



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Period Ended
31 March 2022**

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
 FOR THE PERIOD ENDED 31 MARCH 2022**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2022	31/03/2021	31/03/2022	31/03/2021
		RM'000	RM'000	RM'000	RM'000
Revenue		593,426	405,179	1,643,371	1,087,786
Operating expenses		(528,591)	(335,554)	(1,443,529)	(853,907)
Other operating income		28,361	18,780	47,583	62,695
Share of profit of joint ventures and associates, net of tax		55,168	62,723	197,029	166,568
Finance costs		(6,903)	(3,002)	(20,832)	(23,510)
Profit before tax		141,461	148,126	423,622	439,632
Tax expense		(10,456)	(15,849)	(33,456)	(36,994)
Profit for the period		131,005	132,277	390,166	402,638
Profit for the period attributable to:					
Owners of the parent		133,065	136,167	389,756	404,599
Non-controlling interests		(2,060)	(3,890)	410	(1,961)
		131,005	132,277	390,166	402,638
Basic earnings per ordinary share (sen)	B13	<u>2.36</u>	<u>2.41</u>	<u>6.91</u>	<u>7.17</u>
Diluted earnings per ordinary share (sen)	B13	<u>2.36</u>	<u>2.41</u>	<u>6.91</u>	<u>7.17</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.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		9 MONTHS ENDED	
		31/03/2022	31/03/2021	31/03/2022	31/03/2021
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B14	131,005	132,277	390,166	402,638
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Fair value of other investment		(1,881)	-	2,886	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		16,080	13,804	15,320	(24,884)
Cash flow hedge		(54)	(98)	38	20,836
Share of other comprehensive gain of joint ventures		47,534	47,466	68,249	71,573
Other comprehensive income for the period		61,679	61,172	86,493	67,525
Total comprehensive income for the period		192,684	193,449	476,659	470,163
Total comprehensive income attributable to:					
Owners of the parent		193,851	194,973	474,922	472,587
Non-controlling interests		(1,167)	(1,524)	1,737	(2,424)
		192,684	193,449	476,659	470,163

(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.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 31 MARCH 2022**

	NOTE	31/03/2022 RM'000	30/06/2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,706,924	2,759,469
Development of tank terminals		633,810	589,899
Intangible assets		801,214	835,056
Investments in joint ventures and associates	B12	1,469,776	1,504,761
Inventories	A16	251,509	-
Other investments		64,410	57,368
Deferred tax assets		50,866	49,521
		<u>5,978,509</u>	<u>5,796,074</u>
CURRENT ASSETS			
Inventories	A16	66,343	66,200
Trade and other receivables	A17	815,620	620,737
Current tax assets		16,902	32,213
Other investment		-	8,630
Cash and cash equivalents	A18	1,929,232	1,453,356
		<u>2,828,097</u>	<u>2,181,136</u>
TOTAL ASSETS		<u>8,806,606</u>	<u>7,977,210</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,698,303	1,697,751
Treasury shares		(3,625)	(3,625)
Reserves		3,266,433	2,903,542
		4,961,111	4,597,668
Perpetual Sukuk Wakalah	B8	498,940	498,940
Non-controlling interests		103,481	102,255
TOTAL EQUITY		<u>5,563,532</u>	<u>5,198,863</u>
NON-CURRENT LIABILITIES			
Bank Borrowings	B7	1,593,004	1,637,941
Senior Sukuk Wakalah	B8	500,000	-
Lease liabilities		19,072	20,438
Deferred tax liabilities		2,401	4,475
		<u>2,114,477</u>	<u>1,662,854</u>
CURRENT LIABILITIES			
Trade and other payables	A19	753,783	747,483
Bank Borrowings	B7	313,350	297,702
Lease liabilities		5,604	6,173
Current tax liabilities		55,860	64,135
		<u>1,128,597</u>	<u>1,115,493</u>
TOTAL LIABILITIES		<u>3,243,074</u>	<u>2,778,347</u>
TOTAL EQUITY AND LIABILITIES		<u>8,806,606</u>	<u>7,977,210</u>
Net assets per share attributable to owners of the parent (sen)		<u>87.9</u>	<u>81.5</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 31 MARCH 2022**

	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	-	-	85,166	389,756	474,922	-	1,737	476,659
Appropriation:								
Final dividend for FY2021	-	-	-	(107,209)	(107,209)	-	-	(107,209)
Share options granted under ESOS	-	-	5,670	-	5,670	-	271	5,941
Issuance of ordinary shares pursuant to ESOS exercised	553	-	(89)	-	464	-	(1)	463
Share issue expenses	(1)	-	-	-	(1)	-	-	(1)
Distribution paid to holders of Perpetual Sukuk Wakalah	-	-	-	(10,403)	(10,403)	-	-	(10,403)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,761)	(1,761)
Additional shares subscription from non-controlling interest	-	-	-	-	-	-	980	980
Balance as at 31 March 2022	<u>1,698,303</u>	<u>(3,625)</u>	<u>201,663</u>	<u>3,064,770</u>	<u>4,961,111</u>	<u>498,940</u>	<u>103,481</u>	<u>5,563,532</u>
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	-	-	67,988	404,599	472,587	-	(2,424)	470,163
Appropriation:								
Final dividend for FY2020	-	-	-	(107,192)	(107,192)	-	-	(107,192)
Share options granted under ESOS	-	-	5,074	-	5,074	-	125	5,199
Issuance of ordinary shares pursuant to ESOS exercised	13,090	-	(1,947)	-	11,143	-	(179)	10,964
Share issue expenses	(1)	-	-	-	(1)	-	-	(1)
Issuance of Perpetual Sukuk Wakalah	-	-	-	-	-	500,000	-	500,000
Transaction costs for issuance of Perpetual Sukuk Wakalah	-	-	-	-	-	(1,060)	-	(1,060)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(71)	(71)
Balance as at 31 March 2021	<u>1,697,215</u>	<u>(3,625)</u>	<u>84,453</u>	<u>2,735,715</u>	<u>4,513,758</u>	<u>498,940</u>	<u>109,054</u>	<u>5,121,752</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 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 31 MARCH 2022**

	9 MONTHS ENDED	
	31/03/2022	31/03/2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	423,622	439,632
Adjustments for:		
Depreciation and amortisation	172,120	160,697
Net interest expense	7,922	(606)
Share of profit of joint ventures and associates	(197,029)	(166,568)
Share options granted under ESOS	5,941	5,199
Other non-cash items	(3,228)	(11,468)
Operating profit before working capital changes	409,348	426,886
Changes in working capital :		
Net change in inventories and receivables	(186,870)	244,530
Net change in payables	40,196	(168,207)
Cash from operations	262,674	503,209
Dividends received	206,327	62,764
Interest received	12,682	23,704
Tax paid	(52,410)	(56,771)
Tax refunded	19,955	4,215
Net cash from operating activities	449,228	537,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of intangible assets	(32,497)	(147,035)
Additions of other investment	(3,913)	(5,000)
Development of tank terminals	(43,911)	(31,720)
Investments in joint ventures and associates	(6,860)	(16,612)
Redemption of redeemable preference shares from an associate	102,969	-
Repayment of advances from an associate	-	438,503
Net change in deposits with licensed banks	44	37,123
Proceeds from disposal of property, plant and equipment	12,283	16,760
Proceeds from disposal of other investment	12,193	-
Purchase of property, plant and equipment	(85,345)	(906,404)
Purchase of properties for development	(251,509)	-
Net cash used in investing activities	(296,546)	(614,385)

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

	9 MONTHS ENDED	
	31/03/2022	31/03/2021
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(20,604)	(23,098)
Share issue expenses	(1)	(1)
Dividends paid	(107,209)	(107,192)
Distribution to Sukuk holders	(10,403)	-
Dividends paid to non-controlling interests	(1,761)	(71)
Additional shares subscription from non-controlling interest	980	-
Net (repayment)/drawdown of bank borrowings	(39,212)	189,756
Net proceeds from issuance of Perpetual Sukuk Wakalah	-	498,940
Net proceeds from issuance of Senior Sukuk Wakalah	499,470	-
Proceeds from issuances of shares	463	10,964
Net cash from financing activities	321,723	569,298
NET INCREASE IN CASH AND CASH EQUIVALENTS	474,405	492,034
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	1,425	2,284
	1,454,677	1,203,716
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	1,929,082	1,695,750

(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 31 March 2022.

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 172,224 share options under the Employees' Share Option Scheme; and
- ii. issuance of RM500 million Senior Sukuk Wakalah in nominal value with tenure of 10 years with a periodic distribution rate 4.53% per annum.

A8 Dividends paid

A final dividend of 1.90 sen per ordinary share, amounting to RM107,208,804 in respect of financial year ended 30 June 2021 was paid on 21 December 2021.

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 March 2022 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 31 March 2022 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	406,125	(17,767)	7,799	27,426	39	423,622
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	956,049	228,124	255,737	203,429	32	1,643,371
<i>Inter-segment revenue</i>	13,463	2,100	4,350	-	-	19,913
<i>Depreciation and amortisation</i>	150,634	3,209	11,294	6,983	-	172,120
<i>Interest expense</i>	19,401	179	1,024	-	-	20,604
<i>Interest income</i>	12,388	275	19	-	-	12,682
<i>Share of profit/(loss) of joint ventures and associates</i>	197,046	(17)	-	-	-	197,029
Segment assets	7,706,965	380,701	425,348	242,726	-	8,755,740
Deferred tax assets						50,866
Total assets						<u>8,806,606</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,469,236	540	-	-	-	1,469,776
<i>Changes to non-current assets:</i>						
- <i>Property, plant and equipment</i>	72,694	5,248	6,732	671	-	85,345
- <i>Intangible assets</i>	31,117	9	1,371	-	-	32,497
- <i>Development of tank terminals</i>	43,911	-	-	-	-	43,911
- <i>Joint ventures and associates</i>	(96,109)	-	-	-	-	(96,109)
- <i>Inventories</i>	-	-	251,509	-	-	251,509
- <i>Other investments</i>	-	3,913	-	-	-	3,913
Segment liabilities	3,013,063	109,294	69,379	48,937	-	3,240,673
Deferred tax liabilities						2,401
Total liabilities						<u>3,243,074</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

- (i) 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. In December 2021, the issued and paid-up share capital for MDMSB had increased to RM14,000,000.

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.

- (ii) In October 2021, the Company incorporated Dialog Chemicals Sdn. Bhd. (“DCSB”) a wholly owned subsidiary in Malaysia. DCSB has an issued and fully paid-up ordinary share capital of RM1,000 comprising 1,000 ordinary shares.

In November 2021, DCSB had entered into a Shareholders’ Agreement (“SHA”) with Diyou PCR Sdn. Bhd. (“DPSB”) 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.

Subsequent in December 2021, Dialog Diyou PCR Sdn. Bhd. (“DDPSB”) was incorporated and has an issued and paid-up share capital of RM2,000,000 comprising 2,000,000 ordinary shares whereby DCSB holds 51% equity stake and DPSB holds 49% equity stake, respectively.

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

A13 Commitments

	31/03/2022
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	4,600
- contracted but not provided for	19,800
	<u>24,400</u>
Commitments of the Group in respect of tank terminal business	<u>31,600</u>
Commitments of the Group in respect of upstream business	<u>247,200</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM2,200.7 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 RM1,694.2 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 SGD38.5 million, equivalent to RM119.8 million (as at 30.06.2021: SGD58.5 million, equivalent to RM180.7 million) for project financing secured by a joint venture.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the financial period ended 31 March 2022 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.

	9 MONTHS ENDED 31/03/2022 RM'000
Transactions with associate and joint ventures:	
Dividend income	206,327
Subcontract works received	3,598

A16 Inventories

	31/03/2022 RM'000
Non-current assets:	
Land held for development	251,509
Current assets:	
Construction materials	7,033
Trading inventories	59,310
	66,343
	317,852

A17 Trade and other receivables

	31/03/2022 RM'000
Trade receivables	463,523
Amounts due from customers for contract works	263,179
Amounts due from joint ventures and associates	40,176
Other receivables, deposits and prepayments	48,742
	815,620

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A18 Cash and cash equivalents

31/03/2022
RM'000

Bank balances and deposits with licensed banks	1,929,232
Less: Bank balances and deposits pledged to licensed banks	<u>(150)</u>
	<u><u>1,929,082</u></u>

A19 Trade and other payables

31/03/2022
RM'000

Amounts due to customers for contract works	31,472
Trade payables	573,295
Accruals and other payables	148,965
Hedge derivative liabilities	<u>51</u>
	<u><u>753,783</u></u>

A20 Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at the Annual General Meeting held on 14 November 2018 and came into effect on 3 December 2018. The ESOS shall be in force for a period of ten (10) years until 2 December 2028.

In compliance with Malaysian Financial Reporting Standard, MFRS 2 on Share-based Payment, a total ESOS cost for share options amounted to RM5,941,000 was charged to the statement of profit or loss in the current financial period (YTD Q3 FY2021: RM5,199,000).

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

For the 3rd quarter ended 31st March 2022, the Group posted a 46.5% increase in revenue to RM593.4 million, against RM405.2 million recorded in the corresponding quarter last year. The higher revenue was contributed by both Malaysian and International operations which saw increased business activities. The Group's net profit after tax for the quarter of RM131.0 million was however lower by 1.0% against RM132.3 million reported in the corresponding quarter last year mainly caused by higher project cost. As for the current financial period against last year, the Group's revenue of RM1.6 billion was 51.1% higher while net profit after tax of RM390.2 million was lower by 3.1%.

The higher revenue reported by the Malaysian operations in the current quarter and financial year to date were attributable to increased activities in the upstream, midstream and downstream activities. The upstream activities benefited from the higher oil price and DIALOG Terminals Pengerang (5) Sdn. Bhd. ("DTP5") storage tanks which were commissioned in February 2021, contributed to higher revenue for the midstream business. DTP5 has a storage capacity of 430,000 m³ and is dedicated for use by bp Singapore Pte Limited.

In the downstream business, the Malaysian team was busy with various engineering, construction, fabrication, and plant maintenance projects. These projects are currently on-going, however they are facing unprecedented challenges due to COVID-19 pandemic. This unexpected COVID-19 pandemic and the stringent SOPs introduced worldwide caused severe supply chain disruption, higher material price and labour cost. These result in delay in most of the projects and severe cost overruns. Discussions are currently ongoing with clients for reimbursement and compensation for these project cost overruns caused by the pandemic.

On the International front, the Group reported higher revenue for the current quarter and financial period to date with increased engineering, construction and plant service activities in Singapore and higher sales of specialist products and services in various countries. However, the net profit after tax was lower as a result of the COVID-19 pandemic. Similarly to Malaysia, we are in discussion with clients for reimbursement and compensation for these project cost overruns caused by the pandemic.

B2 Variation of results against preceding quarter

There was no significant variance noted in the Group's profit before tax for the current financial quarter of RM141.5 million against RM139.5 million recorded 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.

INTERIM FINANCIAL REPORT

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

In addition to the ongoing COVID-19 pandemic, the war in Ukraine had caused the global economic outlook to remain cloudy and show signs of deterioration. DIALOG has maintained a very prudent approach to manage the risk 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 Upstream business, the general outlook of the oil market is improving after the disruption to demand caused by the COVID-19 pandemic and the war in Ukraine. 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 actively 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.

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's ("DTL") current total capacity of 770,000 m³, DIALOG has invested RM100 million for the addition of 85,000 m³ storage capacity which has now been completed. 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 September 2021, the Group ventured with Morimatsu Technology and Service Company and incorporated Morimatsu Dialog (Malaysia) Sdn. Bhd. to 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.

INTERIM FINANCIAL REPORT

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

B3 Prospects – continued

With the Sustainable and Renewable business, in December 2021, the Group ventured with Diyou PCR Sdn. Bhd. and incorporated Dialog Diyou PCR Sdn. Bhd. 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.

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 31/03/2022 RM'000	9 MONTHS ENDED 31/03/2022 RM'000
Current tax	17,779	38,949
Deferred tax	(5,453)	(4,024)
Over provision in prior years	(1,870)	(1,469)
Total tax expense	10,456	33,456
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	12.1%	14.8%

The effective tax rates for the quarter and financial period ended 31st March 2022 were 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 31 March 2022, the Group's bank borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	1,488	4,348
Ringgit Malaysia	-	8,000
Unsecured:		
New Zealand Dollar	2,250	6,578
Ringgit Malaysia	-	283,890
Sterling Pound	857	4,730
United States Dollar	1,379	5,804
		313,350
Long term borrowings:		
Secured:		
New Zealand Dollar	5,471	15,993
Ringgit Malaysia	-	178,000
Singapore Dollar	352,949	1,097,671
Unsecured:		
Ringgit Malaysia	-	301,340
		1,593,004
		1,906,354

Included in the bank borrowings of the Group is RM1,538.8 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 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 had 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. The net nominal value after transaction costs is RM498.9 million.

In January 2022, the Company issued another RM500 million Senior Sukuk Wakalah in nominal value with tenure of 10 years with a periodic distribution rate 4.53% per annum.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B9 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 Ngau Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd., 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. Notwithstanding the higher price award, TKS B has appealed against this award and has exhausted all appeal rights in the courts.

In this suit, TKS B is seeking to claim 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 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 was dismissed on 23 March 2022 by the Court of Appeal, with costs for the Defendants. On 21 April 2022, TKS B served its notice of motion for leave to appeal to the Federal Court of Malaysia against the decision of the Court of Appeal. The first case management date for this motion is 23 May 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

B10 Dividends

- a) The Board of Directors declared an interim dividend of 1.30 sen (previous corresponding period: 1.20 sen) per ordinary share in respect of the financial year ending 30 June 2022.

The entitlement of the interim dividend will be determined based on the shareholders registered in the record of depositors as at 14 June 2022 and the date of payment will be on 28 June 2022.

- b) The total dividend for current period to date is 1.30 sen per ordinary share.

B11 Derivative financial instruments

As at 31 March 2022, the Group has the following outstanding derivatives:

<u>Forward foreign exchange contracts</u>	Contract/Notional Value		Net fair value
	FC'000	RM'000	income/ (losses) RM'000
With maturity less than 1 year:			
Australian Dollar	600	1,881	(3)
Euro	242	1,143	(10)
Singapore Dollar	1,113	3,463	3
United States Dollar	3,118	13,100	(40)

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

- the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- the cash requirement of the financial derivatives; and
- the policy in place for mitigating or controlling the risk associated with these financial derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted in the Group recording a gain when the rates moved in its favour and recording a loss when the rates moved unfavourably against the Group.

B12 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**B13 Earnings per share**

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		9 MONTHS ENDED	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
Profit for the financial period attributable to owners of the Company (RM'000)	133,065	136,167	389,756	404,599
Weighted average number of ordinary shares in issue ('000)	5,642,569	5,642,108	5,642,480	5,640,148

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		9 MONTHS ENDED	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
Profit for the financial period attributable to owners of the Company (RM'000)	133,065	136,167	389,756	404,599
Weighted average number of ordinary shares in issue ('000)	5,642,569	5,642,108	5,642,480	5,640,148
Effect of dilution due to:				
- ESOS ('000)	140	1,049	11	1,715
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,709	5,643,157	5,642,491	5,641,863

INTERIM FINANCIAL REPORT**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED****B14 Profit for the period**

	<u>INDIVIDUAL PERIOD</u>	<u>CUMULATIVE PERIOD</u>
	3 MONTHS ENDED 31/03/2022 RM'000	9 MONTHS ENDED 31/03/2022 RM'000
This is arrived at after crediting / (charging):		
Depreciation and amortisation	(57,749)	(172,120)
Dividend income	19,363	25,170
Foreign exchange gain	1,403	3,715
Gain/(Loss) on disposal of property, plant and equipment	1,181	(1,621)
Gain on disposal of other investment	-	3,563
Interest expense	(6,840)	(20,604)
Interest income	4,566	12,682
Property, plant and equipment written off	-	(43)
Rental income	975	1,764
Other miscellaneous income	873	2,353

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

Date: 17 May 2022