



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

Interim Financial Statements
For The Financial Period Ended
31 December 2019

INTERIM FINANCIAL REPORT

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

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Revenue		612,314	609,613	1,258,071	1,300,505
Operating expenses		(492,250)	(480,983)	(1,032,321)	(1,070,167)
Other operating income		19,114	14,143	32,114	32,089
Fair value gain on deemed disposal of a joint venture	A16	-	-	28,538	-
Share of profit of joint ventures and associates, net of tax		57,118	40,876	114,924	71,793
Finance costs		(8,873)	(12,674)	(19,406)	(24,660)
Profit before tax		187,423	170,975	381,920	309,560
Tax expense		(27,345)	(30,708)	(52,671)	(51,217)
Profit for the period		<u>160,078</u>	<u>140,267</u>	<u>329,249</u>	<u>258,343</u>
Profit for the period attributable to:					
Owners of the parent		158,014	136,779	322,649	251,422
Non-controlling interests		2,064	3,488	6,600	6,921
		<u>160,078</u>	<u>140,267</u>	<u>329,249</u>	<u>258,343</u>
Basic earnings per ordinary share (sen)	B12	<u>2.80</u>	<u>2.43</u>	<u>5.72</u>	<u>4.46</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.80</u>	<u>2.43</u>	<u>5.72</u>	<u>4.46</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 31 DECEMBER 2019

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	160,078	140,267	329,249	258,343
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(7,437)	1,436	3,287	(34)
Cash flow hedge		1,858	(8,281)	(209)	(5,229)
Share of other comprehensive income/(loss) of joint ventures		18,453	(19,891)	(15,424)	601
Other comprehensive income/(loss) for the period		12,874	(26,736)	(12,346)	(4,662)
Total comprehensive income for the period		172,952	113,531	316,903	253,681
Total comprehensive income attributable to:					
Owners of the parent		176,564	109,841	315,795	244,887
Non-controlling interests		(3,612)	3,690	1,108	8,794
		172,952	113,531	316,903	253,681

(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.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	NOTE	31/12/2019 RM'000	30/06/2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,354,337	1,303,995
Development of tank terminals		1,043,036	631,970
Intangible assets		697,632	364,187
Investments in joint ventures and associates	B11	2,044,533	2,137,451
Other investments		6,632	6,648
Deferred tax assets		45,779	50,324
		<u>5,191,949</u>	<u>4,494,575</u>
CURRENT ASSETS			
Inventories		86,322	95,593
Trade and other receivables	A17	1,360,218	1,217,159
Current tax assets		59,477	18,049
Cash and cash equivalents	A18	1,108,379	884,403
		<u>2,614,396</u>	<u>2,215,204</u>
TOTAL ASSETS		<u><u>7,806,345</u></u>	<u><u>6,709,779</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,684,126	1,684,126
Treasury shares		(3,625)	(3,625)
Reserves		2,284,993	2,110,731
		3,965,494	3,791,232
Non-controlling interests		114,080	116,461
TOTAL EQUITY		<u><u>4,079,574</u></u>	<u><u>3,907,693</u></u>
NON-CURRENT LIABILITIES			
Borrowings	B7	1,590,734	1,318,175
Lease liabilities		14,981	-
Deferred tax liabilities		10,019	4,978
		<u>1,615,734</u>	<u>1,323,153</u>
CURRENT LIABILITIES			
Trade and other payables	A19	1,680,062	1,049,963
Borrowings	B7	331,973	356,188
Lease liabilities		2,031	-
Current tax liabilities		96,971	72,782
		<u>2,111,037</u>	<u>1,478,933</u>
TOTAL LIABILITIES		<u><u>3,726,771</u></u>	<u><u>2,802,086</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>7,806,345</u></u>	<u><u>6,709,779</u></u>
Net assets per share attributable to owners of the parent (sen)		<u><u>70.3</u></u>	<u><u>67.2</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 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 31 DECEMBER 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		
Balance as at 1 July 2019							
- 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	-	-	(6,854)	322,649	315,795	1,108	316,903
Appropriation:							
Final dividend for FY2019	-	-	-	(129,681)	(129,681)	-	(129,681)
Share options granted under ESOS	-	-	1,845	-	1,845	55	1,900
Dividend paid to non-controlling interests	-	-	-	-	-	(4,441)	(4,441)
Acquisition of a subsidiary	-	-	-	-	-	19,149	19,149
Acquisition of shares from non-controlling interests	-	-	-	(12,021)	(12,021)	(17,349)	(29,370)
Balance as at 31 December 2019	<u>1,684,126</u>	<u>(3,625)</u>	<u>86,739</u>	<u>2,198,254</u>	<u>3,965,494</u>	<u>114,080</u>	<u>4,079,574</u>
Balance as at 1 July 2018	1,684,287	(3,625)	145,564	1,674,715	3,500,941	98,528	3,599,469
Total comprehensive income for the period	-	-	(6,535)	251,422	244,887	8,794	253,681
Final dividend for FY2018	-	-	-	(101,490)	(101,490)	-	(101,490)
Dividend paid to non-controlling interests	-	-	-	-	-	(111)	(111)
Share issue expenses	(161)	-	-	-	(161)	-	(161)
Acquisition of shares from non-controlling interest	-	-	-	(5,503)	(5,503)	(55)	(5,558)
Balance as at 31 December 2018	<u>1,684,126</u>	<u>(3,625)</u>	<u>139,029</u>	<u>1,819,144</u>	<u>3,638,674</u>	<u>107,156</u>	<u>3,745,830</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 31 DECEMBER 2019**

	6 MONTHS ENDED	
	31/12/2019	31/12/2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	381,920	309,560
Adjustments for:		
Depreciation and amortisation	85,878	62,225
Net interest income	(7,797)	(5,137)
Share of profit of joint ventures and associates	(114,924)	(71,793)
Share options granted under ESOS	1,900	-
Other non-cash items	(30,140)	1,455
Operating profit before working capital changes	316,837	296,310
Changes in working capital :		
Net change in inventories and receivables	(24,733)	(123,825)
Net change in payables	324,655	(35,945)
Cash from operations	616,759	136,540
Dividend received	19,500	18,000
Interest received	26,774	29,321
Tax paid	(63,257)	(28,360)
Tax refunded	1,743	51
Net cash from operating activities	601,519	155,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	66,492	-
Acquisition of shares from non-controlling interests	(29,370)	(5,558)
Additions of intangible assets	(23,999)	(63,159)
Development of tank terminals	(411,066)	(103,766)
Investments in joint ventures and associates	(164)	(44,397)
Net change in deposits with licensed banks	(11,797)	(79,699)
Proceeds from disposal of property, plant and equipment	271	1,300
Purchases of property, plant and equipment	(80,812)	(25,577)
Net cash used in investing activities	(490,445)	(320,856)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)**

	6 MONTHS ENDED	
	31/12/2019	31/12/2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(18,977)	(24,184)
Share issue expenses	-	(161)
Dividend paid	(129,681)	(101,490)
Dividend paid to non-controlling interests	(4,441)	(111)
Net drawdown of bank borrowings	256,262	54,372
Net cash from/(used in) financing activities	103,163	(71,574)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	214,237	(236,878)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	854,349	1,241,026
Effects of exchange rate changes on cash and cash equivalents	(2,646)	8,817
	851,703	1,249,843
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	1,065,940	1,012,965

(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
Assets			
Non-current assets			
Property, plant and equipment	1,303,995	-	1,303,995
- Right-of-use assets	-	15,124	15,124
	<u>1,303,995</u>	<u>15,124</u>	<u>1,319,119</u>
Equity and Liabilities			
Liabilities			
Lease liabilities	-	17,703	17,703
Equity			
Retained earnings	2,018,983	(1,676)	2,017,307
Non-controlling interests	116,461	(903)	115,558
	<u>2,135,444</u>	<u>15,124</u>	<u>2,150,568</u>

INTERIM FINANCIAL REPORT

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 31 December 2019.

A6 Material changes in estimates

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

A7 Debt and equity securities

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

A8 Dividends paid

A final dividend of 2.30 sen per ordinary share, amounting to RM129,681,071 in respect of financial year ended 30 June 2019 was paid on 18 December 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 period ended 31 December 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 31 December 2019 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	336,559	13,899	11,450	20,018	(6)	381,920
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	718,580	233,211	171,462	131,438	3,380	1,258,071
<i>Inter-segment revenue</i>	47,136	25,352	1,350	-	-	73,838
<i>Depreciation and amortisation</i>	73,749	1,974	6,082	4,073	-	85,878
<i>Interest expense</i>	17,342	3	822	810	-	18,977
<i>Interest income</i>	25,056	1,385	25	308	-	26,774
<i>Fair value gain on deemed disposal of a joint venture</i>	28,538	-	-	-	-	28,538
<i>Share of profit/(loss) of joint ventures and associates</i>	115,096	(172)	-	-	-	114,924
Segment assets	6,753,246	520,637	165,430	321,253	-	7,760,566
Deferred tax assets						45,779
Total assets						<u>7,806,345</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	2,043,717	816	-	-	-	2,044,533
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	66,955	9,027	4,440	390	-	80,812
- <i>Intangible assets</i>	23,986	-	13	-	-	23,999
- <i>Development of tank terminals</i>	411,066	-	-	-	-	411,066
- <i>Joint ventures and associates</i>	164	-	-	-	-	164
Segment liabilities	3,483,213	88,759	68,613	76,167	-	3,716,752
Deferred tax liabilities						10,019
Total liabilities						<u>3,726,771</u>

INTERIM FINANCIAL REPORT

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. Subsequently in December 2019, DDPSB acquired a further 20% equity interest in HBP for a purchase consideration of USD6.576 million, equivalent to approximately RM27.2 million. Pursuant to that, HBP is now a 95% owned subsidiary of the DDPSB.

In November 2019, Cendana Sutera Sdn. Bhd. (“CSSB”), a dormant indirect wholly owned subsidiary had completed its voluntary strike off. CSSB has ceased to be an indirect wholly owned subsidiary of the Group.

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

A13 Commitments

	31/12/2019
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	1,500
- contracted but not provided for	6,800
	<u>8,300</u>
Commitments of the Group in respect of tank terminal business	<u>1,130,000</u>
Commitments of the Group in respect of upstream business	<u>568,000</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,071.2 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 RM709.1 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 SGD95.0 million, equivalent to RM289.0 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 31 December 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.

	6 MONTHS ENDED 31/12/2019 RM'000
Transactions with joint ventures and an associate:	
Dividend income	19,500
Interest income	16,354
Subcontract works received	47,540

A16 Fair value gain on deemed disposal of a joint venture

In August 2019, 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

	31/12/2019 RM'000
Trade receivables	516,978
Amounts due from customers for contract works	660,894
Amounts due from joint ventures and associates	125,987
Other receivables, deposits and prepayments	56,359
	<u>1,360,218</u>

A18 Cash and cash equivalents

	31/12/2019 RM'000
Bank balances and deposits with licensed banks	1,108,379
Less: Bank balances and deposits pledged to licensed banks	<u>(42,439)</u>
	<u>1,065,940</u>

A19 Trade and other payables

	31/12/2019 RM'000
Amounts due to customers for contract works	203,765
Trade payables	1,305,844
Accruals and other payables	165,156
Hedge derivative liabilities	5,297
	<u>1,680,062</u>

INTERIM FINANCIAL REPORT

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 RM1,900,000 was charged to the statement of profit or loss in the current financial period.

INTERIM FINANCIAL REPORT

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

For the 2nd quarter ended 31st December 2019, the Group achieved a 14.1% increase in net profit after tax to RM160.1 million from RM140.3 million reported in the corresponding quarter last year. The Group's revenue for the reporting quarter was RM612.3 million, a 0.4% increase from RM609.6 million recorded in the corresponding quarter last year.

The better financial performance achieved in the current financial quarter was contributed by the Malaysia operations which saw higher contributions from the Group's share of profit on joint ventures and associates, terminal business and increased plant services activities. Dialog Terminals Langsat 3 which commenced partial operations for its 120,000 m³ storage facility in August 2019 had also contributed positively to the Malaysia operations.

The International operation also recorded a higher net profit after tax in the current financial quarter against corresponding period last year contributed by higher engineering, construction, fabrication and plant services activities and increased specialist products and services sales.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM187.4 million was 3.6% lower compared to RM194.5 million recorded in the preceding quarter. In the preceding quarter, the Group recorded a non-cash fair value gain arising from business combination of a jointly controlled entity to a subsidiary.

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 operations, 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 has completed and 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.

INTERIM FINANCIAL REPORT

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 m³, Dialog Terminals Langsat 3 has commenced full operations for its 120,000 m³ storage facility in January 2020. We are planning to expand Dialog Terminals Langsat 3 into a 300,000 m³ 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

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 31/12/2019 RM'000	6 MONTHS ENDED 31/12/2019 RM'000
Current tax	24,122	44,558
Deferred tax	2,920	8,395
Under/(Over) provision in prior years	303	(282)
Total tax expense	<u>27,345</u>	<u>52,671</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>21.0%</u>	<u>22.1%</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 31 December 2019, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,371
Ringgit Malaysia	-	71,702
United States Dollar	13,060	53,415
Unsecured:		
New Zealand Dollar	5,908	16,163
Ringgit Malaysia	-	70,445
Saudi Riyal	30,000	32,782
United States Dollar	21,050	86,095
		<u>331,973</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	2,577	7,049
Ringgit Malaysia	-	214,818
United States Dollar	107,578	439,994
Unsecured:		
New Zealand Dollar	2,608	7,135
Ringgit Malaysia	-	921,738
		<u>1,590,734</u>
		<u>1,922,707</u>

Included in the borrowings for the current financial period is RM1,561.8 million (30.06.2019: RM1,335.4 million) obtained under Islamic financing facilities.

INTERIM FINANCIAL REPORT

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 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. However, TKS B 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 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).

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.

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

B10 Derivative financial instruments

As at 31 December 2019, the Group has the following outstanding derivatives:

	Contract/Notional Value		Net fair value (losses) or gains
<u>Forward foreign exchange contracts</u>	FC'000	RM'000	RM'000
With maturity less than 1 year:			
Euro	1,053	4,911	(76)
Singapore Dollar	159	485	(3)
Sterling Pound	1,181	6,434	(83)
United States Dollar	6,121	25,497	200
 <u>Interest rate swap contracts</u>			
With maturity 1 year to 3 years:			
Ringgit Malaysia		78,910	(201)
 With maturity more than 3 years:			
United States Dollar	116,700	477,303	(5,133)

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

- 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 – CONTINUED**B11 Investments in joint ventures and associates**

The investments in joint ventures and associates included unsecured advances amounting to RM476.7 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		6 MONTHS ENDED	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Profit for the financial period attributable to owners of the Company (RM'000)	158,014	136,779	322,649	251,422
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,638,307	5,638,307	5,638,307

B13 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	6 MONTHS ENDED
	31/12/2019	31/12/2019
	RM'000	RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(45,528)	(85,878)
Foreign exchange gain	4,958	3,153
(Loss)/Gain on disposal of property, plant and equipment	(115)	86
Interest expense	(8,670)	(18,977)
Interest income	13,492	26,774
Property, plant and equipment written off	(26)	(46)
Rental income	201	696
Other miscellaneous income	604	1,451

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

Date: 13 February 2020