



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

Interim Financial Statements  
For The Financial Period Ended  
31 March 2020

## INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 31 MARCH 2020

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2020	31/03/2019	31/03/2020	31/03/2019
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		505,434	636,608	1,763,505	1,937,113
Operating expenses		(400,074)	(530,186)	(1,432,395)	(1,600,353)
Other operating income		18,827	17,100	50,941	49,189
Fair value gain on deemed disposal of a joint venture	A16	-	-	28,538	-
Share of profit of joint ventures and associates, net of tax		72,896	57,203	187,820	128,996
Finance costs		(20,889)	(12,021)	(40,295)	(36,681)
<b>Profit before tax</b>		176,194	168,704	558,114	478,264
Tax expense		(24,929)	(23,496)	(77,600)	(74,713)
<b>Profit for the period</b>		<u>151,265</u>	<u>145,208</u>	<u>480,514</u>	<u>403,551</u>
<b>Profit for the period attributable to:</b>					
Owners of the parent		151,038	143,706	473,687	395,128
Non-controlling interests		227	1,502	6,827	8,423
		<u>151,265</u>	<u>145,208</u>	<u>480,514</u>	<u>403,551</u>
Basic earnings per ordinary share (sen)	B12	<u>2.68</u>	<u>2.55</u>	<u>8.40</u>	<u>7.01</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.68</u>	<u>2.55</u>	<u>8.40</u>	<u>7.01</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 MARCH 2020

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2020	31/03/2019	31/03/2020	31/03/2019
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	B13	151,265	145,208	480,514	403,551
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations		19,926	1,773	23,213	1,739
Cash flow hedge		(14,660)	(6,257)	(14,869)	(11,486)
Share of other comprehensive loss of joint ventures		(49,838)	(28,335)	(65,262)	(27,734)
<b>Other comprehensive loss for the period</b>		(44,572)	(32,819)	(56,918)	(37,481)
<b>Total comprehensive income for the period</b>		106,693	112,389	423,596	366,070
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		103,519	111,974	419,314	356,861
Non-controlling interests		3,174	415	4,282	9,209
		106,693	112,389	423,596	366,070

(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 MARCH 2020

	NOTE	31/03/2020 RM'000	30/06/2019 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,961,056	1,303,995
Development of tank terminals		528,390	631,970
Intangible assets		755,164	364,187
Investments in joint ventures and associates	B11	1,685,041	2,137,451
Other investments		6,755	6,648
Deferred tax assets		46,003	50,324
		<u>4,982,409</u>	<u>4,494,575</u>
<b>CURRENT ASSETS</b>			
Inventories		123,173	95,593
Trade and other receivables	A17	1,117,549	1,217,159
Current tax assets		46,988	18,049
Cash and cash equivalents	A18	1,154,554	884,403
		<u>2,442,264</u>	<u>2,215,204</u>
<b>TOTAL ASSETS</b>		<u>7,424,673</u>	<u>6,709,779</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		2,391,042	2,110,731
		4,071,543	3,791,232
Non-controlling interests		117,312	116,461
<b>TOTAL EQUITY</b>		<u>4,188,855</u>	<u>3,907,693</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	1,402,768	1,318,175
Lease liabilities		16,527	-
Deferred tax liabilities		4,584	4,978
		<u>1,423,879</u>	<u>1,323,153</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A19	1,331,390	1,049,963
Borrowings	B7	380,668	356,188
Lease liabilities		2,273	-
Current tax liabilities		97,608	72,782
		<u>1,811,939</u>	<u>1,478,933</u>
<b>TOTAL LIABILITIES</b>		<u>3,235,818</u>	<u>2,802,086</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>7,424,673</u>	<u>6,709,779</u>
<b>Net assets per share attributable to owners of the parent (sen)</b>		<u>72.2</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 31 MARCH 2020**

	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	-	-	(54,373)	473,687	419,314	4,282	423,596
Appropriation:							
Final dividend for FY2019	-	-	-	(129,681)	(129,681)	-	(129,681)
Share options granted under ESOS	-	-	4,375	-	4,375	113	4,488
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)
<b>Balance as at 31 March 2020</b>	<b>1,684,126</b>	<b>(3,625)</b>	<b>41,750</b>	<b>2,349,292</b>	<b>4,071,543</b>	<b>117,312</b>	<b>4,188,855</b>
<b>Balance as at 1 July 2018</b>	<b>1,684,287</b>	<b>(3,625)</b>	<b>145,564</b>	<b>1,674,715</b>	<b>3,500,941</b>	<b>98,528</b>	<b>3,599,469</b>
Total comprehensive (loss)/income for the period	-	-	(38,267)	395,128	356,861	9,209	366,070
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)
<b>Balance as at 31 March 2019</b>	<b>1,684,126</b>	<b>(3,625)</b>	<b>107,297</b>	<b>1,962,850</b>	<b>3,750,648</b>	<b>107,571</b>	<b>3,858,219</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 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 MARCH 2020

	<b>9 MONTHS ENDED</b>	
	<b>31/03/2020</b>	<b>31/03/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	558,114	478,264
Adjustments for:		
Depreciation and amortisation	126,382	97,048
Net interest income	(473)	(6,814)
Share of profit of joint ventures and associates	(187,820)	(128,996)
Share options granted under ESOS	4,488	-
Other non-cash items	(24,459)	2
Operating profit before working capital changes	476,232	439,504
Changes in working capital :		
Net change in inventories and receivables	187,230	(219,272)
Net change in payables	(37,691)	(15,686)
<b>Cash from operations</b>	<b>625,771</b>	<b>204,546</b>
Dividend received	49,843	37,626
Interest received	40,144	42,753
Tax paid	(66,693)	(58,028)
Tax refunded	1,743	52
<b>Net cash from operating activities</b>	<b>650,808</b>	<b>226,949</b>
<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	(29,370)	(5,558)
Additions of intangible assets	(83,326)	(88,674)
Development of tank terminals	103,580	(142,250)
Investments in joint ventures and associates	364,102	(7,024)
Net change in deposits with licensed banks	15,147	(99,485)
Proceeds from disposal of property, plant and equipment	423	1,768
Purchases of property, plant and equipment	(712,839)	(36,107)
<b>Net cash used in investing activities</b>	<b>(275,791)</b>	<b>(377,330)</b>

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED 31 MARCH 2020 (CONTINUED)**

	<b>9 MONTHS ENDED</b>	
	<b>31/03/2020</b>	<b>31/03/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(39,671)	(35,939)
Share issue expenses	-	(161)
Dividend paid	(129,681)	(101,490)
Dividend paid to non-controlling interests	(4,441)	(111)
Net drawdown of bank borrowings	<u>87,305</u>	<u>68,737</u>
<b>Net cash used in financing activities</b>	<u>(86,488)</u>	<u>(68,964)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	288,529	(219,345)
<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	(5,398)	6,440
	<u>848,951</u>	<u>1,247,466</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)</b>	<u><u>1,137,480</u></u>	<u><u>1,028,121</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
	<u>1,303,995</u>	<u>15,124</u>	<u>1,319,119</u>
<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
	<u>2,135,444</u>	<u>15,124</u>	<u>2,150,568</u>

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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 31 March 2020.

**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 March 2020 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 March 2020 are as follows:

	<b>Malaysia</b>	<b>Asia</b>	<b>Australia &amp; New Zealand</b>	<b>Middle East</b>	<b>Other Countries</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment profits before tax</b>	511,338	8,303	12,632	25,618	223	558,114
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	982,209	337,753	249,656	189,076	4,811	1,763,505
<i>Inter-segment revenue</i>	52,919	34,968	2,443	-	-	90,330
<i>Depreciation and amortisation</i>	107,927	3,221	9,096	6,138	-	126,382
<i>Interest expense</i>	37,114	31	1,324	1,202	-	39,671
<i>Interest income</i>	37,580	2,215	40	309	-	40,144
<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>	187,987	(167)	-	-	-	187,820
<b>Segment assets</b>	6,313,582	554,971	160,520	349,597	-	7,378,670
Deferred tax assets						46,003
<b>Total assets</b>						<u>7,424,673</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,684,215	826	-	-	-	1,685,041
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	692,757	9,966	8,916	1,200	-	712,839
- <i>Intangible assets</i>	83,302	-	24	-	-	83,326
- <i>Development of tank terminals</i>	(103,580)	-	-	-	-	(103,580)
- <i>Joint ventures and associates</i>	(364,102)	-	-	-	-	(364,102)
<b>Segment liabilities</b>	2,961,162	112,940	72,296	84,836	-	3,231,234
Deferred tax liabilities						4,584
<b>Total liabilities</b>						<u>3,235,818</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. 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**

	<b>31/03/2020</b>
	<b>RM'000</b>
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	1,900
- contracted but not provided for	6,300
	<u>8,200</u>
Commitments of the Group in respect of tank terminal business	<u>940,000</u>
Commitments of the Group in respect of upstream business	<u>575,000</u>

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

The Company provides corporate guarantees up to a total amount of RM1,077.2 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 RM718.6 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 SGD88.8 million, equivalent to RM269.1 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 March 2020 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>9 MONTHS ENDED 31/03/2020 RM'000</b>
Transactions with joint ventures and an associate:	
Dividend income	49,843
Interest income	24,077
Subcontract works received	77,388

**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**

	<b>31/03/2020 RM'000</b>
Trade receivables	445,513
Amounts due from customers for contract works	520,375
Amounts due from joint ventures and associates	90,101
Other receivables, deposits and prepayments	61,560
	<u>1,117,549</u>

**A18 Cash and cash equivalents**

	<b>31/03/2020 RM'000</b>
Bank balances and deposits with licensed banks	1,154,554
Less: Bank balances and deposits pledged to licensed banks	<u>(17,074)</u>
	<u>1,137,480</u>

**A19 Trade and other payables**

	<b>31/03/2020 RM'000</b>
Amounts due to customers for contract works	154,458
Trade payables	937,201
Accruals and other payables	219,775
Hedge derivative liabilities	19,956
	<u>1,331,390</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 RM4,488,000 was charged to the statement of profit or loss in 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 3<sup>rd</sup> quarter ended 31<sup>st</sup> March 2020, the Group recorded a net profit after tax of RM151.3 million, representing a 4.2% increase from RM145.2 million reported in the corresponding quarter last year. The Group's revenue for the reporting quarter was however lower by 20.6% at RM505.4 million when compared to RM636.6 million recorded in the corresponding quarter last year.

The better financial performance achieved in the current financial quarter was mainly attributable to Malaysian operations which saw higher contributions from the Group's terminal business especially Dialog Terminals Langsat 1, 2 and 3, and Pengerang Independent Terminal ("PITSB"). During the current financial quarter, Dialog Terminals Langsat 3 had commenced operations for its 120,000 cbm storage facility and PITSB Phase 1E had also commenced its operation for its 430,000 cbm storage facility expansion. With these, the storage capacity at Dialog Terminals Langsat 1, 2 and 3 and PITSB total to 770,000 cbm and 1,780,000 cbm respectively, and are currently fully leased out.

On the International front, the net profit contribution for the current financial quarter decreased mainly due to reduced supply base activities in Saudi Arabia and lower margin earned on specialist products and services sales, and engineering and construction activities performed.

**B2 Variation of results against preceding quarter**

The Group's profit before tax for the current financial quarter of RM176.2 million was 6.0% lower compared to RM187.4 million recorded in the preceding quarter, attributable to the lower revenue recorded in the current 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.

While the world is suffering from the economic downturn due to COVID-19 global pandemic which had caused the oil and gas prices to drop sharply, DIALOG has maintained a very prudent approach and taken proactive steps in managing the Group's finances. Capital expenditure and operating expenses have been reviewed and cost reduction measures are ongoing without jeopardizing our operations and service delivery to customers.

In the midstream sector, we will continue to develop Pengerang Deepwater Terminals ("PDT") for oil, gas and petrochemical players who are looking to capture Asia Pacific demand growth over the next 30 years. PDT continues to offer a compelling value proposition for the establishment of strategic hub operations given its ideal location and one stop integrated hub offering.

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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**

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”) are currently ongoing and expected to commence commercial operations 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.

In addition to Dialog Terminals Langsat 1 and 2 with a total capacity of 650,000 m<sup>3</sup>, Dialog Terminals Langsat 3 has commenced full operations for its 120,000 m<sup>3</sup> storage facility in January 2020. 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 also now actively involved in the plant maintenance services for these projects, in addition to other existing projects.

In the upstream sector, following the drop in the oil price and production cut by oil producers, the Group is taking proactive steps in our cash flow management of our upstream assets together with our respective partners accordingly.

Overall, the economic environment is expected to remain extremely challenging in the short to medium term, the Group will remain focused on delivering its long term goals.

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



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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**
**B5 Taxation**

	<b>INDIVIDUAL PERIOD</b>	<b>CUMULATIVE PERIOD</b>
	<b>3 MONTHS ENDED 31/03/2020 RM'000</b>	<b>9 MONTHS ENDED 31/03/2020 RM'000</b>
Current tax	28,726	73,284
Deferred tax	8,366	16,761
Over provision in prior years	<u>(12,163)</u>	<u>(12,445)</u>
Total tax expense	<u><u>24,929</u></u>	<u><u>77,600</u></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><u>24.1%</u></u>	<u><u>22.7%</u></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 March 2020, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,290
Ringgit Malaysia	-	71,702
United States Dollar	13,340	57,495
Unsecured:		
New Zealand Dollar	5,908	15,215
Ringgit Malaysia	-	109,760
Saudi Riyal	30,000	34,480
United States Dollar	21,050	90,726
		<u>380,668</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	2,451	6,313
Ringgit Malaysia	-	237,140
United States Dollar	100,908	434,913
Unsecured:		
New Zealand Dollar	2,443	6,293
Ringgit Malaysia	-	718,109
		<u>1,402,768</u>
		<u>1,783,436</u>

Included in the borrowings for the current financial period is RM1,604.6 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 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 was part heard on 19 February 2020 and will continue on 28 July 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.

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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****B9 Dividends**

- a) The Board of Directors declared an interim dividend of 1.2 sen (previous corresponding period: 1.50 sen) per ordinary share in respect of the financial year ending 30 June 2020.

The entitlement of the interim dividend will be determined based on the shareholders registered in the record of depositors as at 11 June 2020 and the date of payment will be on 25 June 2020.

- b) The total dividend for current period to date is 1.2 sen per ordinary share.

**B10 Derivative financial instruments**

As at 31 March 2020, the Group has the following outstanding derivatives:

	<b>Contract/Notional Value</b>		<b>Net fair value</b>
	<b>FC'000</b>	<b>RM'000</b>	<b>(losses) or gains</b>
<b><u>Forward foreign exchange contracts</u></b>			<b>RM'000</b>
With maturity less than 1 year:			
Australian Dollar	446	1,329	(34)
Euro	871	4,087	43
New Zealand Dollar	42	111	3
Singapore Dollar	1,433	4,353	10
Sterling Pound	462	2,498	(45)
United States Dollar	6,289	26,183	(662)
<b><u>Interest rate swap contracts</u></b>			
With maturity 1 year to 3 years:			
Ringgit Malaysia		75,710	(388)
With maturity more than 3 years:			
United States Dollar	111,200	479,272	(18,884)

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 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		9 MONTHS ENDED	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit for the financial period attributable to owners of the Company (RM'000)	<u>151,038</u>	<u>143,706</u>	<u>473,687</u>	<u>395,128</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	9 MONTHS ENDED
	31/03/2020	31/03/2020
	RM'000	RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(40,504)	(126,382)
Foreign exchange (loss)/gain	(37)	3,116
Gain on disposal of property, plant and equipment	146	232
Interest expense	(20,695)	(39,671)
Interest income	13,370	40,144
Property, plant and equipment written off	(17)	(63)
Rental income	823	1,519
Other miscellaneous income	<u>4,542</u>	<u>5,993</u>

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