



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

Interim Financial Statements
For The Financial Period Ended
31 December 2023

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
 FOR THE PERIOD ENDED 31 DECEMBER 2023**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		859,212	797,008	1,639,658	1,508,705
Operating expenses		(754,346)	(750,102)	(1,471,401)	(1,414,150)
Other operating income		17,361	13,048	32,353	25,085
Share of profit of joint ventures and associates, net of tax		72,638	97,430	166,578	181,534
Finance costs		(17,726)	(17,466)	(36,899)	(33,871)
Profit before tax		177,139	139,918	330,289	267,303
Tax expense		(19,858)	(8,837)	(30,816)	(16,013)
Profit for the period		157,281	131,081	299,473	251,290
Profit for the period attributable to:					
Owners of the parent		148,288	127,151	280,456	252,936
Non-controlling interests		8,993	3,930	19,017	(1,646)
		157,281	131,081	299,473	251,290
Basic earnings per ordinary share (sen)	B13	2.63	2.25	4.97	4.48
Diluted earnings per ordinary share (sen)	B13	2.63	2.25	4.97	4.48

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2023 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 31 DECEMBER 2023

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B14	157,281	131,081	299,473	251,290
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Fair value (loss)/gain on other investment		(1,387)	3,938	(5,555)	7,296
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		5,758	(9,241)	(7,063)	11,686
Cash flow hedge		(6,266)	(2,236)	(10,323)	13,386
Share of other comprehensive (loss)/gain of joint ventures		(23,391)	8,196	(12,572)	58,694
Other comprehensive (loss)/income for the period		(25,286)	657	(35,513)	91,062
Total comprehensive income for the period		<u>131,995</u>	<u>131,738</u>	<u>263,960</u>	<u>342,352</u>
Total comprehensive income attributable to:					
Owners of the parent		123,211	129,910	244,925	343,002
Non-controlling interests		8,784	1,828	19,035	(650)
		<u>131,995</u>	<u>131,738</u>	<u>263,960</u>	<u>342,352</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 2023 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	NOTE	31/12/2023 RM'000	30/06/2023 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,797,737	2,750,105
Development of tank terminals		698,530	685,837
Intangible assets		960,814	922,445
Investments in joint ventures and associates	B12	1,912,468	1,814,313
Inventories	A16	283,910	271,655
Other investments		43,549	49,077
Deferred tax assets		91,465	76,976
		6,788,473	6,570,408
CURRENT ASSETS			
Inventories	A16	90,774	70,853
Trade and other receivables	A17	993,737	904,614
Current tax assets		27,043	20,438
Other investment		17,862	24,702
Cash and cash equivalents	A18	1,545,097	1,720,621
		2,674,513	2,741,228
TOTAL ASSETS		9,462,986	9,311,636
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,698,323	1,698,323
Treasury shares		(3,625)	(3,625)
Reserves		4,020,024	3,881,431
		5,714,722	5,576,129
Perpetual Sukuk Wakalah	B8	498,940	498,940
Non-controlling interests		52,183	85,248
TOTAL EQUITY		6,265,845	6,160,317
NON-CURRENT LIABILITIES			
Bank Borrowings	B7	1,340,125	1,363,710
Senior Sukuk Wakalah	B8	500,000	500,000
Lease liabilities		15,825	16,914
Deferred tax liabilities		4,615	4,623
		1,860,565	1,885,247
CURRENT LIABILITIES			
Trade and other payables	A19	1,091,013	906,988
Bank Borrowings	B7	175,773	298,791
Lease liabilities		8,185	5,327
Current tax liabilities		61,605	54,966
		1,336,576	1,266,072
TOTAL LIABILITIES		3,197,141	3,151,319
TOTAL EQUITY AND LIABILITIES		9,462,986	9,311,636
Net assets per share attributable to owners of the parent (sen)		101.3	98.8

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2023 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2023

	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 2023	1,698,323	(3,625)	482,287	3,399,144	5,576,129	498,940	85,248	6,160,317
Total comprehensive (loss)/income for the period	-	-	(35,531)	280,456	244,925	-	19,035	263,960
Appropriation:								
Final dividend for FY2023	-	-	-	(135,422)	(135,422)	-	-	(135,422)
Share options granted under ESOS	-	-	4,911	-	4,911	-	81	4,992
Dividend paid to non-controlling interests	-	-	-	-	-	-	(50)	(50)
Profit distribution paid to holders of Perpetual Sukuk Wakalah	-	-	-	(10,460)	(10,460)	-	-	(10,460)
Acquisition of shares from non-controlling interests	-	-	-	34,639	34,639	-	(52,131)	(17,492)
Balance as at 31 December 2023	1,698,323	(3,625)	451,667	3,568,357	5,714,722	498,940	52,183	6,265,845
Balance as at 1 July 2022	1,698,303	(3,625)	258,501	3,101,219	5,054,398	498,940	99,115	5,652,453
Total comprehensive income/(loss) for the period	-	-	90,066	252,822	342,888	114	(650)	342,352
Appropriation:								
Final dividend for FY2022	-	-	-	(118,494)	(118,494)	-	-	(118,494)
Share options granted under ESOS	-	-	4,867	-	4,867	-	86	4,953
Profit distribution paid to holders of Perpetual Sukuk Wakalah	-	-	-	(10,403)	(10,403)	(114)	-	(10,517)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5,405)	(5,405)
Disposal of a subsidiary	-	-	-	-	-	-	(5,240)	(5,240)
Additional shares subscription from non-controlling interest	-	-	-	-	-	-	5	5
Balance as at 31 December 2022	1,698,303	(3,625)	353,434	3,225,144	5,273,256	498,940	87,911	5,860,107

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2023 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 DECEMBER 2023

	6 MONTHS ENDED	
	31/12/2023	31/12/2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	330,289	267,303
Adjustments for:		
Depreciation and amortisation	168,718	114,788
Net interest expense	14,190	18,256
Share of profit of joint ventures and associates	(166,578)	(181,534)
Share options granted under ESOS	4,992	4,953
Other non-cash items	6,146	8,471
Operating profit before working capital changes	357,757	232,237
Changes in working capital :		
Net change in inventories and receivables	(128,080)	18,241
Net change in payables	167,619	49,918
Cash from operations	397,296	300,396
Dividends received	111,492	76,462
Interest received	21,987	15,163
Tax paid	(46,040)	(42,799)
Tax refunded	1,359	56
Net cash from operating activities	486,094	349,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of shares from non-controlling interests	(17,492)	-
Additions of intangible assets	(124,737)	(107,126)
Additions of other investment	(355)	(2,836)
Development of tank terminals	(12,694)	(15,960)
Investments in joint ventures and associates	(69,507)	(180,324)
Redemption of redeemable preference shares from an associate	5,556	9,801
Net change in deposits with licensed banks	(677)	2
Net cash on disposal of a subsidiary	-	(70)
Proceeds from disposal of property, plant and equipment	1,382	296
Proceeds from disposal of other investments	-	5,000
Purchase of property, plant and equipment	(95,327)	(60,944)
Additions of properties development	(2,610)	(2,281)
Net cash used in investing activities	(316,461)	(354,442)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)**

	6 MONTHS ENDED	
	31/12/2023	31/12/2022
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(36,177)	(33,419)
Dividends paid	(135,422)	(118,494)
Profit distribution to Sukuk holders	(10,460)	(10,403)
Dividend paid to non-controlling interests	(50)	(5,405)
Additional shares subscription from non-controlling interest	-	5
Net repayment of bank borrowings	(168,554)	(33,110)
Net cash used in financing activities	(350,663)	(200,826)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(181,030)	(205,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	1,720,497	1,840,183
Effects of exchange rate changes on cash and cash equivalents	4,828	6,327
	<u>1,725,325</u>	<u>1,846,510</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A18)	<u>1,544,295</u>	<u>1,640,520</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2023 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 2023. 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 2023.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2023 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 2023 except as discussed below:

As of 1 July 2023, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 – Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The adoption of the above Standards and 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 2023.

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

A final dividend of 2.40 sen per ordinary share, amounting to RM135,421,871 in respect of financial year ended 30 June 2023 was paid on 21 December 2023.

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 2023 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 December 2023 are as follows:

	Malaysia	Thailand	Other	Australia &	Middle	Other	Total
	RM'000	RM'000	Asia	New Zealand	East	Countries	RM'000
			RM'000	RM'000	RM'000	RM'000	
Segment profits before tax	225,919	31,017	158	20,875	51,072	1,248	330,289
<i>Included in the measure of segment profits are:</i>							
<i>Revenue from external customers</i>	878,864	127,258	176,415	235,116	213,113	8,892	1,639,658
<i>Inter-segment revenue</i>	8,682	-	639	241	-	-	9,562
<i>Depreciation and amortisation</i>	151,299	290	2,224	7,922	6,983	-	168,718
<i>Interest expense</i>	35,041	36	496	604	-	-	36,177
<i>Interest income</i>	18,547	-	2,833	91	516	-	21,987
<i>Share of profit of joint ventures and associates</i>	144,584	21,994	-	-	-	-	166,578
Segment assets	7,888,560	274,895	450,547	472,941	284,578	-	9,371,521
Deferred tax assets							91,465
Total assets							<u>9,462,986</u>
<i>Included in the measure of segment assets are:</i>							
<i>Investments in joint ventures and associates</i>	1,708,411	204,057	-	-	-	-	1,912,468
<i>Changes to non-current assets:</i>							
- <i>Property, plant and equipment</i>	90,453	25	1,202	3,098	549	-	95,327
- <i>Intangible assets</i>	124,728	-	9	-	-	-	124,737
- <i>Development of tank terminals</i>	12,694	-	-	-	-	-	12,694
- <i>Joint ventures and associates</i>	63,951	-	-	-	-	-	63,951
- <i>Inventories</i>	-	-	-	2,610	-	-	2,610
- <i>Other investments</i>	-	-	355	-	-	-	355
Segment liabilities	2,913,423	9,657	124,783	71,831	72,832	-	3,192,526
Deferred tax liabilities							4,615
Total liabilities							<u>3,197,141</u>

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

In November 2023, the Company has acquired the entire equity interest in Tarpon Platform Systems Malaysia Sdn. Bhd. (“Tarpon Malaysia”) and all assets of Tarpon Systems International II, LLC for a cash consideration of USD 1,186,200 (equivalent to RM 5,530,200). Subsequently in December 2023, Tarpon Malaysia changed its name to Dialog Tarpon Offshore Platforms Sdn. Bhd.

In November 2023, Dialog Petroleum Technical Services (Beijing) Limited (“DPTSBL”), an inactive indirect wholly-owned subsidiary, had been deregistered under Article 180, Chapter 10 of the Company Law of the People’s Republic of China and ceased to be an indirect wholly owned subsidiary of the Group.

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

A13 Commitments

	31/12/2023
	RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	283,500
- contracted but not provided for	24,200
	<u>307,700</u>
Commitments of the Group in respect of upstream business	<u>79,000</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM1,677.3 million (as at 30.06.2023: RM 1,841.6 million) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM 1,293.8 million as at 31.12.2023 (as at 30.06.2023: RM1,465.3 million).

The Company also provides corporate guarantees up to a total amount of RM39.4 million (as at 30.06.2023: RM 39.5 million) to licensed banks for banking facilities granted to certain joint ventures. The amount of the banking facilities utilised by the said joint ventures totalled RM31.2 million as at 31.12.2023 (as at 30.06.2023: RM 26.5 million).

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 2023 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2023.

	6 MONTHS ENDED 31/12/2023 RM'000
Transaction with associate and joint ventures:	
Dividend income	111,492
Subcontract works	13,013

A16 Inventories

	31/12/2023 RM'000
Non-current assets:	
Land held for development	283,910
Current assets:	
Construction materials	8,690
Trading inventories	82,084
	<u>90,774</u>
	<u><u>374,684</u></u>

A17 Trade and other receivables

	31/12/2023 RM'000
Trade receivables	609,138
Amounts due from customers for contract works	276,882
Amounts due from joint ventures and associates	57,148
Other receivables, deposits and prepayments	41,902
Hedge derivative assets	8,667
	<u>993,737</u>

A18 Cash and cash equivalents

	31/12/2023 RM'000
Bank balances and deposits with licensed banks	1,545,097
Less: Bank balances and deposits pledged to licensed banks	(802)
	<u><u>1,544,295</u></u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A19 Trade and other payables

	31/12/2023
	RM'000
Trade payables	814,702
Amounts due to customers for contract works	85,815
Accruals and other payables	<u>190,496</u>
	<u><u>1,091,013</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 RM4,992,000 was charged to the statement of profit or loss in the current financial period (YTD Q2 FY2023: RM4,953,000).

INTERIM FINANCIAL REPORT

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

B1 Performance analysis

The Group closed its 2nd quarter ended 31st December 2023 with a revenue of RM859.2 million which was higher by 7.8 % from RM797.0 million reported in the corresponding quarter last year. In line with the higher revenue, the Group's net profit after tax jumped by 20.0 % to RM157.3 million from RM131.1 million. Year to date revenue and net profit after tax for the current financial year were RM1,639.7 million and RM299.5 million, higher by 8.7 % and 19.2 %, respectively against same period last year. The better performances were contributed by both Malaysia and International operations.

In the current financial quarter, the Malaysia operation recorded higher revenue and profit after tax mainly attributable to higher production from the upstream activities.

The midstream activities continued to contribute a stable revenue stream to the Group from the operation of DIALOG Terminals Langsat and DIALOG Terminals Pengerang (5). The profit contribution from these activities for the current quarter have improved against the corresponding quarter last year due to increased occupancy rate.

The downstream team remained busy with various EPCC and plant maintenance projects. As some of these projects are near completion, the losses reported by the downstream activities for the current financial quarter have been reduced as compared with the corresponding quarter.

On the International front, the Group reported higher revenue and profit after tax from increased activities at Jubail Supply Base, Saudi Arabia. The engineering, construction, fabrication and plant maintenance activities in Singapore, Australia and New Zealand, and sales of specialist products and services in various countries also contributed positively to the Group's better performance in the current financial quarter due to the improved business environment.

B2 Variation of results against preceding quarter

For the 2nd quarter ended 31st December 2023, the Group recorded a profit before tax of RM177.1 million, higher by 15.7 % compared to the preceding quarter. This is in line with the 10.1 % increase in revenue registered in the current financial quarter of RM859.2 million against RM780.4 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 will remain focused and steadfast in the pursuit of its key long-term strategies. With our dedicated management team, we remain confident that our business model is well structured to manage and sustain the Group 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 the Upstream business, the general outlook of the oil market continues to see an improvement following the disruption to demand caused by the global events. Against this backdrop, the Group will continue to grow its existing upstream business through the rejuvenation, development, and operatorship of producing and mature oilfields. In line with DIALOG's diversification strategy, the increased upstream activity provides the opportunity to participate in other parts of the value chain in the field development cycle, particularly in the provision of engineering and specialist technical services.

As the 2nd largest independent terminal owner cum operator in Southeast Asia with a current operating capacity of 5.1 million m³, midstream business continues to be a core area of emphasis for DIALOG. The Group will continue to invest in phased capacity expansions for dedicated long-term customers across the Group midstream terminals business portfolio, with the focus on our ongoing development of Pengerang Deepwater Terminals ("PDT") into the largest petroleum and petrochemical hub for Asia Pacific region. This is in line with the Group's longer-term strategy to grow its 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, Plant Maintenance & Catalyst Handling Services, and Specialist Products and Services.

The Group via its joint venture company, Morimatsu Dialog (Malaysia) Sdn. Bhd. ("MDMSB"), is expanding its fabrication facilities in Pengerang with an investment value of approximately RM250 million to provide one-stop technical & fabrication solutions for specialised process modules & skids for the energy, chemical & fine chemical and pharmaceutical industries. This will support MDMSB in meeting the demands and opportunities in the region and beyond.

To expand our downstream business, the Group is building its first own and operate specialty chemical plant producing malic acid located at BASF PETRONAS Chemical Complex in Gebeng, Kuantan. This represents DIALOG's first foray into production of specialty chemicals and acts as a catalyst for DIALOG to expand its footprint in this sector by producing high value specialty chemical products.

In the Sustainable and Renewable business, the Group's joint venture company, Dialog Diyou PCR Sdn. Bhd. ("Dialog Diyou") has commissioned its plant in October 2023. Dialog Diyou builds, owns and operates 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.

In response to growing investor interest in low-carbon fuel alternatives, DIALOG marks its first venture into storage facilities for renewable fuel products under DIALOG Terminals Langsat (3). This venture will serve potential users such as biofuel production companies, energy trading houses and multinational energy companies. The 24,000 m³ storage facilities will be connected to truck loading bays and existing marine facilities and is expected to commence operations by end-2024.

INTERIM FINANCIAL REPORT

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

B3 Prospects – continued

As the economic environment is expected to remain challenging in the short to medium-term, we will continue to build and strengthen our competencies by investing and multi-skilling our workforce to ensure we remain efficient and competitive. Alongside the investment in our people is also our investment in technology. In this regard, our ongoing digital transformation initiatives have been progressing well and we will continue these initiatives to reinforce our competitiveness.

Barring any unforeseen circumstances, the Group is optimistic of its positive performance in the financial year ending 30 June 2024.

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 31/12/2023	6 MONTHS ENDED 31/12/2023
	RM'000	RM'000
Current tax	22,900	38,592
Deferred tax	(1,680)	(12,119)
(Over)/Under provision in prior years	(1,362)	4,343
Total tax expense	19,858	30,816
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	19.0%	18.8%

The effective tax rates for the quarter and financial period ended 31st December 2023 were lower than the statutory rate of 24% mainly due to 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 December 2023, the Group's bank borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	1,368	3,998
Ringgit Malaysia	-	8,000
Singapore Dollar	22,000	76,560
Unsecured:		
Ringgit Malaysia	-	78,477
United States Dollar	1,903	8,738
		<u>175,773</u>
Long term borrowings:		
Secured:		
New Zealand Dollar	4,612	13,481
Ringgit Malaysia	-	162,000
Singapore Dollar	317,269	1,104,094
Unsecured:		
Ringgit Malaysia	-	60,550
		<u>1,340,125</u>
		<u>1,515,898</u>

Included in the bank borrowings of the Group is RM1,102.5 million (30.06.2023: RM1,234.4 million) obtained under Islamic financing facilities.

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

B8 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.

B9 Material litigation

The Group is not engaged in any material litigation and is not aware of any legal proceeding that might materially affect the financial position or business of the Group.

B10 Dividends

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

INTERIM FINANCIAL REPORT

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

B11 Derivative financial instruments

As at 31 December 2023, 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	269	851	3
Euro	763	3,842	34
Singapore Dollar	285	987	(6)
Japanese Yen	20,166	683	(29)
United States Dollar	2,201	10,246	(55)
<u>Interest rate swap contracts</u>			
With maturity from 2 to 3 years:			
Singapore Dollar	164,000	570,720	8,693

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2023:

- 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.

B12 Investments in joint ventures and associates

The Company provides corporate guarantees to joint ventures as disclosed in A14.

INTERIM FINANCIAL REPORT

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

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		6 MONTHS ENDED	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Profit for the financial period attributable to owners of the Company (RM'000)	148,288	127,151	280,456	252,936
Weighted average number of ordinary shares in issue ('000)	5,642,578	5,642,570	5,642,578	5,642,570

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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Profit for the financial period attributable to owners of the Company (RM'000)	148,288	127,151	280,456	252,936
Weighted average number of ordinary shares in issue ('000)	5,642,578	5,642,570	5,642,578	5,642,570
Effect of dilution due to:				
- ESOS ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,578	5,642,570	5,642,578	5,642,570

INTERIM FINANCIAL REPORT

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

B14 Profit for the period

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 31/12/2023 RM'000	6 MONTHS ENDED 31/12/2023 RM'000
This is arrived at after crediting / (charging):		
Depreciation and amortisation	(90,683)	(168,718)
Dividend income	1,062	7,537
Fair value gain/(loss) of other investment	1,308	(6,423)
Foreign exchange gain	1,176	3,148
Gain on disposal of property, plant and equipment	77	195
Interest expense	(17,513)	(36,177)
Interest income	11,181	21,987
Property, plant and equipment written off	(41)	(63)
Rental income	1,095	2,380
Other miscellaneous income	1,503	3,592
	1,503	3,592

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

Date: 19 February 2024