, Morimatsu Dialog (Malaysia) Sdn. Bhd. (“MDMSB”) was incorporated with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares whereby MTS holds 51% equity stake and DFSB holds 49% equity stake, respectively. In December 2021, the issued and paid-up share capital for MDMSB had increased to RM14,000,000.

MDMSB will provide a one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions to support various industries and will serve its customers locally and internationally from Pengerang, Johor Darul Ta’zim which is strategically located with a private load out jetty.

- (ii) In October 2021, the Company incorporated Dialog Chemicals Sdn. Bhd. (“DCSB”) a wholly owned subsidiary in Malaysia. DCSB has an issued and fully paid-up ordinary share capital of RM1,000 comprising 1,000 ordinary shares.

In November 2021, DCSB had entered into a Shareholders’ Agreement (“SHA”) with Diyou PCR Sdn. Bhd. (“DPSB”) to form a special purpose vehicle (“SPV”) to build, own and operate a food grade recycled polyethylene terephthalate (“recycled PET”) pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale.

Subsequent in December 2021, Dialog Diyou PCR Sdn. Bhd. (“DDPSB”) was incorporated and has an issued and paid-up share capital of RM2,000,000 comprising 2,000,000 ordinary shares whereby DCSB holds 51% equity stake and DPSB holds 49% equity stake, respectively.

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

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A13 Commitments

	30/06/2022
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	1,300
- contracted but not provided for	15,100
	<u>16,400</u>
Commitments of the Group in respect of tank terminal business	<u>28,300</u>
Commitments of the Group in respect of upstream business	<u>201,200</u>
Commitments of the Group in respect of downstream business	<u>35,000</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM2,257.3 million (as at 30.06.2021: RM2,192.7 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 RM1,669.3 million (as at 30.06.2021: RM1,660.9 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD32.0 million, equivalent to RM101.4 million (as at 30.06.2021: SGD58.5 million, equivalent to RM180.7 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 2022 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2021.

	12 MONTHS
	ENDED
	30/06/2022
	RM'000
Transaction with associate and joint ventures:	
Dividend income	254,026

A16 Inventories

	30/06/2022
	RM'000
Non-current assets:	
Land held for development	237,805
Current assets:	
Construction materials	6,259
Trading inventories	67,193
	<u>73,452</u>
	<u>311,257</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A17 Trade and other receivables

30/06/2022
RM'000

Trade receivables	560,981
Amounts due from customers for contract works	203,074
Amounts due from joint ventures and associates	41,842
Other receivables, deposits and prepayments	48,353
Hedge derivative assets	5,626
	859,876
	859,876

A18 Cash and cash equivalents

30/06/2022
RM'000

Bank balances and deposits with licensed banks	1,840,307
Less: Bank balances and deposits pledged to licensed banks	(124)
	1,840,183
	1,840,183

A19 Trade and other payables

30/06/2022
RM'000

Amounts due to customers for contract works	22,909
Trade payables	583,125
Accruals and other payables	132,325
Hedge derivative liabilities	2,336
	740,695
	740,695

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 RM3,255,000 was charged to the statement of profit or loss in the current financial year (FY2021: RM5,479,000).

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1 Performance analysis

The Group closed its 4th quarter ended 30th June 2022 with revenue of RM675.7 million, a 29.4% increase against RM522.1 million reported in the corresponding quarter last year. The higher revenue was contributed by both Malaysian and International operations which saw increased business activities. The Group's net profit after tax for the quarter of RM115.7 million was however lower by 17.6% against RM140.4 million reported in the corresponding quarter last year mainly caused by higher project cost and losses in some of the projects. As for the full financial year ended 30th June 2022 against last year, the Group's revenue of RM2.3 billion was 44.0% higher while net profit after tax of RM505.9 million was lower by 6.8%.

The higher revenue reported by the Malaysian operations in the current quarter and financial year were attributable to increased activities in the upstream, midstream and downstream. The upstream activities benefited from the higher oil price while DIALOG Terminals Pengerang (5) Sdn. Bhd. 's ("DTP5") storage tanks which were commissioned in February 2021, contributed to higher revenue for the midstream business. DTP5 has a storage capacity of 430,000 m³ and is dedicated for use by bp Singapore Pte Limited.

In the downstream business, the Malaysian team was busy with various engineering, construction, fabrication, and plant maintenance projects. These projects are currently on-going, however they are facing unprecedented challenges due to COVID-19 pandemic, conflict in Ukraine, inflationary pressure and manpower constraints. This unexpected COVID-19 pandemic and the stringent SOPs introduced worldwide caused severe supply chain disruption, higher material price and labour cost. Despite these challenges, the Group's main priority was to complete and deliver the committed projects. These had inevitably resulted in cost overruns and project losses. Discussions are currently ongoing with our clients for reimbursement and compensation for these project overruns caused by these challenges.

On the International front, the Group reported higher revenue for the current quarter and financial period to date with increased engineering, construction and plant service activities in Singapore and higher sales of specialist products and services in various countries. However, the net profit after tax was lower because of the challenging environment. Similar to Malaysia, we are in discussion with our clients for reimbursement and compensation for these project overruns and losses caused by these challenges.

B2 Variation of results against preceding quarter

Against preceding quarter, the Group's revenue for the current financial quarter of RM675.7 million was higher by 13.9% but profit before taxation of RM126.7 million was lower by 10.4%. The lower profit before taxation was mainly attributable to additional project costs and losses incurred for the projects. We are in discussion with our clients for reimbursement and compensation for these cost overruns caused by the unexpected COVID-19 pandemic and the conflict in Ukraine.

B3 Prospects

As a leading integrated technical service provider that is diversified across the upstream, midstream and downstream businesses of the energy sector, 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.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B3 Prospects – continued**

In addition to the COVID-19 pandemic, the conflict in Ukraine had caused the global economic outlook to remain cloudy and show signs of deterioration. DIALOG has maintained a very prudent approach to manage the risk and taken proactive steps in managing the Group's finances.

In the Upstream business, in line with DIALOG's strategy to expand and diversify across its business streams, the Group has made a significant step in June 2022 by signing a conditional agreement to acquire Pan Orient Energy Corp ("POEC"). POEC through its wholly owned subsidiary holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd., which is the concessionaire and operator of Concession L53/48 onshore Thailand. The proposed acquisition is in line with the Group's strategy of generating long term recurring income and expected to be the catalyst for further expansion and growth in the Upstream business focusing on development and producing assets.

Moving forward, we will actively look for opportunities to increase our development and production services and assets, while incorporating new technologies to manage greenhouse gas emissions.

Looking ahead in the Midstream business, the ongoing development of Pengerang Deepwater Terminals ("PDT") into the largest petroleum and petrochemical hub for Asia Pacific region will remain our focus. Phase 3 of PDT has been designated for the development of more dedicated petroleum and petrochemical storage terminals for medium to long-term customers, potentially comprising energy traders, multinational energy companies, refineries and petrochemical plants. This will support the further development of various downstream operations including those of the refinery and petrochemical plants within the Pengerang Integrated Petroleum Complex.

With approximately another 500 acres available for development, PDT's perfect location and one-stop integrated hub offering provides a compelling value proposition to energy players who are looking to capture Asia Pacific's demand growth over the next 30 years.

In keeping with our growth aspirations for our terminals business, and in addition to Dialog Terminals Langsat's ("DTL") current total capacity of 770,000 m³, DIALOG has invested RM100 million for the addition of 85,000 m³ storage capacity which has now been completed. With 17 acres of land still available, approximately another 200,000 m³ of storage capacity can be added to DTL over the longer term, thus bringing the total capacity at DTL facility to over 1.0 million m³. This is in line with the Group's longer-term strategy to grow its midstream terminals business to generate sustainable and recurring income.

In the Downstream business, 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 PDT Phase 2 and the refinery projects at RAPID, we are also now actively involved in the plant maintenance services for both new and existing plants in the region.

To further strengthen the Group's fabrication capabilities, in September 2021, the Group ventured with Morimatsu Technology and Service Company and incorporated Morimatsu Dialog (Malaysia) Sdn. Bhd. to provide one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions to serve local and international customers from our facility in Pengerang, Johor which is strategically located with a private load out jetty. It is envisaged that the joint venture will complement the Group's fabrication division and will expand market reach thereby capturing further opportunities.



INTERIM FINANCIAL REPORT

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

B3 Prospects – continued

In the Sustainable and Renewable business, in December 2021, the Group joint ventured with Diyou PCR Sdn. Bhd. to build, own and operate a food grade recycled polyethylene terephthalate (“recycled PET”) pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale. In addition, the Group also incorporated Dialog Eseco Sdn. Bhd. in May 2022 to provide innovative solutions for waste management and to support the implementation of recycling to promote circular economy. These ventures into the post-consumer plastics recycling industry would be the Group’s first investment into the Sustainable and Renewable business and is a continuation of the initiatives by the Group to achieve business sustainability and fulfil its Environmental, Social and Governance agenda through commercially viable ventures.

Barring any unforeseen circumstances, the Group is confident that its performance will remain profitable for the financial year ending 30 June 2023.

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 30/06/2022 RM'000	12 MONTHS ENDED 30/06/2022 RM'000
Current tax	25,451	64,400
Deferred tax	(12,621)	(16,645)
Over provision in prior years	(1,862)	(3,331)
Total tax expense	10,968	44,424
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	15.2%	14.9%

The effective tax rates for the quarter and financial year ended 30th June 2022 were lower than the statutory rate of 24% mainly due to non-taxable income recognised during the year and lower tax rates in foreign tax jurisdictions.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B6 Status of corporate proposals****i) Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the 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., 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 finalising the terms of the joint venture.

ii) Proposed Acquisition of Entire Equity Interest in Pan Orient Energy Corp.

In June 2022, Dialog Systems (Asia) Pte. Ltd. ("DSAPL"), a wholly owned subsidiary of the Company, had via a 100% owned subsidiary, 2432707 Alberta Ltd. ("Purchaser") entered into a conditional agreement ("Agreement") with Pan Orient Energy Corp. ("POEC") to acquire the entire equity interest in POEC, for a cash consideration of USD38.7 million (or approximately RM170 million) ("Proposed Acquisition"). POEC is listed on the TSX Venture Exchange ("TSX-V") and through its wholly owned subsidiary Pan Orient Petroleum Pte. Ltd. ("POPS"), holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd. ("POES"), which is the concessionaire and operator of Concession L53/48, onshore Thailand. Upon finalization of the Proposed Acquisition through POEC's plan of arrangement, POEC will cease to be listed and DIALOG will acquire the delisted POEC holding 100% equity interest in Pan Orient Petroleum Pte. Ltd. ("POPS") which in turn owns 50.01% in POES. The plan of arrangement is progressing as scheduled and the Proposed Acquisition is expected to be completed in August 2022.

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

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED
B7 Borrowings and debt securities

As at 30 June 2022, the Group's bank borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	1,488	4,103
Ringgit Malaysia	-	8,000
Singapore Dollar	6,000	19,020
Unsecured:		
New Zealand Dollar	2,319	6,394
Ringgit Malaysia	-	285,117
United States Dollar	3,300	14,541
		<u>337,175</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	5,099	14,063
Ringgit Malaysia	-	174,000
Singapore Dollar	350,269	1,110,352
Unsecured:		
Ringgit Malaysia	-	228,519
		<u>1,526,934</u>
		<u><u>1,864,109</u></u>

Included in the bank borrowings of the Group is RM1,476.4 million (30.06.2021: RM1,603.2 million) obtained under Islamic financing facilities.

B8 In September 2020, the Company had obtained approval for an Islamic notes issuance programme of up to an aggregate amount of RM3.0 billion in nominal value based on the Shariah principle of Sukuk Programme with the Securities Commission Malaysia. The Sukuk Programme, which has a perpetual programme tenure, provides the Company the flexibility to issue, from time to time, senior Islamic medium term notes (“Senior Sukuk Wakalah”) and/or subordinated perpetual Islamic notes (“Perpetual Sukuk Wakalah”) subject to the aggregate outstanding nominal amount not exceeding RM3.0 billion at any point in time.

In November 2020, the Company had completed the first issuance of RM500 million Perpetual Sukuk Wakalah in nominal value with tenure of perpetual non-callable 7 years with a periodic distribution rate 4.15% per annum. The net nominal value after transaction costs is RM498.9 million.

In January 2022, the Company issued another RM500 million Senior Sukuk Wakalah in nominal value with tenure of 10 years with a periodic distribution rate 4.53% per annum.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B9 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 Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd., 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 TKS B has exhausted its rights of appeal. In addition to the judicial review, TKS B also challenged the original compulsory land acquisition price awarded. TKS B was successfully awarded a higher price in January 2018. Notwithstanding the higher price award, TKS B has appealed against this award and has exhausted all appeal rights in the courts.

In this suit, TKS B is seeking to claim against the Defendants, amongst others, for conspiracy to injure TKS B by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others:

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 TKS B if TKS B had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just;
2. against PITSB, a declaration that PITSB is a constructive trustee for TKS B; 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).

The suit has been struck out with costs for the Defendants on 6 October 2020. TKS B filed a notice to appeal to the Court of Appeal on 28 October 2020 against the decision of the High Court Judge in allowing the Defendants' striking out application of the said suit. The appeal was dismissed on 23 March 2022 by the Court of Appeal, with costs for the Defendants. On 21 April 2022, TKS B served its notice of motion for leave to appeal to the Federal Court of Malaysia against the decision of the Court of Appeal. The hearing date for the motion for leave to appeal is now fixed for 31 October 2022.

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 2023.

INTERIM FINANCIAL REPORT

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

B10 Dividends

- a) The Board of Directors, pursuant to the Company's Constitution, recommends a final cash dividend of 2.10 sen (previous corresponding year: 1.90 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 3.40 sen per ordinary share is amounting to approximately RM191,853,409, comprises the following:
 - i) Interim cash dividend of 1.30 sen per ordinary share amounting to RM73,353,409; and
 - ii) Proposed final cash dividend of 2.10 sen per ordinary share amounting to approximately RM118,500,000.

As the economic environment is expected to remain extremely challenging in the short to medium term and in view of current investment opportunities, the Board of Directors has decided to conserve cash by recommending a final cash dividend of 2.10 sen in respect of the current financial year.

B11 Derivative financial instruments

As at 30 June 2022, the Group has the following outstanding derivatives:

	Contract/Notional Value		Net fair value
	FC'000	RM'000	income/ (losses) RM'000
<u>Forward foreign exchange contracts</u>			
With maturity less than 1 year:			
Australian Dollar	549	1,674	5
Singapore Dollar	1,973	6,247	(6)
Japanese Yen	938,925	32,735	(2,313)
United States Dollar	2,199	9,634	(17)
<u>Interest rate swap contract</u>			
With maturity more than 5 year:			
Singapore Dollar	181,000	573,770	5,620

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2021:

- 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.

B12 Investments in joint ventures and associates

The Company 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 – CONTINUED**B13 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	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit for the financial year attributable to owners of the Company (RM'000)	118,249	138,542	508,005	543,141
Weighted average number of ordinary shares in issue ('000)	5,642,569	5,642,338	5,642,502	5,640,694

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 outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit for the financial year attributable to owners of the Company (RM'000)	118,249	138,542	508,005	543,141
Weighted average number of ordinary shares in issue ('000)	5,642,569	5,642,338	5,642,502	5,640,694
Effect of dilution due to:				
- ESOS ('000)	-	500	-	1,527
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,569	5,642,838	5,642,502	5,642,221

INTERIM FINANCIAL REPORT

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

B14 Profit for the year

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2022 RM'000	12 MONTHS ENDED 30/06/2022 RM'000
This is arrived at after crediting / (charging):		
Depreciation and amortisation	(67,126)	(239,246)
Dividend income	3,647	28,817
Foreign exchange gain	372	4,087
Gain/(Loss) on disposal of property, plant and equipment	51	(1,570)
Gain on disposal of other investment	-	3,563
Interest expense	(19,179)	(39,783)
Interest income	6,694	19,376
Property, plant and equipment written off	(28)	(71)
Rental income	903	2,667
Other miscellaneous income	1,446	3,799
	1,446	3,799

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

Date: 18 August 2022