



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Period Ended
30 September 2021**

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2021	30/09/2020	30/09/2021	30/09/2020
		RM'000	RM'000	RM'000	RM'000
Revenue		505,453	331,661	505,453	331,661
Operating expenses		(438,901)	(266,321)	(438,901)	(266,321)
Other operating income		9,887	28,307	9,887	28,307
Share of profit of joint ventures and associates, net of tax		73,424	75,826	73,424	75,826
Finance costs		(7,162)	(11,911)	(7,162)	(11,911)
Profit before tax		142,701	157,562	142,701	157,562
Tax expense		(11,668)	(9,450)	(11,668)	(9,450)
Profit for the period		<u>131,033</u>	<u>148,112</u>	<u>131,033</u>	<u>148,112</u>
Profit for the period attributable to:					
Owners of the parent		128,816	146,620	128,816	146,620
Non-controlling interests		2,217	1,492	2,217	1,492
		<u>131,033</u>	<u>148,112</u>	<u>131,033</u>	<u>148,112</u>
Basic earnings per ordinary share (sen)	B12	<u>2.28</u>	<u>2.60</u>	<u>2.28</u>	<u>2.60</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.28</u>	<u>2.60</u>	<u>2.28</u>	<u>2.60</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 2021 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		3 MONTHS ENDED	
		30/09/2021	30/09/2020	30/09/2021	30/09/2020
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	131,033	148,112	131,033	148,112
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Fair value of other investment		5,568	-	5,568	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		3,507	(14,147)	3,507	(14,147)
Cash flow hedge		84	2,174	84	2,174
Share of other comprehensive gain of joint ventures		4,041	1,774	4,041	1,774
Other comprehensive income/(loss) for the period		<u>13,200</u>	<u>(10,199)</u>	<u>13,200</u>	<u>(10,199)</u>
Total comprehensive income for the period		<u>144,233</u>	<u>137,913</u>	<u>144,233</u>	<u>137,913</u>
Total comprehensive income attributable to:					
Owners of the parent		141,116	137,902	141,116	137,902
Non-controlling interests		3,117	11	3,117	11
		<u>144,233</u>	<u>137,913</u>	<u>144,233</u>	<u>137,913</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 2021 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 SEPTEMBER 2021**

	NOTE	30/09/2021 RM'000	30/06/2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,749,250	2,759,469
Development of tank terminals		634,638	589,899
Intangible assets		822,716	835,056
Investments in joint ventures and associates	B11	1,571,148	1,504,761
Other investments		63,984	57,368
Deferred tax assets		51,405	49,521
		<u>5,893,141</u>	<u>5,796,074</u>
CURRENT ASSETS			
Inventories		74,348	66,200
Trade and other receivables	A16	681,559	620,737
Current tax assets		22,585	32,213
Other investment		-	8,630
Cash and cash equivalents	A17	1,466,640	1,453,356
		<u>2,245,132</u>	<u>2,181,136</u>
TOTAL ASSETS		<u><u>8,138,273</u></u>	<u><u>7,977,210</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,697,751	1,697,751
Treasury shares		(3,625)	(3,625)
Reserves		3,046,022	2,903,542
		4,740,148	4,597,668
Perpetual Sukuk Wakalah		498,940	498,940
Non-controlling interests		105,555	102,255
TOTAL EQUITY		<u><u>5,344,643</u></u>	<u><u>5,198,863</u></u>
NON-CURRENT LIABILITIES			
Borrowings	B7	1,599,735	1,637,941
Lease liabilities		19,143	20,438
Deferred tax liabilities		3,513	4,475
		<u>1,622,391</u>	<u>1,662,854</u>
CURRENT LIABILITIES			
Trade and other payables	A18	736,071	747,483
Borrowings	B7	362,278	297,702
Lease liabilities		6,136	6,173
Current tax liabilities		66,754	64,135
		<u>1,171,239</u>	<u>1,115,493</u>
TOTAL LIABILITIES		<u><u>2,793,630</u></u>	<u><u>2,778,347</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>8,138,273</u></u>	<u><u>7,977,210</u></u>
Net assets per share attributable to owners of the parent (sen)		<u><u>84.0</u></u>	<u><u>81.5</u></u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2021**

	Attributable to owners of the parent					Perpetual Sukuk Wakalah 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 2021	1,697,751	(3,625)	110,916	2,792,626	4,597,668	498,940	102,255	5,198,863
Total comprehensive income for the period	-	-	12,300	128,816	141,116	-	3,117	144,233
Share options granted under ESOS	-	-	1,364	-	1,364	-	183	1,547
Balance as at 30 September 2021	1,697,751	(3,625)	124,580	2,921,442	4,740,148	498,940	105,555	5,344,643
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	1,684,126	(3,625)	6,312	2,584,928	4,271,741	-	111,655	4,383,396

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2021 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 2021

	3 MONTHS ENDED	
	30/09/2021	30/09/2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	142,701	157,562
Adjustments for:		
Depreciation and amortisation	59,955	48,894
Net interest expense	2,830	1,438
Share of profit of joint ventures and associates	(73,424)	(75,826)
Share options granted under ESOS	1,547	1,733
Other non-cash items	(2,935)	(12,590)
Operating profit before working capital changes	130,674	121,211
Changes in working capital :		
Net change in inventories and receivables	(68,075)	37,776
Net change in payables	(6,111)	20,839
Cash from operations	56,488	179,826
Dividends received	13,500	-
Interest received	4,232	10,298
Tax paid	(13,982)	(21,204)
Tax refunded	10,000	4,141
Net cash from operating activities	70,238	173,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of intangible assets	(12,195)	(71,339)
Additions of other investment	(823)	(5,000)
Development of tank terminals	(44,739)	(14,301)
Net change in deposits with licensed banks	115	19,007
Proceeds from disposal of property, plant and equipment	23	16,396
Proceeds from disposal of other investment	12,193	-
Purchase of property, plant and equipment	(29,690)	(308,591)
Net cash used in investing activities	(75,116)	(363,828)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)**

	3 MONTHS ENDED	
	30/09/2021	30/09/2020
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,062)	(11,736)
Net drawdown of bank borrowings	<u>26,181</u>	<u>41,211</u>
Net cash from financing activities	<u>19,119</u>	<u>29,475</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,241	(161,292)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	1,453,252	1,201,432
Effects of exchange rate changes on cash and cash equivalents	(1,070)	(3,513)
	<u>1,452,182</u>	<u>1,197,919</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	<u><u>1,466,423</u></u>	<u><u>1,036,627</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 2021 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 2021. 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 2021.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2021 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 2021 except as discussed below:

As of 1 July 2021, 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>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021

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 2021.

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

There were no material events subsequent to the current financial period ended 30 September 2021 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 energy sectors 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 2021 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	124,883	5,792	(889)	12,891	24	142,701
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	282,521	66,671	92,714	63,515	32	505,453
<i>Inter-segment revenue</i>	9,944	1,993	1,576	-	-	13,513
<i>Depreciation and amortisation</i>	52,534	1,013	3,946	2,462	-	59,955
<i>Interest expense</i>	6,736	27	299	-	-	7,062
<i>Interest income</i>	4,124	108	-	-	-	4,232
<i>Share of profit/(loss) of joint ventures and associates</i>	73,526	(102)	-	-	-	73,424
Segment assets	7,251,383	412,378	192,368	230,739	-	8,086,868
Deferred tax assets						51,405
Total assets						8,138,273
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,570,600	548	-	-	-	1,571,148
<i>Additions to non-current assets:</i>						
- <i>Property, plant and equipment</i>	25,182	1,550	2,696	262	-	29,690
- <i>Intangible assets</i>	12,179	1	15	-	-	12,195
- <i>Development of tank terminals</i>	44,739	-	-	-	-	44,739
- <i>Other investments</i>	823	-	-	-	-	823
Segment liabilities	2,589,605	76,866	72,609	51,037	-	2,790,117
Deferred tax liabilities						3,513
Total liabilities						2,793,630

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

In August 2021, Dialog Fabricators Sdn. Bhd. (“DFSB”), a wholly owned subsidiary of the Company, had entered into a Joint Venture Agreement (“JVA”) with Morimatsu Technology and Service Company (“MTS”) to provide one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions.

Subsequent in September 2021, Morimatsu Dialog (Malaysia) Sdn. Bhd. (“MDMSB”) was incorporated with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares whereby MTS holds 51% equity stake and DFSB holds 49% equity stake, respectively.

MDMSB will provide a one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions to support various industries and will serve its customers locally and internationally from Pengerang, Johor Darul Ta’zim which is strategically located with a private load out jetty.

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

A13 Commitments

	30/09/2021
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	1,600
- contracted but not provided for	2,400
	<u>4,000</u>
Commitments of the Group in respect of tank terminal business	<u>52,300</u>
Commitments of the Group in respect of upstream business	<u>303,000</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM2,188.7 million (as at 30.06.2021: RM2,192.7 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 RM1,686.5 million (as at 30.06.2021: RM1,660.9 million).

The Company has also provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of SGD51.9 million, equivalent to RM159.9 million (as at 30.06.2021: SGD58.5 million, equivalent to RM180.7 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 30 September 2021 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2021.

	3 MONTHS ENDED 30/09/2021 RM'000
Transactions with joint ventures:	
Dividend income	13,500
Subcontract works received	2,761

A16 Trade and other receivables

	30/09/2021 RM'000
Trade receivables	293,124
Amounts due from customers for contract works	214,653
Amounts due from joint ventures and associates	123,143
Other receivables, deposits and prepayments	50,639
	681,559
	681,559

A17 Cash and cash equivalents

	30/09/2021 RM'000
Bank balances and deposits with licensed banks	1,466,640
Less: Bank balances and deposits pledged to licensed banks	(217)
	1,466,423
	1,466,423

A18 Trade and other payables

	30/09/2021 RM'000
Amounts due to customers for contract works	9,115
Trade payables	523,363
Accruals and other payables	203,570
Hedge derivative liabilities	23
	736,071
	736,071

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A19 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 RM1,547,000 was charged to the statement of profit or loss in the current financial period (Q1 FY2021: RM1,733,000).

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 2021, the Group posted a 52.4% increase in revenue to RM505.5 million, compared with RM331.7 million recorded in the corresponding quarter last year. The higher revenue was contributed by both Malaysia and International operations which saw an increase in business activities as the economy is on a path towards recovery. The Group's net profit after tax for the current quarter of RM131.0 million was however lower by 11.5% against RM148.1 million reported in corresponding quarter last year mainly caused by higher project cost.

The higher revenue reported by the Malaysia operations in the current quarter was attributable to increased upstream, midstream and downstream activities. The upstream activities benefited from the higher oil price and production volume while the newly commissioned DIALOG Terminals Pengerang (5) ("DTP5") contributed to higher revenue for midstream activities. DTP5 has a storage capacity of 430,000 cbm and is dedicated for bp Singapore Pte Limited.

In the downstream business, the Malaysia team was busy with various engineering, construction & fabrication, and plant maintenance projects. These projects are currently on-going however they are facing unprecedented challenges such as stringent COVID-19 SOPs, supply chain disruption, higher material price and logistic cost which affect the project schedules and margins. This explained the lower net profit after tax reported by the Malaysia operation in the current quarter under review.

On the International front, the Group reported an improved performance with an increase in the sales of specialist products & services, and provision of plant services in various countries and supply base activities at Jubail, Saudi Arabia.

B2 Variation of results against preceding quarter

The Group's profit before taxation for the current quarter of RM142.7 million was lower by 8.2% when compared to RM155.4 million reported in the preceding quarter. This was mainly attributable to the lower revenue recorded in the current quarter of RM505.5 million against RM522.1 million reported in the preceding quarter.

B3 Prospects

As a leading integrated technical service provider that is diversified across the upstream, midstream and downstream businesses of the energy sector, 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.

The global economic outlook is showing signs of improvement. However, the impact of the prolonged COVID-19 pandemic as well as supply chain disruption and inflation are dampening the overall outlook and it is uncertain how long this will last. 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.

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

Looking ahead in the Midstream business, the ongoing development of Pengerang Deepwater Terminals ("PDT") into the largest petroleum and petrochemical hub for Asia Pacific region will remain our focus. Phase 3 of PDT has been designated for the development of more dedicated petroleum and petrochemical storage terminals for medium to long-term customers, potentially comprising energy traders, multinational energy companies, refineries and petrochemical plants. This will support the further development of various downstream operations including those of the refinery and petrochemical plants within the Pengerang Integrated Petroleum Complex.

With approximately another 500 acres available for development, PDT's perfect location and one-stop integrated hub offering provides a compelling value proposition to energy players who are looking to capture Asia Pacific's demand growth over the next 30 years.

In keeping with our growth aspirations for our terminals business, in addition to Dialog Terminals Langsat ("DTL") current total capacity of 770,000 m³, DIALOG is investing another RM100 million for the addition of another 85,000 m³ storage capacity which will be completed for operations by the end of 2021. With 17 acres of land still available, approximately another 200,000 m³ of storage capacity can be added to DTL over the longer term, thus bringing the total capacity at DTL facility to over 1.0 million 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 business, 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 both new and existing plants in the region.

To further strengthen the Group's fabrication capabilities, in August 2021, the Group entered into a Joint Venture Agreement with Morimatsu Technology and Service Company to collaborate and provide one-stop engineering and fabrication services of critical process equipment, pressure vessels and modular plant/facility solutions to serve local and international customers from our facility in Pengerang, Johor which is strategically located with a private load out jetty. It is envisaged that the joint venture will complement the Group's fabrication division and will expand market reach thereby capturing further opportunities.

In the Sustainable and Renewable business, the Group had recently entered into a Shareholders' Agreement with Diyou PCR Sdn. Bhd. to form a special purpose vehicle ("SPV") to build, own and operate a food grade recycled polyethylene terephthalate ("recycled PET") pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale. This proposed venture into the post-consumer plastics recycling industry would be the Group's first investment into the Sustainable and Renewable business and is a continuation of the initiatives by the Group to achieve business sustainability and fulfil its Environmental, Social and Governance agenda through commercially viable ventures.

INTERIM FINANCIAL REPORT

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

B3 Prospects – continued

In the Upstream business, the general outlook of the oil market is improving after the disruption to demand caused by the COVID-19 pandemic. The Group will continue to take proactive steps in the cash flow management of our upstream assets together with our respective partners. Moving forward, we will continue to build our knowledge and experience in the upstream business, and look for opportunities for our development and production services and assets, while incorporating new technologies along the way to help to manage greenhouse gas emissions.

We are optimistic that economic activities will pick up and barring any unforeseen circumstances, the Group is confident that its performance will remain profitable for the financial year ending 30 June 2022.

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 30/09/2021 RM'000	3 MONTHS ENDED 30/09/2021 RM'000
Current tax	14,763	14,763
Deferred tax	(3,829)	(3,829)
Under provision in prior years	734	734
Total tax expense	11,668	11,668
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	16.8%	16.8%

The effective tax rates for the current quarter was lower than the statutory rate of 24% mainly due to non-taxable income recognised during the period and lower tax rates in foreign tax jurisdictions.

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 finalising the terms of 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 2021, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	2,201	6,372
Ringgit Malaysia	-	27,209
Unsecured:		
New Zealand Dollar	2,115	6,122
Ringgit Malaysia	-	322,575
		<u>362,278</u>
Long term borrowings:		
Secured:		
Ringgit Malaysia	-	182,000
Singapore Dollar	320,114	985,951
Unsecured:		
Ringgit Malaysia	-	431,784
		<u>1,599,735</u>
		<u><u>1,962,013</u></u>

Included in the borrowings of the Group is RM1,632.9 million (30.06.2021: RM1,603.2 million) obtained under Islamic financing facilities.

INTERIM FINANCIAL REPORT

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

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

High Court At Johor Bahru Suit No. Ja-23ncvc-4-04/2019 Teguh Kemajuan Sdn. Bhd. Vs Tan Sri Dr. Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd., Pengerang Terminals Sdn. Bhd., Pengerang Independent Terminals Sdn. Bhd. And Others ("The Defendants")

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

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

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

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

1. damages in the sum of US\$1,354,262,406 (or its equivalent in Ringgit Malaysia at the time of judgment or payment) as the projected profits which would have been gained by TKS B if TKS B had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just;
2. against PITSB, a declaration that PITSB is a constructive trustee for TKS B; and
3. against PITSB, that it is and shall be liable to account to the Plaintiff for all incomes and profits it derives or may derive from its independent deepwater petroleum-storage terminal ("IDPT") project (or for such parts or proportions of the same as may be considered fair and just by the Court).

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 appeal is fixed for hearing on 23 March 2022.

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 2022.

INTERIM FINANCIAL REPORT

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: 1.90 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 2021 and the date of payment will be on 21 December 2021.

B10 Derivative financial instruments

As at 30 September 2021, 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:			
Australian Dollar	937	2,825	(1)
Euro	53	264	(6)
Singapore Dollar	767	2,376	15
United States Dollar	3,508	14,628	(31)
<u>Interest rate swap contract</u>			
With maturity less than 1 year:			
Ringgit Malaysia		10,509	-

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2021:

- 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		3 MONTHS ENDED	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
Profit for the financial period attributable to owners of the Company (RM'000)	<u>128,816</u>	<u>146,620</u>	<u>128,816</u>	<u>146,620</u>
Weighted average number of ordinary shares in issue ('000)	<u>5,642,397</u>	<u>5,638,307</u>	<u>5,642,397</u>	<u>5,638,307</u>

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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
Profit for the financial period attributable to owners of the Company (RM'000)	<u>128,816</u>	<u>146,620</u>	<u>128,816</u>	<u>146,620</u>
Weighted average number of ordinary shares in issue ('000)	5,642,397	5,638,307	5,642,397	5,638,307
Effect of dilution due to:				
- ESOS ('000)	<u>-</u>	<u>3,244</u>	<u>-</u>	<u>3,244</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>5,642,397</u>	<u>5,641,551</u>	<u>5,642,397</u>	<u>5,641,551</u>

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 30/09/2021 RM'000	3 MONTHS ENDED 30/09/2021 RM'000
This is arrived at after crediting / (charging):		
Depreciation and amortisation	(59,955)	(59,955)
Foreign exchange gain	879	879
Gain on disposal of property, plant and equipment	23	23
Interest expense	(7,062)	(7,062)
Interest income	4,232	4,232
Property, plant and equipment written off	(38)	(38)
Rental income	279	279
Gain on disposal of other investment	3,563	3,563
Other miscellaneous income	949	949

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

Date: 16 November 2021