



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Period Ended
31 December 2020**

INTERIM FINANCIAL REPORT

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

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019
		RM'000	RM'000	RM'000	RM'000
Revenue		350,946	612,314	682,607	1,258,071
Operating expenses		(252,032)	(492,250)	(518,353)	(1,032,321)
Other operating income		15,608	19,114	43,915	32,114
Fair value gain on deemed disposal of a joint venture	A16	-	-	-	28,538
Share of profit of joint ventures and associates, net of tax		28,019	57,118	103,845	114,924
Finance costs		(8,597)	(8,873)	(20,508)	(19,406)
Profit before tax		133,944	187,423	291,506	381,920
Tax expense		(11,695)	(27,345)	(21,145)	(52,671)
Profit for the period		<u>122,249</u>	<u>160,078</u>	<u>270,361</u>	<u>329,249</u>
Profit for the period attributable to:					
Owners of the parent		121,812	158,014	268,432	322,649
Non-controlling interests		437	2,064	1,929	6,600
		<u>122,249</u>	<u>160,078</u>	<u>270,361</u>	<u>329,249</u>
Basic earnings per ordinary share (sen)	B12	<u>2.16</u>	<u>2.80</u>	<u>4.76</u>	<u>5.72</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.16</u>	<u>2.80</u>	<u>4.76</u>	<u>5.72</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 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 31 DECEMBER 2020

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	122,249	160,078	270,361	329,249
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(24,541)	(7,437)	(38,688)	3,287
Cash flow hedge		18,760	1,858	20,934	(209)
Share of other comprehensive gain/(loss) of joint ventures		22,333	18,453	24,107	(15,424)
Other comprehensive income/(loss) for the period		16,552	12,874	6,353	(12,346)
Total comprehensive income for the period		138,801	172,952	276,714	316,903
Total comprehensive income attributable to:					
Owners of the parent		139,712	176,564	277,614	315,795
Non-controlling interests		(911)	(3,612)	(900)	1,108
		138,801	172,952	276,714	316,903

(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 31 DECEMBER 2020**

	NOTE	31/12/2020 RM'000	30/06/2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,492,831	2,025,946
Development of tank terminals		580,859	537,090
Intangible assets		838,588	777,208
Investments in joint ventures and associates	B11	1,375,142	1,283,385
Other investments		11,575	6,733
Deferred tax assets		56,474	66,895
		<u>5,355,469</u>	<u>4,697,257</u>
CURRENT ASSETS			
Inventories		52,934	84,708
Trade and other receivables	A17	564,470	1,146,950
Current tax assets		17,072	16,739
Cash and cash equivalents	A18	1,258,737	1,240,389
		<u>1,893,213</u>	<u>2,488,786</u>
ASSETS CLASSIFIED AS HELD FOR SALE			
		-	3,986
TOTAL ASSETS		<u>7,248,682</u>	<u>7,190,029</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,696,289	1,684,126
Treasury shares		(3,625)	(3,625)
Reserves		2,623,611	2,451,646
		4,316,275	4,132,147
Perpetual Sukuk	A21	498,940	-
Non-controlling interests		110,580	111,603
TOTAL EQUITY		<u>4,925,795</u>	<u>4,243,750</u>
NON-CURRENT LIABILITIES			
Borrowings	B7	1,207,085	1,453,461
Lease liabilities		12,946	14,317
Deferred tax liabilities		6,450	4,140
		<u>1,226,481</u>	<u>1,471,918</u>
CURRENT LIABILITIES			
Trade and other payables	A19	720,430	930,803
Borrowings	B7	309,986	457,684
Lease liabilities		4,609	5,382
Current tax liabilities		61,381	80,492
		<u>1,096,406</u>	<u>1,474,361</u>
TOTAL LIABILITIES		<u>2,322,887</u>	<u>2,946,279</u>
TOTAL EQUITY AND LIABILITIES		<u>7,248,682</u>	<u>7,190,029</u>
Net assets per share attributable to owners of the parent (sen)		<u>85.4</u>	<u>73.3</u>

(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 31 DECEMBER 2020**

	Attributable to owners of the parent					Perpetual Sukuk RM'000	Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000			
Balance as at 1 July 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	-	111,603	4,243,750
Total comprehensive income/(loss) for the period	-	-	9,182	268,432	277,614	-	(900)	276,714
Appropriation:								
Final dividend for FY2020	-	-	-	(107,192)	(107,192)	-	-	(107,192)
Share options granted under ESOS	-	-	3,383	-	3,383	-	83	3,466
Dividends paid to non-controlling interests	-	-	-	-	-	-	(71)	(71)
Issuance of Perpetual Sukuk	-	-	-	-	-	500,000	-	500,000
Share options exercised	12,163	-	(1,840)	-	10,323	-	(135)	10,188
Transaction costs	-	-	-	-	-	(1,060)	-	(1,060)
Balance as at 31 December 2020	1,696,289	(3,625)	24,063	2,599,548	4,316,275	498,940	110,580	4,925,795
Balance as at 1 July 2019								
- As previously reported	1,684,126	(3,625)	91,748	2,018,983	3,791,232	-	116,461	3,907,693
- Effect of adoption of MFRS 16	-	-	-	(1,676)	(1,676)	-	(903)	(2,579)
- As restated	1,684,126	(3,625)	91,748	2,017,307	3,789,556	-	115,558	3,905,114
Total comprehensive (loss)/income for the period	-	-	(6,854)	322,649	315,795	-	1,108	316,903
Appropriation:								
Final dividend for FY2019	-	-	-	(129,681)	(129,681)	-	-	(129,681)
Share options granted under ESOS	-	-	1,845	-	1,845	-	55	1,900
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,441)	(4,441)
Acquisition of a subsidiary	-	-	-	-	-	-	19,149	19,149
Acquisition of shares from non-controlling interests	-	-	-	(12,021)	(12,021)	-	(17,349)	(29,370)
Balance as at 31 December 2019	1,684,126	(3,625)	86,739	2,198,254	3,965,494	-	114,080	4,079,574

(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.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

	6 MONTHS ENDED	
	31/12/2020	31/12/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	291,506	381,920
Adjustments for:		
Depreciation and amortisation	98,856	85,878
Net interest income	(20)	(7,797)
Share of profit of joint ventures and associates	(103,845)	(114,924)
Share options granted under ESOS	3,466	1,900
Other non-cash items	(15,038)	(30,140)
Operating profit before working capital changes	274,925	316,837
Changes in working capital :		
Net change in inventories and receivables	129,438	(24,733)
Net change in payables	(186,611)	324,655
Cash from operations	217,752	616,759
Dividends received	38,882	19,500
Interest received	20,196	26,774
Tax paid	(24,068)	(63,257)
Tax refunded	4,215	1,743
Net cash from operating activities	256,977	601,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	66,492
Acquisition of shares from non-controlling interests	-	(29,370)
Additions of intangible assets	(109,198)	(23,999)
Additions of other investment	(5,000)	-
Development of tank terminals	(43,769)	(411,066)
Investments in joint ventures and associates	(16,810)	(164)
Repayment of advances from an associate	438,503	-
Net change in deposits with licensed banks	37,123	(11,797)
Proceeds from disposal of property, plant and equipment	16,500	271
Purchases of property, plant and equipment	(518,653)	(80,812)
Net cash used in investing activities	(201,304)	(490,445)

INTERIM FINANCIAL REPORT

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

	6 MONTHS ENDED	
	31/12/2020	31/12/2019
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(20,176)	(18,977)
Dividends paid	(107,192)	(129,681)
Dividends paid to non-controlling interests	(71)	(4,441)
Net (repayment)/drawdown of bank borrowings	(378,418)	256,262
Net proceeds from issuances of Perpetual Sukuk	498,940	-
Proceeds from issuances of shares	10,188	-
Net cash from financing activities	3,271	103,163
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,944	214,237
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	(1,773)	(2,646)
	1,199,659	851,703
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	1,258,603	1,065,940

(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 31 December 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 except for the following:

- i. exercise of 3,650,075 share options under the Employees' Share Option Scheme; and
- ii. issuance of RM500 million Perpetual Sukuk Wakalah in nominal value with tenure of perpetual non-callable 7 years with a periodic distribution rate 4.15% per annum.

A8 Dividends paid

A final dividend of 1.90 sen per ordinary share, amounting to RM107,191,692 in respect of financial year ended 30 June 2020 was paid on 17 December 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 period

There were no material events subsequent to the current financial period ended 31 December 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 31 December 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	267,836	9,623	10,175	3,696	176	291,506
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	308,560	112,866	185,445	75,705	31	682,607
<i>Inter-segment revenue</i>	2,517	1,721	7,807	6,802	-	18,847
<i>Depreciation and amortisation</i>	83,822	2,457	7,857	4,720	-	98,856
<i>Interest expense</i>	19,046	125	655	350	-	20,176
<i>Interest income</i>	19,650	539	7	-	-	20,196
<i>Share of profit/(loss) of joint ventures and associates</i>	103,913	(68)	-	-	-	103,845
Segment assets	6,360,571	436,028	168,896	226,713	-	7,192,208
Deferred tax assets						56,474
Total assets						<u>7,248,682</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,374,481	661	-	-	-	1,375,142
<i>Changes to non-current assets:</i>						
- <i>Property, plant and equipment</i>	512,499	912	5,063	179	-	518,653
- <i>Intangible assets</i>	109,159	14	25	-	-	109,198
- <i>Development of tank terminals</i>	43,769	-	-	-	-	43,769
- <i>Joint ventures and associates</i>	16,810	-	-	-	-	16,810
Segment liabilities	2,147,300	66,814	66,122	36,201	-	2,316,437
Deferred tax liabilities						6,450
Total liabilities						<u>2,322,887</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

	31/12/2020 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	500
	4,700
Commitments of the Group in respect of tank terminal business	339,000
Commitments of the Group in respect of upstream business	376,000

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,443.1 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 RM1,025.2 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 SGD71.0 million, equivalent to RM215.7 million (as at 30.06.2020: SGD83.2 million, equivalent to RM255.3 million) for project financing secured by a joint venture.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 31 December 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.

	6 MONTHS ENDED 31/12/2020 RM'000
Transactions with a joint venture and an associate:	
Dividend income	38,882
Interest income	14,344

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

	31/12/2020 RM'000
Trade receivables	386,233
Amounts due from customers for contract works	87,542
Amounts due from joint ventures and associates	48,556
Other receivables, deposits and prepayments	42,139
	<u>564,470</u>

A18 Cash and cash equivalents

	31/12/2020 RM'000
Bank balances and deposits with licensed banks	1,258,737
Less: Bank balances and deposits pledged to licensed banks	(134)
	<u>1,258,603</u>

A19 Trade and other payables

	31/12/2020 RM'000
Amounts due to customers for contract works	27,571
Trade payables	545,751
Accruals and other payables	147,006
Hedge derivative liabilities	102
	<u>720,430</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 RM3,466,000 was charged to the statement of profit or loss in the current financial period (Q2 FY2020: RM1,900,000).

A21 Wakalah Bi Al-Istithmar ("Sukuk Programme")

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

In November 2020, the Company completed the first issuance of RM500 million Perpetual Sukuk Wakalah in nominal value with tenure of perpetual non-callable 7 years with a periodic distribution rate 4.15% per annum.

	31/12/2020
	RM'000
Issuance nominal value	500,000
Less: Transaction costs	(1,060)
Net nominal value	<u>498,940</u>

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

For the 2nd quarter ended 31st December 2020, the Group registered a net profit after tax of RM122.2 million, representing a 23.6% drop from RM160.1 million reported in the corresponding quarter last year. The Group's revenue for the reporting quarter was lower at RM350.9 million when compared to RM612.3 million recorded 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 and the drop in upstream oil prices resulted in the lower reported revenue.

Despite the lower revenue reported in the downstream and upstream activities, the Group saw increased contributions from its recurring income business such as midstream terminals. 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. In addition, the Group's prudent approach and proactive steps in managing its finances had 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 Group's share of profits from joint ventures for the current financial quarter was lower when compared to the corresponding quarter last year. This was due to lower profit contribution from a joint venture following the finalisation of its assets costs and the provision for deferred taxation liabilities.

On the International front, the revenue and net profit after tax operations reported for the current quarter were lower against corresponding quarter last year, mostly due to reduced business activities as a result of the challenging market and economic downturn due to the prolonged COVID-19 pandemic.

B2 Variation of results against preceding quarter

The Group's revenue for the current quarter of RM350.9 million was 5.8% higher when compared to RM331.7 million achieved in the preceding quarter mainly due to increased downstream activities in Malaysia. Despite the higher revenue, the Group's profit before taxation for the current quarter of RM133.9 million was lower by 15.0% when compared to RM157.6 million reported in the preceding quarter. This was due to lower share of profits from joint ventures and associates.

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 demand disruptions of petroleum products, 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 which will be completed 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, due to demand disruption of petroleum products caused by the COVID-19 pandemic, 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 profitable for the financial year ending 30 June 2021.

INTERIM FINANCIAL REPORT

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 31/12/2020 RM'000	6 MONTHS ENDED 31/12/2020 RM'000
Current tax	8,063	21,689
Deferred tax	8,379	10,174
Over provision in prior years	(4,747)	(10,718)
Total tax expense	11,695	21,145
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	11.0%	11.3%

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 31 December 2020, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	501	1,447
Ringgit Malaysia	-	68,259
Unsecured:		
New Zealand Dollar	658	1,899
Ringgit Malaysia	-	153,760
United States Dollar	21,050	84,621
		309,986
Long term borrowings:		
Secured:		
New Zealand Dollar	2,076	5,994
Ringgit Malaysia	-	191,201
Singapore Dollar	108,362	329,420
Unsecured:		
New Zealand Dollar	1,950	5,632
Ringgit Malaysia	-	674,838
		1,207,085
		1,517,071

Included in the borrowings for the current financial period is RM1,306.3 million (30.06.2020: RM1,556.7 million) obtained under Islamic financing facilities.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B8 Material litigation**

As at the date of this announcement, there was no material litigation since the last audited financial statements except for the following:-

High Court At Johor Bahru Suit No. Ja-23ncvc-4-04/2019 Teguh Kemajuan Sdn. Bhd. Vs Tan Sri Dr. 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. The hearing of the appeal is fixed for hearing on 29 October 2021.

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.

INTERIM FINANCIAL REPORT

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

B9 Dividends

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

B10 Derivative financial instruments

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

	Contract/Notional Value		Net fair value
	FC'000	RM'000	income/ (losses) RM'000
<u>Forward foreign exchange contracts</u>			
With maturity less than 1 year:			
Euro	33	167	(2)
Singapore Dollar	4,794	14,708	135
Saudi Riyal	35	37	-
United States Dollar	3,824	15,908	(191)
<u>Interest rate swap contracts</u>			
With maturity 1 year to 2 years:			
Ringgit Malaysia		40,349	(198)

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.

INTERIM FINANCIAL REPORT

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		6 MONTHS ENDED	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Profit for the financial period attributable to owners of the Company (RM'000)	121,812	158,014	268,432	322,649
Weighted average number of ordinary shares in issue ('000)	5,640,070	5,638,307	5,639,189	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		6 MONTHS ENDED	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Profit for the financial period attributable to owners of the Company (RM'000)	121,812	158,014	268,432	322,649
Weighted average number of ordinary shares in issue ('000)	5,640,070	5,638,307	5,639,189	5,638,307
Effect of dilution due to:				
- ESOS ('000)	2,031	-	2,125	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,101	5,638,307	5,641,314	5,638,307

INTERIM FINANCIAL REPORT

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 31/12/2020 RM'000	6 MONTHS ENDED 31/12/2020 RM'000

This is arrived at after crediting/(charging):

Depreciation and amortisation	(49,963)	(98,856)
Foreign exchange gain	2,611	7,827
Gain on disposal of property, plant and equipment	40	12,055
Interest expense	(8,440)	(20,176)
Interest income	9,897	20,196
Property, plant and equipment written off	-	(57)
Rental income	153	617
Other miscellaneous income	2,907	3,277

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

Date: 9 February 2021