



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

Interim Financial Statements
For The Financial Period Ended
30 September 2020

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2020	30/09/2019	30/09/2020	30/09/2019
		RM'000	RM'000	RM'000	RM'000
Revenue		331,661	645,757	331,661	645,757
Operating expenses		(266,321)	(540,071)	(266,321)	(540,071)
Other operating income		28,307	13,000	28,307	13,000
Fair value gain on deemed disposal of a joint venture	A16	-	28,538	-	28,538
Share of profit of joint ventures and associates, net of tax		75,826	57,806	75,826	57,806
Finance costs		(11,911)	(10,533)	(11,911)	(10,533)
Profit before tax		157,562	194,497	157,562	194,497
Tax expense		(9,450)	(25,326)	(9,450)	(25,326)
Profit for the period		148,112	169,171	148,112	169,171
Profit for the period attributable to:					
Owners of the parent		146,620	164,635	146,620	164,635
Non-controlling interests		1,492	4,536	1,492	4,536
		148,112	169,171	148,112	169,171
Basic earnings per ordinary share (sen)	B12	2.60	2.92	2.60	2.92
Diluted earnings per ordinary share (sen)	B12	2.60	2.92	2.60	2.92

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2020	30/09/2019	30/09/2020	30/09/2019
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	148,112	169,171	148,112	169,171
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(14,147)	10,724	(14,147)	10,724
Cash flow hedge		2,174	(2,067)	2,174	(2,067)
Share of other comprehensive gain/(loss) of joint ventures		1,774	(33,877)	1,774	(33,877)
Other comprehensive loss for the period		<u>(10,199)</u>	<u>(25,220)</u>	<u>(10,199)</u>	<u>(25,220)</u>
Total comprehensive income for the period		<u>137,913</u>	<u>143,951</u>	<u>137,913</u>	<u>143,951</u>
Total comprehensive income attributable to:					
Owners of the parent		137,902	139,231	137,902	139,231
Non-controlling interests		11	4,720	11	4,720
		<u>137,913</u>	<u>143,951</u>	<u>137,913</u>	<u>143,951</u>

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	NOTE	30/09/2020 RM'000	30/06/2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,305,455	2,025,946
Development of tank terminals		551,391	537,090
Intangible assets		825,361	777,208
Investments in joint ventures and associates	B11	1,354,591	1,283,385
Other investments		11,661	6,733
Deferred tax assets		71,029	66,895
		5,119,488	4,697,257
CURRENT ASSETS			
Inventories		61,743	84,708
Trade and other receivables	A17	1,114,331	1,146,950
Current tax assets		20,727	16,739
Cash and cash equivalents	A18	1,055,485	1,240,389
		2,252,286	2,488,786
ASSETS CLASSIFIED AS HELD FOR SALE			
		-	3,986
TOTAL ASSETS			
		7,371,774	7,190,029
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		2,591,240	2,451,646
		4,271,741	4,132,147
Non-controlling interests		111,655	111,603
TOTAL EQUITY			
		4,383,396	4,243,750
NON-CURRENT LIABILITIES			
Borrowings	B7	1,530,756	1,453,461
Lease liabilities		13,367	14,317
Deferred tax liabilities		3,805	4,140
		1,547,928	1,471,918
CURRENT LIABILITIES			
Trade and other payables	A19	954,170	930,803
Borrowings	B7	405,534	457,684
Lease liabilities		4,821	5,382
Current tax liabilities		75,925	80,492
		1,440,450	1,474,361
TOTAL LIABILITIES			
		2,988,378	2,946,279
TOTAL EQUITY AND LIABILITIES			
		7,371,774	7,190,029
Net assets per share attributable to owners of the parent (sen)			
		75.8	73.3

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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		
Balance as at 1 July 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	111,603	4,243,750
Total comprehensive (loss)/income for the period	-	-	(8,718)	146,620	137,902	11	137,913
Share options granted under ESOS	-	-	1,692	-	1,692	41	1,733
Balance as at 30 September 2020	<u>1,684,126</u>	<u>(3,625)</u>	<u>6,312</u>	<u>2,584,928</u>	<u>4,271,741</u>	<u>111,655</u>	<u>4,383,396</u>
Balance as at 1 July 2019	1,684,126	(3,625)	91,748	2,018,983	3,791,232	116,461	3,907,693
- As previously reported	-	-	-	(1,676)	(1,676)	(903)	(2,579)
- Effect of adoption of MFRS 16	-	-	-	-	-	-	-
- As restated	1,684,126	(3,625)	91,748	2,017,307	3,789,556	115,558	3,905,114
Total comprehensive (loss)/income for the period	-	-	(25,404)	164,635	139,231	4,720	143,951
Share options granted under ESOS	-	-	923	-	923	27	950
Acquisition of a subsidiary	-	-	-	-	-	19,149	19,149
Acquisition of shares from non-controlling interests	-	-	-	-	-	(1,766)	(1,766)
Balance as at 30 September 2019	<u>1,684,126</u>	<u>(3,625)</u>	<u>67,267</u>	<u>2,181,942</u>	<u>3,929,710</u>	<u>137,688</u>	<u>4,067,398</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	3 MONTHS ENDED	
	30/09/2020	30/09/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	157,562	194,497
Adjustments for:		
Depreciation and amortisation	48,894	40,350
Net interest expense/(income)	1,438	(2,976)
Share of profit of joint ventures and associates	(75,826)	(57,806)
Share options granted under ESOS	1,733	950
Other non-cash items	(12,590)	(26,195)
Operating profit before working capital changes	121,211	148,820
Changes in working capital :		
Net change in inventories and receivables	37,776	(22,020)
Net change in payables	20,839	228,142
Cash from operations	179,826	354,942
Interest received	10,298	13,282
Tax paid	(21,204)	(40,027)
Tax refunded	4,141	-
Net cash from operating activities	173,061	328,197
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	-	(1,766)
Additions of intangible assets	(71,339)	(29,167)
Additions of other investment	(5,000)	-
Development of tank terminals	(14,301)	(176,722)
Investments in joint ventures and associates	-	(22,797)
Net change in deposits with licensed banks	19,007	16,242
Proceeds from disposal of property, plant and equipment	16,396	224
Purchases of property, plant and equipment	(308,591)	(21,258)
Net cash used in investing activities	(363,828)	(168,752)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020 (CONTINUED)**

	3 MONTHS ENDED	
	30/09/2020	30/09/2019
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,736)	(10,306)
Net drawdown of bank borrowings	41,211	284,801
Net cash from financing activities	<u>29,475</u>	<u>274,495</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(161,292)	433,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	1,201,432	854,349
Effects of exchange rate changes on cash and cash equivalents	(3,513)	(3,327)
	<u>1,197,919</u>	<u>851,022</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	<u><u>1,036,627</u></u>	<u><u>1,284,962</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 2020 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 2020. 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 2020.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2020 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 2020 except as discussed below:

As of 1 July 2020, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16 <i>Covid-19 - Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 4 <i>Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

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

A3 Auditors’ report of preceding annual audited financial statements

The auditors' report on the preceding year's audited financial statements was not subject to any qualification.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period ended 30 September 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

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

A9 Property, plant and equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A10 Material events subsequent to the end of the financial period

On 11 September 2020, DIALOG had lodged an Islamic notes issuance programme of up to an aggregate amount of RM3.0 billion in nominal value based on the Shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Programme") with the Securities Commission Malaysia ("SC"). The Sukuk Programme, which has a perpetual programme tenure, provides DIALOG the flexibility to issue, from time to time, senior Islamic medium term notes ("Senior Sukuk Wakalah") and/or subordinated perpetual Islamic notes ("Perpetual Sukuk Wakalah") subject to the aggregate outstanding nominal amount not exceeding RM3.0 billion at any point in time.

Further to the above, DIALOG has on 16 November 2020 successfully completed the first issuance of Perpetual Sukuk Wakalah of RM500 million in nominal value with tenure of perpetual non-callable 7 years with an initial periodic distribution rate 4.15% per annum. The proceeds from this issuance shall be utilised to finance investments, acquisition, capital expenditure, working capital requirements and/or repayment of borrowings.

There were no other material events subsequent to the current financial period ended 30 September 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 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 period ended 30 September 2020 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	150,086	508	5,036	1,815	117	157,562
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	144,556	58,695	91,019	37,360	31	331,661
<i>Inter-segment revenue</i>	1,057	1,458	3,897	1,464	-	7,876
<i>Depreciation and amortisation</i>	41,228	1,473	3,797	2,396	-	48,894
<i>Interest expense</i>	10,932	63	391	350	-	11,736
<i>Interest income</i>	9,943	349	6	-	-	10,298
<i>Share of profit/(loss) of joint ventures and associates</i>	75,894	(68)	-	-	-	75,826
Segment assets	6,444,334	462,218	165,013	229,180	-	7,300,745
Deferred tax assets						71,029
Total assets						<u>7,371,774</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,353,923	668	-	-	-	1,354,591
<i>Changes to non-current assets:</i>						
- <i>Property, plant and equipment</i>	305,415	472	2,671	33	-	308,591
- <i>Intangible assets</i>	71,300	14	25	-	-	71,339
- <i>Development of tank terminals</i>	14,301	-	-	-	-	14,301
Segment liabilities	2,808,104	66,795	71,836	37,838	-	2,984,573
Deferred tax liabilities						3,805
Total liabilities						<u>2,988,378</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

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

A13 Commitments

	30/09/2020
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	1,900
- contracted but not provided for	1,300
	<u>3,200</u>
Commitments of the Group in respect of tank terminal business	<u>510,000</u>
Commitments of the Group in respect of upstream business	<u>410,000</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,441.5 million (as at 30.06.2020: RM1,076.5 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 RM928.0 million (as at 30.06.2020: RM679.1 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD77.2 million, equivalent to RM233.9 million (as at 30.06.2020: SGD83.2 million, equivalent to RM255.3 million) for project financing secured by a joint venture.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 30 September 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 2020.

	3 MONTHS ENDED 30/09/2020 RM'000
Transactions with joint ventures and an associate:	
Interest income	7,380
Subcontract works received	6,535

A16 Fair value gain on deemed disposal of a joint venture

In the previous financial year, the Group acquired an additional 25% equity interest in a jointly controlled entity and 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

	30/09/2020 RM'000
Trade receivables	316,892
Amounts due from customers for contract works	260,703
Amounts due from joint ventures and associates	497,908
Other receivables, deposits and prepayments	38,828
	<u>1,114,331</u>

A18 Cash and cash equivalents

	30/09/2020 RM'000
Bank balances and deposits with licensed banks	1,055,485
Less: Bank balances and deposits pledged to licensed banks	<u>(18,858)</u>
	<u>1,036,627</u>

A19 Trade and other payables

	30/09/2020 RM'000
Amounts due to customers for contract works	18,202
Trade payables	678,342
Accruals and other payables	238,763
Hedge derivative liabilities	18,863
	<u>954,170</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 RM1,733,000 was charged to the statement of profit or loss in the current financial period (Q1 FY2020: RM950,000).

INTERIM FINANCIAL REPORT

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

For the 1st quarter ended 30th September 2020, the Group achieved a 5.3% increase in its net operating profit after tax of RM148.1 million, against RM140.6 million registered in the corresponding quarter last year, despite the lower revenue of RM331.7 million as compared to RM645.8 million recorded in the corresponding quarter last year. In the corresponding quarter last 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. This resulted in a total net profit after tax of RM169.2 million reported in the corresponding quarter last year.

During the current financial quarter under review, the Group's operations continued to be busy with the development and on-going construction of its own internal midstream terminal assets in Phase 3A of Pengerang Deepwater Terminals and the 85,000 m³ expansion of DIALOG Terminals Langsat 3. The focus on the development of Group's own internal midstream terminal assets during the quarter, coupled with the slower downstream activities and drop in upstream oil prices resulted in the lower reported revenue.

The growth in the net operating profit despite the lower revenue in the quarter under review, is the result of the Group's increasing contributions from its recurring income business such as midstream terminals, as well as the Group's prudent approach and proactive steps in managing its finances which further cushioned the impact of the economic slowdown due to COVID-19 global pandemic. These measures included reprioritization of capital and operational expenditures, ongoing cost management initiatives and salary reduction exercise for senior and middle management.

The Malaysian operations continued to deliver a steady performance with higher contributions from its terminals business. The storage capacity at DIALOG Terminals Langsat and Pengerang Independent Terminals Sdn. Bhd., which total to 770,000 m³ and 1,780,000 m³ respectively, continued to be fully leased out.

The Group's International operations reported lower revenue and profit in the current financial quarter, mostly due to reduced business activities.

B2 Variation of results against preceding quarter

The Group registered a lower revenue of RM331.7 million against RM539.9 million recorded in the preceding quarter. During the current financial quarter under review, the Group continued to focus on the construction of its own midstream terminal assets in Phase 3A of Pengerang Deepwater Terminals and the 85,000 m³ expansion of DIALOG Terminals Langsat 3. This focus, coupled with the slower downstream activities, resulted in the lower reported revenue. In line with the lower revenue, the Group reported a lower profit before tax of RM157.6 million against RM189.2 million recorded in the preceding 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.

INTERIM FINANCIAL REPORT

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

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.

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 m³, DIALOG is investing an additional RM100 million for another 85,000 m³ storage capacity with 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 m³ 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 m³. This is in line with the Group's longer-term strategy to grow its midstream terminals business to generate sustainable and recurring income.

In the downstream 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.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**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 30/09/2020 RM'000	3 MONTHS ENDED 30/09/2020 RM'000
Current tax	13,625	13,625
Deferred tax	1,796	1,796
Over provision in prior years	(5,971)	(5,971)
	<u>9,450</u>	<u>9,450</u>
Total tax expense	<u>9,450</u>	<u>9,450</u>
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	<u>11.6%</u>	<u>11.6%</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., which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities to support and promote the petroleum and petrochemicals storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial investment cost of RM2.5 billion. The Group, State Government of Johor Darul Ta'zim and SSI are currently in discussions to establish the joint venture.

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

B7 Borrowings and debt securities

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

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,366
Ringgit Malaysia	-	74,631
United States Dollar	13,620	56,659
Unsecured:		
New Zealand Dollar	3,658	9,974
Ringgit Malaysia	-	172,260
Sterling Pound	577	3,076
United States Dollar	21,050	87,568
		<u>405,534</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	2,201	6,001
Ringgit Malaysia	-	209,210
United States Dollar	93,958	390,865
Singapore Dollar	79,038	239,485
Unsecured:		
New Zealand Dollar	2,115	5,767
Ringgit Malaysia	-	679,428
		<u>1,530,756</u>
		<u>1,936,290</u>

Included in the borrowings for the current financial period is RM1,696.4 million (30.06.2020: RM1,556.7 million) obtained under Islamic financing facilities.

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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. 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).

The suit has been struck out with costs for the Defendants on 6 October 2020. TKS B has filed a notice to appeal to the Court of Appeal on 28 October 2020 against the decision of the High Court Judge in allowing the Defendants' striking out application of the said suit.

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.

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

B9 Dividends

The Board of Directors, pursuant to the Company's Constitution, had recommended a final cash dividend of 1.90 sen (previous corresponding year: 2.30 sen) per ordinary share in respect of the previous financial year for approval of the shareholders at the forthcoming Annual General Meeting.

Subject to the approval, the entitlement of the final dividend will be determined based on the shareholders registered in the record of depositors as at 2 December 2020 and the date of payment will be on 17 December 2020.

B10 Derivative financial instruments

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

	Contract/Notional Value		Net fair value
	FC'000	RM'000	losses
<u>Forward foreign exchange contracts</u>			RM'000
With maturity less than 1 year:			
Australian Dollar	28	84	(1)
United States Dollar	10,800	45,297	(232)
<u>Interest rate swap contracts</u>			
With maturity 1 year to 2 years:			
Ringgit Malaysia		56,429	(293)
With maturity within 3 years:			
United States Dollar	105,700	439,712	(18,493)

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2020:

- 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.

B11 Investments in joint ventures and associates

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

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B12 Earnings per share**

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit for the financial period attributable to owners of the Company (RM'000)	146,620	164,635	146,620	164,635
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,638,307	5,638,307	5,638,307

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit for the financial period attributable to owners of the Company (RM'000)	146,620	164,635	146,620	164,635
Weighted average number of ordinary shares in issue ('000)	5,638,307	5,638,307	5,638,307	5,638,307
Effect of dilution due to:				
- ESOS ('000)	3,244	-	3,244	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,641,551	5,638,307	5,641,551	5,634,937

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B13 Profit for the period**

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/09/2020 RM'000	3 MONTHS ENDED 30/09/2020 RM'000
This is arrived at after crediting/(charging):		
Depreciation and amortisation	(48,894)	(48,894)
Foreign exchange gain	5,216	5,216
Gain on disposal of property, plant and equipment	12,015	12,015
Interest expense	(11,736)	(11,736)
Interest income	10,298	10,298
Property, plant and equipment written off	(56)	(56)
Rental income	464	464
Other miscellaneous income	370	370

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

Date: 16 November 2020