DIALOG GROUP BERHAD (178694-V)

(Incorporated in Malaysia)

Interim Financial Statements For The Financial Year Ended 30 June 2020

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
		30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Revenue		539,943	449,340	2,303,448	2,386,453
Operating expenses		(413,183)	(330,916)	(1,845,578)	(1,931,269)
Other operating income		22,571	17,927	73,512	67,116
Fair value gain on deemed disposal of a joint venture	A16	-	-	28,538	-
Share of profit of joint ventures and associates, net of tax		54,141	51,106	241,961	180,102
Finance costs		(14,307)	(12,725)	(54,602)	(49,406)
Profit before tax		189,165	174,732	747,279	652,996
Tax expense		(21,584)	(25,966)	(99,184)	(100,679)
Profit for the year		167,581	148,766	648,095	552,317
Profit for the year attributable to:					
Owners of the parent		156,676	140,708	630,363	535,836
Non-controlling interests		10,905	8,058	17,732	16,481
		167,581	148,766	648,095	552,317
Basic earnings per ordinary share (sen)	B12	2.78	2.50	11.18	9.50
Diluted earnings per ordinary share (sen)	B12	2.78	2.50	11.18	9.50

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
		30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Profit for the year	B13	167,581	148,766	648,095	552,317
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(8,834)	447	14,379	2,186
Cash flow hedge		(1,080)	(8,378)	(15,949)	(19,864)
Share of other comprehensive loss of joint ventures		(21,125)	(6,786)	(86,387)	(34,520)
Other comprehensive loss for the year		(31,039)	(14,717)	(87,957)	(52,198)
Total comprehensive income for the year		136,542	134,049	560,138	500,119
Total comprehensive income attributable to:					
Owners of the parent		127,216	125,159	546,530	482,020
Non-controlling interests		9,326	8,890	13,608	18,099
		136,542	134,049	560,138	500,119

(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 30 JUNE 2020

	NOTE	30/06/2020 RM'000	30/06/2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,025,946	1,303,995
Development of tank terminals		537,090	631,970
Intangible assets		777,208	364,187
Investments in joint ventures and associates	B11	1,283,385	2,137,451
Other investments		6,733	6,648
Deferred tax assets		66,895	50,324
		4,697,257	4,494,575
CURRENT ASSETS			
Inventories		84,708	95,593
Trade and other receivables	A17	1,146,950	1,217,159
Current tax assets		16,739	18,049
Cash and cash equivalents	A18	1,240,389	884,403
		2,488,786	2,215,204
ASSETS CLASSIFIED AS HELD FOR SALE		3,986	-
TOTAL ASSETS		7,190,029	6,709,779
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		2,451,646	2,110,731
		4,132,147	3,791,232
Non-controlling interests		111,603	116,461
TOTAL EQUITY		4,243,750	3,907,693
NON-CURRENT LIABILITIES			
Borrowings	B7	1,453,461	1,318,175
Lease liabilities		14,317	-
Deferred tax liabilities		4,140	4,978
		1,471,918	1,323,153
CURRENT LIABILITIES			
Trade and other payables	A19	930,803	1,049,963
Borrowings	B7	457,684	356,188
Lease liabilities		5,382	-
Current tax liabilities		80,492	72,782
		1,474,361	1,478,933
TOTAL LIABILITIES		2,946,279	2,802,086
TOTAL EQUITY AND LIABILITIES		7,190,029	6,709,779
Net assets per share attributable to owners of the parent (sen)		73.3	67.2

(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 YEAR ENDED 30 JUNE 2020

	Attributable to owners of the parent						
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non - controlling interests RM'000	Total equity 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 year	-	-	(83,833)	630,363	546,530	13,608	560,138
Appropriation:							
Final dividend for FY2019	-	-	-	(129,681)	(129,681)	-	(129,681)
Interim dividend for FY2020	-	-	-	(67,660)	(67,660)	-	(67,660)
Share options granted under ESOS	-	-	5,423	-	5,423	135	5,558
Dividends paid to non-controlling interests	-	-	-	-	-	(19,498)	(19,498)
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 30 June 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	111,603	4,243,750
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 (loss)/income for the year	-	-	(53,816)	535,836	482,020	18,099	500,119
Appropriation:							
Final dividend for FY2018	-	-	-	(101,490)	(101,490)	-	(101,490)
Interim dividend for FY2019	-	-	-	(84,575)	(84,575)	-	(84,575)
Dividends paid to non-controlling interests	-	-	-	-	-	(111)	(111)
Share issue expenses	(161)	-	-	-	(161)	-	(161)
Acquisition of shares from non-controlling interests	-	-	-	(5,503)	(5,503)	(55)	(5,558)
Balance as at 30 June 2019	1,684,126	(3,625)	91,748	2,018,983	3,791,232	116,461	3,907,693

(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.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	12 MONTHS ENDED	
	30/06/2020	**30/06/2019**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	747,279	652,996
Adjustments for:		
Depreciation and amortisation	192,806	128,557
Net interest expense/(income)	1,517	(8,787)
Share of profit of joint ventures and associates	(241,961)	(180,102)
Share options granted under ESOS	5,558	-
Other non-cash items	(33,601)	574
Operating profit before working capital changes	671,598	593,238
Changes in working capital :		
Net change in inventories and receivables	206,347	(233,407)
Net change in payables	(45,445)	(36,200)
Cash from operations	832,500	323,631
Dividends received	69,343	57,126
Interest received	52,302	56,894
Tax paid	(110,040)	(104,445)
Tax refunded	2,448	1,092
Net cash from operating activities	846,553	334,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	66,492	(3,731)
Acquisition of shares from non-controlling interests	(29,370)	(5,558)
Additions of intangible assets	(156,268)	(121,647)
Development of tank terminals	(55,825)	(325,952)
Investments in joint ventures and associates	386,658	(12,195)
Net change in deposits with licensed banks	(6,884)	(5,271)
Proceeds from disposal of property, plant and equipment	503	2,462
Purchases of property, plant and equipment	(647,261)	(75,597)
Net cash used in investing activities	(441,955)	(547,489)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

	12 MONTHS ENDED	
	30/06/2020 RM'000	30/06/2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(53,819)	(48,107)
Share issue expenses	-	(161)
Dividends paid	(197,341)	(186,065)
Dividends paid to non-controlling interests	(19,498)	(111)
Net drawdown of bank borrowings	213,394	50,607
Net cash used in financing activities	(57,264)	(183,837)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	347,334	(397,028)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	854,349	1,241,026
Effects of exchange rate changes on cash and cash equivalents	(251)	10,351
	854,098	1,251,377
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A18)	1,201,432	854,349

(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.)

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

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
	1,303,995	15,124	1,319,119
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
	2,135,444	15,124	2,150,568

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 year ended 30 June 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 year.

A7 Debt and equity securities

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

A8 Dividends paid

i) A final dividend of 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.

ii) A interim dividend of 1.20 sen per ordinary share, amounting to RM67,659,684 in respect of financial year ended 30 June 2020 was paid on 25 June 2020.

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 2020 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONTINUED

A11 Operating segments

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

The Group's operating segments for the financial year ended 30 June 2020 are as follows:

	Malaysia RM'000	Asia RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits before tax	691,922	8,088	16,973	29,865	431	747,279
Included in the measure of segment profits are:						
Revenue from external customers	*1,317,720*	*425,692*	*329,788*	*224,344*	*5,904*	2,303,448
Inter-segment revenue	*53,476*	*42,650*	*4,202*	-	-	100,328
Depreciation and amortisation	*163,100*	*5,351*	*14,707*	*9,648*	-	192,806
Interest expense	*49,960*	*91*	*1,687*	*2,081*	-	53,819
Interest income	*49,109*	*2,832*	*52*	*309*	-	52,302
Fair value gain on deemed disposal of a joint venture	*28,538*	-	-	-	-	28,538
Share of profit/(loss) of joint ventures and associates	*242,220*	*(259)*	-	-	-	241,961
Segment assets	6,210,466	483,346	173,118	256,204	-	7,123,134
Deferred tax assets						66,895
Total assets						7,190,029
Included in the measure of segment assets are:						
Investments in joint ventures and associates	*1,282,649*	*736*	-	-	-	1,283,385
Changes to non-current assets:						
- Property, plant and equipment	*625,158*	*10,431*	*9,291*	*2,381*	-	647,261
- Intangible assets	*156,221*	*8*	*39*	-	-	156,268
- Development of tank terminals	*55,825*	-	-	-	-	55,825
- Joint ventures and associates	*(386,658)*	-	-	-	-	(386,658)
Segment liabilities	2,737,377	80,929	82,174	41,659	-	2,942,139
Deferred tax liabilities						4,140
Total liabilities						2,946,279

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 year.

A13 Commitments

	30/06/2020 RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	4,200
- contracted but not provided for	6,100
	10,300
Commitments of the Group in respect of tank terminal business	778,000
Commitments of the Group in respect of upstream business	408,000

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,076.5 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 RM679.1 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 SGD83.2 million, equivalent to RM255.3 million (as at 30.06.2019: SGD106.7 million, equivalent to RM326.4 million) for project financing secured by a joint venture.

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 year ended 30 June 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.

	12 MONTHS ENDED 30/06/2020 RM'000
Transactions with joint ventures and an associate:	
Dividend income	69,343
Interest income	31,762
Subcontract works received	286,453

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 arising from business combination of a jointly controlled entity to a subsidiary.

A17 Trade and other receivables

	30/06/2020 RM'000
Trade receivables	341,010
Amounts due from customers for contract works	260,693
Amounts due from joint ventures and associates	499,070
Other receivables, deposits and prepayments	46,149
Hedge derivative assets	28
	1,146,950

A18 Cash and cash equivalents

	30/06/2020 RM'000
Bank balances and deposits with licensed banks	1,240,389
Less: Bank balances and deposits pledged to licensed banks	(38,957)
	1,201,432

A19 Trade and other payables

	30/06/2020 RM'000
Amounts due to customers for contract works	18,770
Trade payables	648,540
Accruals and other payables	242,487
Hedge derivative liabilities	21,006
	930,803

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 RM5,558,000 was charged to the statement of profit or loss in the current financial year.

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

B1 Performance analysis

The Group delivered another commendable performance for the financial year ended 30th June 2020. While the revenue of RM2.3 billion recorded in the current financial year was lower by 3.5%, the net operating profit after tax including joint ventures and associates was higher by 12.2% at RM619.6 million from RM552.3 million recorded a year ago. During the financial year, the Group booked a RM28.5 million non-cash fair value gain arising from business combination of a jointly controlled entity to a subsidiary. With this, the Group's total net profit after tax for the financial year ended 30th June 2020 was RM648.1 million.

As for the current reporting quarter against the corresponding quarter last year, the Group's revenue and net profit after tax rose by 20.2% and 12.6% respectively, to RM539.9 million and RM167.6 million.

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

On the International front, the revenue achieved in the current financial year was 9.6% higher against last year. Despite the higher revenue, net profit after tax in current financial year was down by 5.7% generally due to reduced margin as a result of the challenging market and intense competition.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM189.2 million was 7.4% higher against RM176.2 million recorded in the preceding quarter. This was attributable to higher revenue recorded at RM539.9 million against RM505.4 million in the preceding quarter and the cost reduction measures undertaken by the Group during the current financial quarter.

B3 Prospects

As a leading integrated technical service provider that is diversified across the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry, DIALOG remains confident that its business model is well structured to manage and sustain itself through periods of economic uncertainty, oil price volatility and currency movements.

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.

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

B3 Prospects – continued

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.

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. Phase 3's land reclamation has been 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 ASEAN region that we have envisioned it to be.

In addition to Dialog Terminals Langsat facility’s current total capacity of 770,000 m^3, DIALOG is investing an additional RM100 million for another 85,000 m^3 storage capacity which is targeted for completion and ready for operations by the end of 2021. Furthermore, we still have 17 acres of land which can add approximately another 200,000 m^3 of storage capacity to Dialog Terminals Langsat over the longer term, thus bringing the total capacity at the Langsat facility to over 1,000,000 m^3. 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 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 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 the 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 2021.

B4 Profit forecast and profit guarantee

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

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

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2020 RM'000	12 MONTHS ENDED 30/06/2020 RM'000
Current tax	42,642	115,927
Deferred tax	(22,439)	(5,679)
Under/(Over) provision in prior years	1,381	(11,064)
Total tax expense	21,584	99,184
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	16.0%	20.8%

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

B6 Status of corporate proposals

Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI")

In April 2018, Dialog Pengerang Sdn. Bhd., a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Dialog Terminals Pengerang CTF Sdn. Bhd. (formerly known as Pengerang CTF Sdn. Bhd.), which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities to support and promote the petroleum and petrochemicals storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial investment cost of RM2.5 billion. The Group, State Government of Johor Darul Ta'zim and SSI are currently in discussions to establish the joint venture.

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

B7 Borrowings and debt securities

As at 30 June 2020, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,369
Ringgit Malaysia	-	72,903
United States Dollar	13,340	57,095
Unsecured:		
New Zealand Dollar	4,658	12,726
Ringgit Malaysia	-	221,010
Sterling Pound	470	2,487
United States Dollar	21,050	90,094
		457,684
Long term borrowings:		
Secured:		
New Zealand Dollar	2,326	6,355
Ringgit Malaysia	-	211,560
United States Dollar	100,908	431,886
Unsecured:		
New Zealand Dollar	2,279	6,227
Ringgit Malaysia	-	797,433
		1,453,461
		1,911,145

Included in the borrowings for the current financial year is RM1,556.7 million (30.06.2019: RM1,335.4 million) obtained under Islamic financing facilities.

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:-

<u>High Court At Johor Bahru Suit No. Ja-23ncvc-4-04/2019 Teguh Kemajuan Sdn. Bhd. Vs Tan Sri Dr 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")</u>

Dialog Group Berhad ("DIALOG" or "the Company") and its wholly owned subsidiary, Dialog Pengerang Sdn. Bhd. ("DPengerang") have received a Writ and Statement of Claim dated 18 April 2019 ("the Suit") from Teguh Kemajuan Sdn. Bhd. ("TKSB").

TKSB was the owner of a piece of land held under GRN82359 Lot 1208 Mukim Pengerang, District of Kota Tinggi, Johor, which was previously compulsorily acquired by the State Government of Johor as part of the land forming part of Pengerang Independent Terminals Sdn. Bhd. ("PITSB")'s land. The land acquisition was completed in April 2013. PITSB, a joint venture company between DIALOG, Vopak Group and the State Government of Johor, is currently operating an independent storage terminal.

TKSB had challenged the compulsory land acquisition under a judicial review, which has been dismissed by the courts and TKSB has exhausted its rights of appeal. In addition to the judicial review, TKSB also challenged the original compulsory land acquisition price awarded. TKSB was successfully awarded a higher price in January 2018. However, TKSB is appealing against this decision at the Federal Court and the matter is pending the appeal.

TKSB is now claiming against the Defendants, amongst others, for conspiracy to injure TKSB by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others:

1. damages in the sum of US$1,354,262,406 (or its equivalent in Ringgit Malaysia at the time of judgment or payment) as the projected profits which would have been gained by TKSB if TKSB had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just;

2. against PITSB, a declaration that PITSB is a constructive trustee for TKSB; and

3. against PITSB, that it is and shall be liable to account to the Plaintiff for all incomes and profits it derives or may derive from its independent deepwater petroleum-storage terminal ("IDPT") project (or for such parts or proportions of the same as may be considered fair and just by the Court).

Tan Sri Dr Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd. together with Pengerang Terminals Sdn. Bhd. and Pengerang Independent Terminals Sdn. Bhd. have filed their respective applications to strike out the suit. The hearing date for the striking out application was part heard on 19 February 2020 and 13 August 2020. The hearing will continue on 6 September 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 2021.

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

B9 Dividends

a) The Board of Directors, pursuant to the Company's Constitution, recommends a final cash dividend of 1.90 sen (previous corresponding year: 2.30 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 3.10 sen per ordinary share is amounting to approximately RM174,859,684, comprises the following:

   i) Interim cash dividend of 1.20 sen per ordinary share amounting to RM67,659,684; and

   ii) Proposed final cash dividend of 1.90 sen per ordinary share amounting to approximately RM107,200,000.

   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 1.90 sen in respect of the current financial year.

B10 Derivative financial instruments

As at 30 June 2020, the Group has the following outstanding derivatives:

	Contract/Notional Value		Net fair value (losses) or gains
Forward foreign exchange contracts	**FC'000**	**RM'000**	**RM'000**
With maturity less than 1 year:			
Australian Dollar	406	1,206	16
Euro	463	2,235	(29)
Singapore Dollar	14	42	(0)
Sterling Pound	842	4,561	(476)
United States Dollar	3,005	12,854	(53)
Interest rate swap contracts			
With maturity 1 year to 2 years:			
Ringgit Malaysia		59,629	(364)
With maturity within 3 years:			
United States Dollar	111,200	475,936	(20,073)

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.

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

B11 Investments in joint ventures and associates

The Company provided a sponsor's undertaking to a joint venture as disclosed in A14.

B12 Earnings per share

The basic and diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Profit for the financial year attributable to owners of the Company (RM'000)	156,676	140,708	630,363	535,836
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 year

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED	12 MONTHS ENDED
	30/06/2020	30/06/2020
	RM'000	RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(66,424)	(192,806)
Foreign exchange gain	10,213	13,329
Gain on disposal of property, plant and equipment	58	290
Interest expense	(14,148)	(53,819)
Interest income	12,158	52,302
Property, plant and equipment written off	(9)	(72)
Rental income	(163)	1,356
Other miscellaneous income	314	6,307

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

Date: 18 August 2020