DIALOG

# DIALOG GROUP BERHAD

198901001388 (178694-V)

ANNUAL REPORT **2020**

FINANCIAL STATEMENTS

# RESILIENT

# INSIDE THIS REPORT



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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 9 to the financial statements, are the provision of logistic assets & services in tank terminals & supply base, upstream assets & services, engineering, procurement, construction & commissioning, specialist products & services, plant maintenance & catalyst handling services, fabrication and digital technology & solutions.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | **648,095** | **537,751** |
| Attributable to: | | |
| Owners of the parent | 630,363 | 537,751 |
| Non-controlling interests | 17,732 | - |
| | 648,095 | 537,751 |

## DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

(a) Final cash dividend of 2.30 sen per ordinary share, amounting to RM129,681,071 in respect of the previous financial year was paid on 18 December 2019; and

(b) Interim cash dividend of 1.20 sen per ordinary share, amounting to RM67,659,684 in respect of the current financial year was paid on 25 June 2020.

The Directors recommended a final cash dividend of 1.90 sen per ordinary share, amounting to approximately RM107,200,000 in respect of the financial year ended 30 June 2020, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## EMPLOYEES' SHARE OPTION SCHEME

The ESOS 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 ("the option period").

The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act 2016 in Malaysia, as amended from time to time, and any re-enactment thereof;

(b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the total issued ordinary shares of the Company (excluding treasury shares, if any) at any time during the existence of the ESOS;

(c) The option price under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate;

(d) The maximum number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's position, performance and length of service in the Company and its subsidiaries respectively, or such other matters that the ESOS Committee may in its discretion deem fit, subject to the following:

    (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and

    (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued ordinary shares of the Company (excluding treasury shares, if any).

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee; and

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

The number of unissued ordinary shares under the option scheme was as follows:

| | Number of options over ordinary shares | | | | |
|---|---|---|---|---|---|
| **Option price** | **Balance as at 1.7.2019** | **Granted** | **Retracted*** | **Exercised** | **Balance as at 30.6.2020** |
| RM2.69 | 37,308,600 | - | (1,652,500) | - | **35,656,100** |
| RM2.93 | - | 50,543,320 | (103,000) | - | **50,440,320** |
| | 37,308,600 | 50,543,320 | (1,755,500) | - | **86,096,420** |

* Due to resignation

None of the outstanding options are exercisable as at 30 June 2020.

## EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Since the implementation of the ESOS, a total of 88,543,320 options had been granted to the eligible employees of the Group of which a total of 6,417,000 options had been granted to the Executive Directors of the Company and persons connected to the Executive Directors. During the financial year and since commencement of the ESOS, the Executive Directors and senior management of the Company and its subsidiaries have been granted 15% and 11% respectively of the total options available under the ESOS.

## REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 13 November 2019, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

(i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;

(ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings of the Company at the time of purchase; and

(iii) The Directors may retain the shares so repurchased as treasury shares and may resell the treasury shares and/or distribute them as share dividend and/or cancel them in a manner they deem fit in accordance with the provisions of the Companies Act 2016 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 5,641,642,303 (2019: 5,641,642,303) issued and fully paid ordinary shares as at 30 June 2020, 3,335,032 (2019: 3,335,032) ordinary shares purchased for RM3,624,613 (2019: RM3,624,613) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 5,638,307,271 (2019: 5,638,307,271).

## DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Tan Sri Dr Ngau Boon Keat
Chan Yew Kai
Datuk Oh Chong Peng
Kamariyah Binti Hamdan
Siti Khairon Binti Shariff
Dato' Ismail Bin Karim
Mohamad Hafiz Bin Kassim (Appointed on 14 November 2019)
Juniwati Rahmat Hussin (Appointed on 19 August 2020)
Zainab Binti Mohd Salleh
Chew Eng Kar (Retired on 13 November 2019)
Tunku Alizakri Bin Raja Muhammad Alias (Resigned on 14 November 2019)
Mohamad Hafiz Bin Kassim (Resigned as an alternate to Tunku Alizakri Bin Raja Muhammad Alias on 14 November 2019)

## DIRECTORS (CONTINUED)

Datuk Oh Chong Peng who is retiring from the Board in accordance with Clause 91 of the Company's Constitution has indicated that he does not wish to seek re-election.

In accordance with Clause 91 of the Company's Constitution, Chan Yew Kai retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Clause 96 of the Company's Constitution, Mohamad Hafiz Bin Kassim and Juniwati Rahmat Hussin who were appointed to the Board since the last Annual General Meeting, retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.7.2019 | Bought | Sold | Balance as at 30.6.2020 |
| **Shares in the Company** | | | | |
| Direct interests: | | | | |
| Tan Sri Dr Ngau Boon Keat | 45,904,103 | - | - | **45,904,103** |
| Chan Yew Kai | 32,384,767 | - | - | **32,384,767** |
| Kamariyah Binti Hamdan | 1,938,614 | - | (302,314) | **1,636,300** |
| Zainab Binti Mohd Salleh | 7,391,879 | - | - | **7,391,879** |
| Indirect interests: | | | | |
| Tan Sri Dr Ngau Boon Keat | 1,083,445,842 | - | (51,200,000) | **1,032,245,842** |
| Chan Yew Kai | 3,000,000 | - | - | **3,000,000** |
| Kamariyah Binti Hamdan | 268,158 | - | - | **268,158** |
| Dato' Ismail Bin Karim | 63,472 | - | - | **63,472** |

## DIRECTORS' INTERESTS (CONTINUED)

| | Number of options over ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.7.2019 | Granted | Exercised | Balance as at 30.6.2020 |
| **Share options in the Company** | | | | |
| Direct interests: | | | | |
| Tan Sri Dr Ngau Boon Keat | 236,000 | 1,938,000 | - | **2,174,000** |
| Chan Yew Kai | 215,000 | 1,299,000 | - | **1,514,000** |
| Zainab Binti Mohd Salleh | 163,000 | 900,000 | - | **1,063,000** |
| Indirect interest: | | | | |
| Tan Sri Dr Ngau Boon Keat | 310,000 | 1,356,000 | - | **1,666,000** |

By virtue of Tan Sri Dr Ngau Boon Keat's substantial interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the following:

(a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and

(b) certain Directors who received remunerations from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 33 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS as mentioned in Note 32 to the financial statements.

## DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 27 to the financial statements.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial year.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the impact arising from the COVID-19 pandemic as disclosed in Note 37(c) to the financial statements.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

### (III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 37 to the financial statements.

## SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 38 to the financial statements.

## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors’ remuneration of the Company and its subsidiaries for the financial year ended 30 June 2020 are disclosed in Note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Tan Sri Dr Ngau Boon Keat**
Director

**Datuk Oh Chong Peng**
Director

Petaling Jaya
24 September 2020

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 95 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Tan Sri Dr Ngau Boon Keat**
Director

**Datuk Oh Chong Peng**
Director

Petaling Jaya
24 September 2020

# STATUTORY DECLARATION

I, Zainab Binti Mohd Salleh (CA 7672), being the Director primarily responsible for the financial management of Dialog Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan this 24 September 2020

Before me:

PESURUHJAYA SUMPAH
NO.B456
WONG KAI FEN
BC/W/513
1/1/2019-31/12/2021
MALAYSIA

TETUAN TAN HEE SOON WONG & PARTNERS
PEGUAMBELA & PEGUAMCARA
NO. 31-2 2ND FLOOR, PJU 5/10
DATARAN SUNWAY, KOTA DAMANSARA
47810 PETALING JAYA SELANGOR

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DIALOG GROUP BERHAD (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Dialog Group Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of the financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.



### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

***Impairment assessments of intangible assets***

As disclosed in Note 8 to the financial statements, the Group has intangible assets of RM777,208,000.

Goodwill, rights and concession and development of oil and gas assets totalling RM762,099,000 have been tested for impairment to assess the recoverability of the carrying amount of the intangible assets. The management assessed the recoverable amounts of the intangible assets by determining the cash generating unit's value-in-use using the discounted cash flow method.

The determination of value-in-use is highly subjective as significant judgement is required to determine the appropriate future cash flow projections, operating profit margins, discount rates and growth rates.

**Key Audit Matter (continued)**

***Audit response***

The audit procedures, with the involvement of component auditors, included the following:

(i) compared prior period projections to actual outcome to assess reliability of management forecasting process;

(ii) compared cash flow projections against recent performance, assessed and challenged the key assumptions used in the projections to available external industry sources of data, while considering the impact of the COVID-19 pandemic;

(iii) verified gross profit margins and growth rates to support the key assumptions used in the projections;

(iv) assessed reasonableness of the pre-tax discount rate used for each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors;

(v) obtained an understanding of the methodology or assumptions adopted by the experts used by the Group who provided the forecasted oil and gas reserves and evaluated the competency of the experts by reference to their professional qualification and experience; and

(vi) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

We have determined that there is no key audit matter to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT

**BDO PLT**
LLP0018825-LCA & AF 0206
Chartered Accountants

24 September 2020
Kuala Lumpur

**Koo Swee Lin**
03281/08/2022 J
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **30.6.2020 RM'000** | **30.6.2019 RM'000** | **30.6.2020 RM'000** | **30.6.2019 RM'000** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | **2,025,946** | 1,303,995 | **-** | - |
| Development of tank terminals | 7 | **537,090** | 631,970 | **-** | - |
| Intangible assets | 8 | **777,208** | 364,187 | **-** | - |
| Investments in subsidiaries | 9 | **-** | - | **2,331,948** | 2,043,943 |
| Investments in joint ventures and associates | 10 | **1,283,385** | 2,137,451 | **-** | - |
| Other investments | 11 | **6,733** | 6,648 | **-** | - |
| Deferred tax assets | 12 | **66,895** | 50,324 | **-** | - |
| Amounts owing by subsidiaries | 13 | **-** | - | **359,908** | 502,471 |
| | | **4,697,257** | 4,494,575 | **2,691,856** | 2,546,414 |
| **Current assets** | | | | | |
| Inventories | 14 | **84,708** | 95,593 | **-** | - |
| Trade and other receivables | 15 | **647,880** | 927,180 | **586** | 141 |
| Amounts owing by subsidiaries | 13 | **-** | - | **122,272** | 157,397 |
| Amounts owing by joint ventures and associates | 17 | **499,070** | 289,979 | **-** | - |
| Current tax assets | | **16,739** | 18,049 | **-** | - |
| Cash and bank balances | 18 | **1,240,389** | 884,403 | **349,000** | 102,226 |
| | | **2,488,786** | 2,215,204 | **471,858** | 259,764 |
| Assets classified as held for sale | 19 | **3,986** | - | **-** | - |
| **TOTAL ASSETS** | | **7,190,029** | 6,709,779 | **3,163,714** | 2,806,178 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 20 | **1,684,126** | 1,684,126 | **1,684,126** | 1,684,126 |
| Treasury shares | 20 | **(3,625)** | (3,625) | **(3,625)** | (3,625) |
| Reserves | 21 | **2,451,646** | 2,110,731 | **1,020,390** | 674,422 |
| | | **4,132,147** | 3,791,232 | **2,700,891** | 2,354,923 |
| Non-controlling interests | | **111,603** | 116,461 | **-** | - |
| **TOTAL EQUITY** | | **4,243,750** | 3,907,693 | **2,700,891** | 2,354,923 |

## STATEMENTS OF FINANCIAL POSITION

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 30.6.2020 RM'000 | 30.6.2019 RM'000 | 30.6.2020 RM'000 | 30.6.2019 RM'000 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 22 | **1,453,461** | 1,318,175 | **187,500** | 276,530 |
| Lease liabilities | 6 | **14,317** | - | **-** | - |
| Deferred tax liabilities | 12 | **4,140** | 4,978 | **-** | - |
| | | **1,471,918** | 1,323,153 | **187,500** | 276,530 |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | **930,803** | 1,049,963 | **3,570** | 1,495 |
| Borrowings | 22 | **457,684** | 356,188 | **271,344** | 172,500 |
| Lease liabilities | 6 | **5,382** | - | **-** | - |
| Current tax liabilities | | **80,492** | 72,782 | **409** | 730 |
| | | **1,474,361** | 1,478,933 | **275,323** | 174,725 |
| **TOTAL LIABILITIES** | | **2,946,279** | 2,802,086 | **462,823** | 451,255 |
| **TOTAL EQUITY AND LIABILITIES** | | **7,190,029** | 6,709,779 | **3,163,714** | 2,806,178 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Revenue** | 25 | **2,303,448** | 2,386,453 | **538,135** | 328,274 |
| Cost of sales and services | | **(1,786,587)** | (1,881,457) | **-** | - |
| Gross profit | | **516,861** | 504,996 | **538,135** | 328,274 |
| Fair value gain on deemed disposal of a joint venture | 10(f)(vi) | **28,538** | - | **-** | - |
| Other operating income | | **73,512** | 67,116 | **21,528** | 31,588 |
| Marketing and distribution costs | | **(2,351)** | (4,064) | **-** | - |
| Administration expenses | | **(46,191)** | (38,703) | **(1,940)** | (1,617) |
| Other operating expenses | | **(10,449)** | (7,045) | **-** | (6,978) |
| Finance costs | | **(54,602)** | (49,406) | **(18,619)** | (25,786) |
| Share of profit of joint ventures and associates, net of tax | | **241,961** | 180,102 | **-** | - |
| **Profit before tax** | 26 | **747,279** | 652,996 | **539,104** | 325,481 |
| Tax expense | 28 | **(99,184)** | (100,679) | **(1,353)** | (1,386) |
| **Profit for the financial year** | | **648,095** | 552,317 | **537,751** | 324,095 |
| **Profit for the financial year attributable to:** | | | | | |
| Owners of the parent | | **630,363** | 535,836 | **537,751** | 324,095 |
| Non-controlling interests | | **17,732** | 16,481 | **-** | - |
| | | **648,095** | 552,317 | **537,751** | 324,095 |

Earnings per ordinary share attributable to equity holders of the Company:

| | Note | Group 2020 | Group 2019 |
|---|---|---|---|
| Basic earnings per ordinary share (sen) | 29 | **11.18** | 9.50 |
| Diluted earnings per ordinary share (sen) | 29 | **11.18** | 9.50 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| **Profit for the financial year** | **648,095** | 552,317 | **537,751** | 324,095 |
| **Other comprehensive income:** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translations | **14,379** | 2,186 | **-** | - |
| Fair value loss on cash flow hedge | **(15,949)** | (19,864) | **-** | - |
| Share of other comprehensive loss of joint ventures | **(86,387)** | (34,520) | **-** | - |
| **Other comprehensive loss for the financial year** | **(87,957)** | (52,198) | **-** | - |
| **Total comprehensive income for the financial year** | **560,138** | 500,119 | **537,751** | 324,095 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | **546,530** | 482,020 | **537,751** | 324,095 |
| Non-controlling interests | **13,608** | 18,099 | **-** | - |
| | **560,138** | 500,119 | **537,751** | 324,095 |

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| Group | Note | Non-distributable | | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Treasury shares RM'000 | Share options reserve RM'000 | Exchange translation reserve RM'000 | Hedging reserve RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| Balance as at 1 July 2019, as previously reported | | 1,684,126 | (3,625) | - | 164,318 | (72,570) | 2,018,983 | 3,791,232 | 116,461 | 3,907,693 |
| Effects of adoption of MFRS 16 | 39.1 | - | - | - | - | - | (1,676) | (1,676) | (903) | (2,579) |
| Balance as at 1 July 2019, as restated | | 1,684,126 | (3,625) | - | 164,318 | (72,570) | 2,017,307 | 3,789,556 | 115,558 | 3,905,114 |
| Profit for the financial year | | - | - | - | - | - | 630,363 | 630,363 | 17,732 | 648,095 |
| Foreign currency translations | | - | - | - | 18,503 | - | - | 18,503 | (4,124) | 14,379 |
| Fair value loss on cash flow hedge | | - | - | - | - | (15,949) | - | (15,949) | - | (15,949) |
| Share of other comprehensive income/(loss) of joint ventures | | - | - | - | 2,935 | (89,322) | - | (86,387) | - | (86,387) |
| Total comprehensive income | | - | - | - | 21,438 | (105,271) | 630,363 | 546,530 | 13,608 | 560,138 |
| **Transactions with owners** | | | | | | | | | | |
| Previous financial year: | | | | | | | | | | |
| - Final dividend | 30 | - | - | - | - | - | (129,681) | (129,681) | - | (129,681) |
| Current financial year: | | | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | - | (67,660) | (67,660) | - | (67,660) |
| Share options granted under ESOS | | - | - | 5,423 | - | - | - | 5,423 | 135 | 5,558 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | (19,498) | (19,498) |
| Acquisition of a subsidiary | 9(f) | - | - | - | - | - | - | - | 19,149 | 19,149 |
| Acquisition of shares from non-controlling interests | 9(g) | - | - | - | - | - | (12,021) | (12,021) | (17,349) | (29,370) |
| Total transactions with owners | | - | - | 5,423 | - | - | (209,362) | (203,939) | (17,563) | (221,502) |
| Balance as at 30 June 2020 | | 1,684,126 | (3,625) | 5,423 | 185,756 | (177,841) | 2,438,308 | 4,132,147 | 111,603 | 4,243,750 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Group | Note | Non-distributable | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Treasury shares RM'000 | Exchange translation reserve RM'000 | Hedging reserve RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| Balance as at 1 July 2018 | | 1,684,287 | (3,625) | 145,599 | (35) | 1,674,715 | 3,500,941 | 98,528 | 3,599,469 |
| Profit for the financial year | | - | - | - | - | 535,836 | 535,836 | 16,481 | 552,317 |
| Foreign currency translations | | - | - | 568 | - | - | 568 | 1,618 | 2,186 |
| Fair value loss on cash flow hedge | | - | - | - | (19,864) | - | (19,864) | - | (19,864) |
| Share of other comprehensive income/(loss) of joint ventures | | - | - | 18,151 | (52,671) | - | (34,520) | - | (34,520) |
| Total comprehensive income | | - | - | 18,719 | (72,535) | 535,836 | 482,020 | 18,099 | 500,119 |
| **Transactions with owners** | | | | | | | | | |
| Previous financial year: | | | | | | | | | |
| - Final dividend | | - | - | - | - | (101,490) | (101,490) | - | (101,490) |
| Current financial year: | | | | | | | | | |
| - Interim dividend | 30 | - | - | - | - | (84,575) | (84,575) | - | (84,575) |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | (111) | (111) |
| Acquisition of shares from non-controlling interests | 9(i) | - | - | - | - | (5,503) | (5,503) | (55) | (5,558) |
| Share issue expenses | 20 | (161) | - | - | - | - | (161) | - | (161) |
| Total transactions with owners | | (161) | - | - | - | (191,568) | (191,729) | (166) | (191,895) |
| Balance as at 30 June 2019 | | 1,684,126 | (3,625) | 164,318 | (72,570) | 2,018,983 | 3,791,232 | 116,461 | 3,907,693 |

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| Company | Note | Non-distributable Share capital RM'000 | Non-distributable Treasury shares RM'000 | Non-distributable Share options reserve RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|
| Balance as at 1 July 2019 | | 1,684,126 | (3,625) | - | 674,422 | 2,354,923 |
| Profit for the financial year | | - | - | - | 537,751 | 537,751 |
| Other comprehensive income, net of tax | | - | - | - | - | - |
| Total comprehensive income | | - | - | - | 537,751 | 537,751 |
| **Transactions with owners** | | | | | | |
| Previous financial year: | | | | | | |
| - Final dividend | 30 | - | - | - | (129,681) | (129,681) |
| Current financial year: | | | | | | |
| - Interim dividend | 30 | - | - | - | (67,660) | (67,660) |
| Share options granted under ESOS | | - | - | 5,558 | - | 5,558 |
| Total transactions with owners | | - | - | 5,558 | (197,341) | (191,783) |
| Balance as at 30 June 2020 | | 1,684,126 | (3,625) | 5,558 | 1,014,832 | 2,700,891 |

## STATEMENT OF CHANGES IN EQUITY

| Company | Note | Non-distributable Share capital RM'000 | Non-distributable Treasury shares RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Balance as at 1 July 2018 | | 1,684,287 | (3,625) | 536,392 | 2,217,054 |
| Profit for the financial year | | - | - | 324,095 | 324,095 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | - | 324,095 | 324,095 |
| **Transactions with owners** | | | | | |
| Previous financial year: | | | | | |
| - Final dividend | | - | - | (101,490) | (101,490) |
| Current financial year: | | | | | |
| - Interim dividend | 30 | - | - | (84,575) | (84,575) |
| Share issue expenses | 20 | (161) | - | - | (161) |
| Total transactions with owners | | (161) | - | (186,065) | (186,226) |
| Balance as at 30 June 2019 | | 1,684,126 | (3,625) | 674,422 | 2,354,923 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | **747,279** | 652,996 | **539,104** | 325,481 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 8 | **96,409** | 46,428 | **-** | - |
| Amount owing by a subsidiary written off | | **-** | - | **-** | 6,978 |
| Depreciation of property, plant and equipment | 5 | **96,397** | 82,129 | **-** | - |
| Fair value gain on deemed disposal of a joint venture | 10(f)(vi) | **(28,538)** | - | **-** | - |
| (Gain)/Loss on foreign exchange - unrealised | | **(4,845)** | (389) | **1,906** | 3,027 |
| Gain on disposals of property, plant and equipment | | **(290)** | (1,385) | **-** | - |
| Impairment losses on trade receivables | 15(d) | **1,440** | 2,251 | **-** | - |
| Interest expense | | **53,819** | 48,107 | **18,619** | 25,786 |
| Interest income | | **(52,302)** | (56,894) | **(22,924)** | (31,986) |
| Property, plant and equipment written off | 5 | **72** | 97 | **-** | - |
| Reversal of impairment losses on receivables | 15(d) | **(37)** | - | **-** | - |
| Share of profit of joint ventures and associates | | **(241,961)** | (180,102) | **-** | - |
| Share options granted under ESOS | | **5,558** | - | **-** | - |
| Operating profit before working capital changes | | **673,001** | 593,238 | **536,705** | 329,286 |
| Decrease/(Increase) in inventories | | **11,673** | (112) | **-** | - |
| Decrease/(Increase) in trade and other receivables | | **76,762** | (172,937) | **(445)** | 352 |
| Decrease/(Increase) in amounts owing by joint ventures and associates | | **238,811** | (60,358) | **-** | - |
| (Decrease)/Increase in trade and other payables | | **(167,747)** | (36,200) | **2,075** | (795) |
| Cash generated from operations | | **832,500** | 323,631 | **538,335** | 328,843 |
| Dividends received | | **69,343** | 57,126 | **-** | - |
| Interest received | | **52,302** | 56,894 | **4,422** | 2,427 |
| Tax paid | | **(110,039)** | (104,445) | **(1,674)** | (860) |
| Tax refunded | | **2,447** | 1,092 | **-** | - |
| Net cash from operating activities | | **846,553** | 334,298 | **541,083** | 330,410 |

## STATEMENT OF CASH FLOWS

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisitions/Additions of: | | | | | |
| - subsidiaries, net of cash and cash equivalents acquired | 9(f), 9(h) | **66,492** | (3,731) | **-** | - |
| - interests in subsidiaries | | **-** | - | **(30,800)** | (5,200) |
| - interests in joint ventures and associates | | **(52,530)** | (12,195) | **-** | - |
| Repayments from/(Advances to): | | | | | |
| - subsidiaries | | **-** | - | **(73,959)** | 62,773 |
| - a joint venture and an associate | | **439,188** | - | **-** | - |
| Acquisition of shares from non-controlling interests | 9(g), 9(i) | **(29,370)** | (5,558) | **-** | - |
| Development of tank terminals | 7(d) | **(55,825)** | (325,952) | **-** | - |
| Interest received | | **-** | - | **18,502** | 29,559 |
| Placements of deposits pledged to licensed banks | | **(6,884)** | (5,271) | **-** | - |
| Proceeds from disposals of property, plant and equipment | | **503** | 2,462 | **-** | - |
| Purchases of: | | | | | |
| - intangible assets | 8 | **(156,268)** | (121,647) | **-** | - |
| - property, plant and equipment | 5(c) | **(647,261)** | (75,597) | **-** | - |
| Net cash (used in)/from investing activities | | **(441,955)** | (547,489) | **(86,257)** | 87,132 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Interest paid | | **(53,819)** | (48,107) | **(18,619)** | (25,786) |
| Dividends paid to non-controlling interests | | **(19,498)** | (111) | **-** | - |
| Dividends paid to ordinary shareholders of the Company | | **(197,341)** | (186,065) | **(197,341)** | (186,065) |
| Payments of lease liabilities | | **(4,764)** | - | **-** | - |
| Drawdowns of bank loans | | **1,004,458** | 532,986 | **603,825** | 139,649 |
| Repayments of bank loans | | **(786,300)** | (482,379) | **(595,737)** | (308,126) |
| Share issue expenses | | **-** | (161) | - | (161) |
| Net cash used in financing activities | | **(57,264)** | (183,837) | **(207,872)** | (380,489) |
| Net increase/(decrease) in cash and cash equivalents | | **347,334** | (397,028) | **246,954** | 37,053 |
| Effect of exchange rate changes on cash and cash equivalents | | **(251)** | 10,351 | **(180)** | (475) |
| Cash and cash equivalents at beginning of financial year | | **854,349** | 1,241,026 | **102,226** | 65,648 |
| Cash and cash equivalents at end of financial year | 18 | **1,201,432** | 854,349 | **349,000** | 102,226 |

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Bank Loans** | | | | | |
| Balance as at 1 July | | **1,674,363** | 1,610,294 | **449,030** | 616,290 |
| Cash flows: | | | | | |
| - Drawdowns of bank loans | | **1,004,458** | 532,986 | **603,825** | 139,649 |
| - Repayments of bank loans | | **(786,300)** | (482,379) | **(595,737)** | (308,126) |
| Non-cash flows: | | | | | |
| - Effect of foreign exchange | | **18,624** | 13,462 | **1,726** | 1,217 |
| Balance as at 30 June | 22 | **1,911,145** | 1,674,363 | **458,844** | 449,030 |
| **Lease Liabilities** | | | | | |
| Balance as at 1 July, as previously reported | | **-** | - | **-** | - |
| Effects of adoption of MFRS 16 | 39.1 | **17,703** | - | **-** | - |
| Balance as at 1 July, as restated | | **17,703** | - | **-** | - |
| Cash flows | | **(6,049)** | - | **-** | - |
| Non-cash flows: | | | | | |
| - Unwinding of interest | | **1,285** | - | **-** | - |
| - Acquisitions of property, plant and equipment | 5(c) | **6,666** | - | **-** | - |
| - Effect of foreign exchange | | **94** | - | **-** | - |
| Balance as at 30 June | 6 | **19,699** | - | **-** | - |





The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

## 1. CORPORATE INFORMATION

Dialog Group Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Dialog Tower, No. 15, Jalan PJU 7/5, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 30 June 2020 comprise the Company and its subsidiaries and the Group's interests in joint ventures and associates. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 24 September 2020.

## 2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 9 to the financial statements, are the provision of logistic assets & services in tank terminals & supply base, upstream assets & services, engineering, procurement, construction & commissioning, specialist products & services, plant maintenance & catalyst handling services, fabrication and digital technology & solutions.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 39.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 July 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

## 4. OPERATING SEGMENTS

The Group is principally involved in providing integrated technical services to the oil, gas and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on the internal management report reviewed by the chief operating decision maker.

| 2020 | Malaysia RM'000 | Asia RM'000 | Australia & New Zealand RM'000 | Middle East RM'000 | Other Countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Segment profits** | **691,922** | **8,088** | **16,973** | **29,865** | **431** | **747,279** |
| Included in the measure of segment profits are: | | | | | | |
| Revenue from external customers | 1,317,720 | 425,692 | 329,788 | 224,344 | 5,904 | 2,303,448 |
| Inter-segment revenue | 53,476 | 42,650 | 4,202 | - | - | 100,328 |
| Depreciation of property, plant and equipment | 68,530 | 5,307 | 12,912 | 9,648 | - | 96,397 |
| Amortisation of intangible assets | 94,570 | 44 | 1,795 | - | - | 96,409 |
| Interest expense | 49,960 | 91 | 1,687 | 2,081 | - | 53,819 |
| Interest income | 49,109 | 2,832 | 52 | 309 | - | 52,302 |
| Fair value gain on deemed disposal of a joint venture | 28,538 | - | - | - | - | 28,538 |
| Share of profit/(loss) of joint ventures and associates | 242,220 | (259) | - | - | - | 241,961 |
| **Segment assets** | 6,210,466 | 483,346 | 173,118 | 256,204 | - | 7,123,134 |
| Deferred tax assets | | | | | | 66,895 |
| **Total assets** | | | | | | 7,190,029 |
| Included in the measure of segment assets are: | | | | | | |
| Investments in joint ventures and associates | 1,282,649 | 736 | - | - | - | 1,283,385 |
| Changes to non-current assets: | | | | | | |
| - Property, plant and equipment | 625,158 | 11,337 | 13,647 | 3,785 | - | 653,927 |
| - Development of tank terminals | 55,825 | - | - | - | - | 55,825 |
| - Intangible assets | 156,221 | 8 | 39 | - | - | 156,268 |
| - Joint ventures and associates | (386,658) | - | - | - | - | (386,658) |
| **Segment liabilities** | 2,737,377 | 80,929 | 82,174 | 41,659 | - | 2,942,139 |
| Deferred tax liabilities | | | | | | 4,140 |
| **Total liabilities** | | | | | | 2,946,279 |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS (CONTINUED)

| 2019 | Malaysia RM'000 | Asia RM'000 | Australia & New Zealand RM'000 | Middle East RM'000 | Other Countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Segment profits** | 582,384 | 13,806 | 12,293 | 44,766 | (253) | 652,996 |
| Included in the measure of segment profits are: | | | | | | |
| Revenue from external customers | 1,487,434 | 339,138 | 298,495 | 254,046 | 7,340 | 2,386,453 |
| Inter-segment revenue | 17,075 | 26,595 | 6,273 | - | - | 49,943 |
| Depreciation of property, plant and equipment | 59,936 | 3,685 | 9,845 | 8,663 | - | 82,129 |
| Amortisation of intangible assets | 44,588 | 42 | 1,798 | - | - | 46,428 |
| Interest expense | 43,964 | 94 | 1,471 | 2,578 | - | 48,107 |
| Interest income | 53,797 | 2,457 | 24 | 616 | - | 56,894 |
| Share of profit/(loss) of joint ventures and associates | 180,676 | 81 | (655) | - | - | 180,102 |
| **Segment assets** | 5,689,688 | 494,330 | 159,290 | 316,147 | - | 6,659,455 |
| Deferred tax assets | | | | | | 50,324 |
| **Total assets** | | | | | | **6,709,779** |
| Included in the measure of segment assets are: | | | | | | |
| Investments in joint ventures and associates | 2,136,462 | 989 | - | - | - | 2,137,451 |
| Additions to non-current assets: | | | | | | |
| - Property, plant and equipment | 57,018 | 5,829 | 10,823 | 1,927 | - | 75,597 |
| - Development of tank terminals | 325,952 | - | - | - | - | 325,952 |
| - Intangible assets | 121,571 | 33 | 43 | - | - | 121,647 |
| - Joint ventures and associates | 12,195 | - | - | - | - | 12,195 |
| **Segment liabilities** | 2,560,711 | 98,668 | 67,474 | 70,255 | - | 2,797,108 |
| Deferred tax liabilities | | | | | | 4,978 |
| **Total liabilities** | | | | | | **2,802,086** |

Inter-segment revenue are carried out at negotiated terms and conditions.

**Major customers**

Included in the Malaysia segment are revenue generated from joint ventures, Pengerang Terminals (Two) Sdn. Bhd. and Pengerang Independent Terminals Sdn. Bhd. amounting to RM244,927,000 (2019: RM202,920,000) and RM41,526,000 (2019: RM321,538,000) respectively.

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.7.2019 as previously reported RM'000 | Effects of adoption of MFRS 16 (Note 39.1) RM'000 | Additions RM'000 | Transfer from development of tank terminals (Note 7(d)) RM'000 | Transfer to assets held for sale (Note 19) RM'000 | Disposals RM'000 | Written off RM'000 | Depreciation charge for the financial year RM'000 | Exchange differences RM'000 | Reclassi-fications (Note 6) RM'000 | Balance as at 30.6.2020 RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | | | |
| Freehold land | 30,763 | - | - | - | (2,867) | - | - | - | - | - | 27,896 |
| Leasehold land | 218,936 | (218,936) | - | - | - | - | - | - | - | - | - |
| Buildings | 205,803 | - | 262 | - | (1,112) | - | - | (5,921) | (909) | 10,278 | 208,401 |
| Furniture, fittings and office equipment | 8,520 | - | 4,485 | - | - | (4) | (1) | (6,005) | 698 | - | 7,693 |
| Plant, machinery and equipment | 762,531 | - | 42,656 | - | - | (67) | (48) | (67,048) | 1,723 | 84,215 | 823,962 |
| Vessel | 14,474 | - | - | - | - | - | - | (1,939) | 451 | - | 12,986 |
| Motor vehicles | 10,033 | - | 2,401 | - | - | (142) | (23) | (2,577) | (65) | - | 9,627 |
| Renovation and electrical installation | 4,289 | - | 2,196 | - | (7) | - | - | (1,611) | (374) | - | 4,493 |
| Building under construction | 10,296 | - | 4,165 | - | - | - | - | - | 467 | (10,278) | 4,650 |
| Plant and equipment under construction | 38,350 | - | 589,049 | 150,705 | - | - | - | - | - | (85,694) | 692,410 |
| | 1,303,995 | (218,936) | 645,214 | 150,705 | (3,986) | (213) | (72) | (85,101) | 1,991 | (1,479) | 1,792,118 |
| Right-of-use | | | | | | | | | | | |
| Leasehold land* | - | 218,936 | 2,047 | - | - | - | - | (5,765) | - | 1,479 | 216,697 |
| Land | - | 6,461 | 1,423 | - | - | - | - | (983) | 571 | - | 7,472 |
| Buildings | - | 6,758 | 1,731 | - | - | - | - | (2,150) | 158 | - | 6,497 |
| Motor vehicles | - | 1,905 | 2,108 | - | - | - | - | (1,462) | 149 | - | 2,700 |
| Plant and machinery | - | - | 1,404 | - | - | - | - | (936) | (6) | - | 462 |
| | - | 234,060 | 8,713 | - | - | - | - | (11,296) | 872 | 1,479 | 233,828 |
| | 1,303,995 | 15,124 | 653,927 | 150,705 | (3,986) | (213) | (72) | (96,397) | 2,863 | - | 2,025,946 |

| Group | At 30.6.2020 Cost RM'000 | Accumulated depreciation RM'000 | Carrying amount RM'000 |
|---|---|---|---|
| Freehold land | 27,896 | - | 27,896 |
| Buildings | 262,365 | (53,964) | 208,401 |
| Furniture, fittings and office equipment | 71,419 | (63,726) | 7,693 |
| Plant, machinery and equipment | 1,363,220 | (539,258) | 823,962 |
| Vessel | 27,445 | (14,459) | 12,986 |
| Motor vehicles | 32,371 | (22,744) | 9,627 |
| Renovation and electrical installation | 14,324 | (9,831) | 4,493 |
| Building under construction | 4,650 | - | 4,650 |
| Plant and equipment under construction | 692,410 | - | 692,410 |
| | 2,496,100 | (703,982) | 1,792,118 |
| Right-of-use | | | |
| Leasehold land* | 255,065 | (38,368) | 216,697 |
| Land | 13,000 | (5,528) | 7,472 |
| Buildings | 11,744 | (5,247) | 6,497 |
| Motor vehicles | 5,658 | (2,958) | 2,700 |
| Plant and machinery | 1,387 | (925) | 462 |
| | 286,854 | (53,026) | 233,828 |
| | 2,782,954 | (757,008) | 2,025,946 |

* Leasehold land are in respect of right-of-use assets for which the Group has land titles.

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Balance as at 1.7.2018 RM'000 | Additions RM'000 | Acquisition of a subsidiary (Note 9(h)) RM'000 | Disposal RM'000 | Written off RM'000 | Depreciation charge for the financial year RM'000 | Exchange differences RM'000 | Reclassi-fications RM'000 | Balance as at 30.6.2019 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | |
| Freehold land | 30,763 | - | - | - | - | - | - | - | 30,763 |
| Leasehold land | 223,510 | - | - | - | - | (4,574) | - | - | 218,936 |
| Buildings | 209,989 | 520 | - | - | - | (6,046) | 1,340 | - | 205,803 |
| Furniture, fittings and office equipment | 836 | 3,558 | - | (3) | (12) | (5,378) | 140 | 9,379 | 8,520 |
| Plant, machinery and equipment | 788,496 | 23,377 | - | (958) | (85) | (59,742) | 2,029 | 9,414 | 762,531 |
| Vessel | 14,376 | 1,864 | - | - | - | (2,131) | 365 | - | 14,474 |
| Motor vehicles | 8,429 | 4,177 | - | (116) | - | (2,552) | 95 | - | 10,033 |
| Renovation and electrical installation | 5,191 | 394 | - | - | - | (1,706) | 410 | - | 4,289 |
| Building under construction | - | - | 10,296 | - | - | - | - | - | 10,296 |
| Plant and equipment under construction | 15,436 | 41,707 | - | - | - | - | - | (18,793) | 38,350 |
| | 1,297,026 | 75,597 | 10,296 | (1,077) | (97) | (82,129) | 4,379 | - | 1,303,995 |

| | At 30.6.2019 | | |
|---|---|---|---|
| **Group** | **Cost RM'000** | **Accumulated depreciation RM'000** | **Carrying amount RM'000** |
| Freehold land | 30,763 | - | 30,763 |
| Leasehold land | 251,539 | (32,603) | 218,936 |
| Buildings | 254,015 | (48,212) | 205,803 |
| Furniture, fittings and office equipment | 67,904 | (59,384) | 8,520 |
| Plant, machinery and equipment | 1,234,672 | (472,141) | 762,531 |
| Vessel | 26,568 | (12,094) | 14,474 |
| Motor vehicles | 31,772 | (21,739) | 10,033 |
| Renovation and electrical installation | 13,435 | (9,146) | 4,289 |
| Building under construction | 10,296 | - | 10,296 |
| Plant and equipment under construction | 38,350 | - | 38,350 |
| | 1,959,314 | (655,319) | 1,303,995 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land and right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment (excluding right-of-use assets) is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group reflects the Group's estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The principal depreciation periods and annual rates used are as follows:

| | |
|---|---|
| Buildings | 10 - 50 years |
| Furniture, fittings and office equipment | 15% - 50% |
| Plant, machinery and equipment | 4% - 20% |
| Vessel | 15 years |
| Motor vehicles | 20% |
| Renovation and electrical installation | 15% - 33% |

Freehold land has unlimited useful life and is not depreciated.

Property, plant and equipment under construction represent buildings and plant and equipment under construction. Property, plant and equipment under construction are not depreciated until such time when the assets are available for use.

(b) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of the right-of-use assets are as follows:

| | |
|---|---|
| Leasehold land | up to 99 years |
| Land | 3 - 25 years |
| Buildings | 2 - 10 years |
| Motor vehicles | 3 - 5 years |
| Plant and machinery | 3 years |

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Purchase of property, plant and equipment | **653,927** | 75,597 |
| Financed by lease arrangements | **(6,666)** | - |
| Cash payments on purchase of property, plant and equipment | **647,261** | 75,597 |

(d) Certain freehold land and buildings with a carrying amount of RM124,320,000 (2019: RM126,748,000) are subject to fixed charges created to secure banking facilities granted to certain subsidiaries as disclosed in Note 22(i) to the financial statements.

(e) Leasehold land is analysed as:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Short term (unexpired period less than 50 years) | **144,169** | 148,110 |
| Long term (unexpired period more than 50 years) | **72,528** | 70,826 |
| | **216,697** | 218,936 |

In the previous financial year, the Group had assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group had classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

## 6. LEASES

### The Group as lessee

Right-of-use assets are presented as property, plant and equipment as disclosed in Note 5 to the financial statements.

| Right-of-use assets | Balance as at 1.7.2019 RM'000 | Effects of adoption of MFRS 16 (Note 39.1) RM'000 | Additions RM'000 | Depreciation charge for the financial year RM'000 | Exchance differences RM'000 | Reclassi-fications (Note 5) RM'000 | Balance as at 30.6.2020 RM'000 |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Leasehold land | 218,936 | - | 2,047 | (5,765) | - | 1,479 | 216,697 |
| Land | - | 6,461 | 1,423 | (983) | 571 | - | 7,472 |
| Buildings | - | 6,758 | 1,731 | (2,150) | 158 | - | 6,497 |
| Motor vehicles | - | 1,905 | 2,108 | (1,462) | 149 | - | 2,700 |
| Plant and machinery | - | - | 1,404 | (936) | (6) | - | 462 |
| | 218,936 | 15,124 | 8,713 | (11,296) | 872 | 1,479 | 233,828 |

| Lease liabilities | Balance as at 1.7.2019 RM'000 | Effects of adoption of MFRS 16 (Note 39.1) RM'000 | Additions RM'000 | Lease payments RM'000 | Interest expense RM'000 | Exchange differences RM'000 | Balance as at 30.6.2020 RM'000 |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Land | - | 8,924 | 1,423 | (1,223) | 763 | (63) | 9,824 |
| Buildings | - | 7,188 | 1,731 | (3,051) | 355 | 372 | 6,595 |
| Motor vehicles | - | 1,591 | 2,108 | (775) | 126 | (266) | 2,784 |
| Plant and machinery | - | - | 1,404 | (1,000) | 41 | 51 | 496 |
| | - | 17,703 | 6,666 | (6,049) | 1,285 | 94 | 19,699 |

| | 2020 RM'000 |
|---|---|
| **Represented by:** | |
| Non-current liabilities | 14,317 |
| Current liabilities | 5,382 |
| Lease liabilities owing to non-financial institutions | 19,699 |

## 6. LEASES (CONTINUED)

**The Group as lessee (continued)**

(a) The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. After initial recognition, lease liabilities are measured by increasing the carrying amounts to reflect interest on the lease liabilities, reducing the carrying amounts to reflect lease payments made, and remeasuring the carrying amounts to reflect any reassessment or lease modifications.

The corresponding right-of-use assets of the lease liabilities are presented as property, plant and equipment as disclosed in Note 5 to the financial statements.

The Group recognises variable lease payments when the condition that triggers those payments occur while lease payments associated with short-term leases (leases with lease term of 12 months or less) and low-value assets (leases for which the underlying asset is RM20,000 and below) are recognised on a straight-line basis over the lease terms. The variable lease payments and lease payments associated with short-term leases and low-value assets are recognised in profit or loss as rental expenses as disclosed in Note 26 to the financial statements.

(b) The following table sets out the carrying amounts, the weighted average incremental borrowing rates as at the end of the reporting period and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

| Group | Weighted average incremental borrowing rate % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Lease liabilities | 6.18% | 5,382 | 3,004 | 4,670 | 6,643 | 19,699 |

(c) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

| Group | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2020** | | | | |
| Lease liabilities | 6,490 | 10,642 | 9,237 | 26,369 |

## 7. DEVELOPMENT OF TANK TERMINALS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Development of tank terminals, at cost | **537,090** | 631,970 |

(a) Included in development of tank terminals are land and site preparation costs and other expenditure directly attributable to the development of the tank terminals. Development of tank terminals are stated at cost less any accumulated impairment losses.

(b) Development of tank terminals will be reclassified as either property, plant and equipment upon completion and when it is determined for own use or investments in joint ventures when investors to the future joint ventures are identified.

(c) During the financial year, interest expense of RM21,470,000 (2019: RM16,241,000) was capitalised at rates ranging from 3.34% to 4.89% (2019: 4.77% to 5.13%) per annum in relation to the development of tank terminals.

(d) The movements in carrying amounts of development of tank terminals are as follows:

| | | Group | |
|---|---|---|---|
| | **Note** | **2020 RM'000** | **2019 RM'000** |
| Balance as at 1 July | | **631,970** | 306,018 |
| Additions | | **55,825** | 325,952 |
| Transfer to property, plant and equipment | 5 | **(150,705)** | - |
| Balance as at 30 June | | **537,090** | 631,970 |

## NOTES TO THE FINANCIAL STATEMENTS





### 8. INTANGIBLE ASSETS

| Group | Balance as at 1.7.2019 RM'000 | Additions RM'000 | Acquisition of a subsidiary (Note 9(f)) RM'000 | Amortisation charge for the financial year RM'000 | Exchange differences RM'000 | Balance as at 30.6.2020 RM'000 |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Goodwill | 13,962 | - | 46,237 | - | 44 | 60,243 |
| Rights and concession | 28,811 | - | - | (1,987) | - | 26,824 |
| Development of oil and gas assets | 306,940 | 147,778 | 306,906 | (86,592) | - | 675,032 |
| Development of prototypes | 8,775 | 2,313 | - | (480) | - | 10,608 |
| Intellectual property | 2,742 | - | - | (1,452) | (5) | 1,285 |
| Computer software | 2,957 | 6,177 | - | (5,898) | (20) | 3,216 |
| | 364,187 | 156,268 | 353,143 | (96,409) | 19 | 777,208 |

| Group | At 30.6.2020 Cost RM'000 | Accumulated amortisation and impairment RM'000 | Carrying amount RM'000 |
|---|---|---|---|
| Goodwill | 66,876 | (6,633) | 60,243 |
| Rights and concession | 39,131 | (12,307) | 26,824 |
| Development of oil and gas assets | 1,044,543 | (369,511) | 675,032 |
| Development of prototypes | 12,907 | (2,299) | 10,608 |
| Intellectual property | 14,853 | (13,568) | 1,285 |
| Computer software | 28,670 | (25,454) | 3,216 |
| | 1,206,980 | (429,772) | 777,208 |

## 8. INTANGIBLE ASSETS (CONTINUED)

| Group | Balance as at 1.7.2018 RM'000 | Additions RM'000 | Amortisation charge for the financial year RM'000 | Exchange differences RM'000 | Balance as at 30.6.2019 RM'000 |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Goodwill | 13,522 | - | - | 440 | 13,962 |
| Rights and concession | 30,798 | - | (1,987) | - | 28,811 |
| Development of oil and gas assets | 234,320 | 113,804 | (41,184) | - | 306,940 |
| Development of prototypes | 1,417 | 7,560 | (202) | - | 8,775 |
| Intellectual property | 4,066 | - | (1,444) | 120 | 2,742 |
| Computer software | 4,245 | 283 | (1,611) | 40 | 2,957 |
| | 288,368 | 121,647 | (46,428) | 600 | 364,187 |

| Group | At 30.6.2019 | | |
|---|---|---|---|
| | Cost RM'000 | Accumulated amortisation and impairment RM'000 | Carrying amount RM'000 |
| Goodwill | 20,578 | (6,616) | 13,962 |
| Rights and concession | 39,131 | (10,320) | 28,811 |
| Development of oil and gas assets | 417,927 | (110,987) | 306,940 |
| Development of prototypes | 10,594 | (1,819) | 8,775 |
| Intellectual property | 14,805 | (12,063) | 2,742 |
| Computer software | 24,054 | (21,097) | 2,957 |
| | 527,089 | (162,902) | 364,187 |

Intangible assets are initially measured at cost. After initial recognition, intangible assets, excluding goodwill are carried at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

## 8. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill has been allocated to the Group's cash generating units ("CGU") identified according to relevant operating segments based on the geographical location of customers as follows:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Malaysia | **46,746** | 509 |
| Australia and New Zealand | **13,255** | 13,212 |
| Other Asian countries | **242** | 241 |
| | **60,243** | 13,962 |

The Group tests goodwill for impairment annually. For the purpose of impairment testing, the recoverable amount of a CGU is determined based on its value-in-use. The value-in-use is determined by discounting the pre-tax cash flows based on financial budgets prepared by the Group.

Included in goodwill in the current financial year is an amount of RM46,237,000 arising from the acquisition of Halliburton Bayan Petroleum Sdn. Bhd. ("HBP") as disclosed in Note 9(f) to the financial statements. The recoverable amount of HBP unit is based on its value-in-use. The value-in-use is determined by discounting the pre-tax cash flows based on financial budgets prepared by the Group covering a sixteen-year period (reflective of the Oilfield Services Contract ("OSC") period) based on management's estimate of commodity prices, oil production, cost of productions and is discounted to present values using a pre-tax discount rate of 4.7%.

The value-in-use of other remaining goodwill is determined by discounting the pre-tax cash flows based on financial budgets prepared by the Group for the respective CGUs covering a five-year period based on the following key assumptions:

| | **2020 %** | **2019 %** |
|---|---|---|
| **Growth rates:** | | |
| Malaysia | **5.0** | 5.0 |
| Australia and New Zealand | **8.0** | 10.0 |
| Other Asian countries | **8.0** | 10.0 |
| **Pre-tax discount rate** | **7.4** | 9.3 |

The management believes that there is no reasonable possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

Based on the annual impairment testing undertaken by the Group, no impairment losses were required for the carrying amounts of the goodwill assessed as at 30 June 2020 as their recoverable amounts were in excess of their carrying amounts.

## 8. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill has been allocated to the Group's cash generating units ("CGU") identified according to relevant operating segments based on the geographical location of customers as follows (continued):

Judgement is required in the estimation of the present value of future cash flows generated by the CGU, which involves uncertainties and are affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could affect the results of the Group's tests for impairment of goodwill.

(b) Rights and concession represent capitalisation of contribution fees in relation to the 20% participating interest in a Production Sharing Contract ("PSC"). The PSC relates to three mature producing fields, namely D35, D21 and J4, located in offshore Sarawak, Malaysia. The terms are designed for field re-development and enhancement of oil recovery to commercially encourage progressive incremental oil development over the full life of the PSC, which expires on 31 December 2034. Expenditure on rights and concession is amortised over the useful life of the PSC, which is twenty (20) years.

(c) Development of oil and gas assets represents costs incurred in re-development and enhancement of oil recovery of the above fields and the Bayan field located in Bintulu, Sarawak under the OSC. When production commences, the accumulated costs for the relevant fields are amortised using unit of production method, over the life of the area according to the rate of depletion of the proved developed reserves. Accumulated costs related to seismic study activities are amortised using the remaining-period method, over its estimated economic useful life which is determined to be over the OSC period, which expires on 31 December 2036. Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the year in which the decision to abandon the area is made.

(d) Development of prototypes represents the development of centralised switching infrastructure undertaken by a subsidiary. Development of prototypes are amortised on a straight-line basis commencing from the date they are available for use. The principal amortisation periods used are five (5) to fifteen (15) years.

(e) Intellectual property represents skilled sets on welding process and procedures used in fabrication activities. Intellectual property is amortised on a straight-line basis over a period of ten (10) years commencing from the date of acquisition.

(f) Computer software is not integral to the hardware of the Group and can be separately identified. Computer software is amortised over its estimated useful life of two (2) to three (3) years using the straight-line method.

(g) Impairment assessment of other intangible assets

In assessing indicators of impairment during the financial year, management considered the current environment and performance of the CGUs. For CGUs with indications of impairment, management has made significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts using the value-in-use model. These key assumptions include forecast growth in future revenues and commodity prices, oil production, cost of productions as well as determining an appropriate pre-tax discount rate and growth rate. Management has determined that the recoverable amounts are in excess of the carrying amounts of these other intangible assets and no impairment has been recorded in the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Unquoted equity shares, at cost | **965,595** | 644,895 |
| Equity loan/Advances to subsidiaries | **1,360,795** | 1,399,048 |
| Equity contributions in subsidiaries in respect of ESOS | **5,558** | - |
| | **2,331,948** | 2,043,943 |

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the Company's separate financial statements at cost less impairment losses, if any.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) Equity loan/Advances to subsidiaries are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future for the purposes of providing the subsidiaries with a long term source of additional capital.

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows:

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|---|---|---|
| | | 2020 | 2019 | |
| Dialog E & C Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of engineering, procurement, construction and commissioning services. |
| Dialog Plant Services Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of engineering, procurement, construction and commissioning services and provision of plant turnaround and specialist maintenance work. |
| Saga Dialog Sdn. Bhd. | Malaysia | **100%** | 100% | Mechanical works, construction of tankage pipings and pipelines, installation of equipment, hookup and commissioning and debottlenecking. |
| Dialog Systems Sdn. Bhd. | Malaysia | **100%** | 100% | Marketing of specialty chemicals, catalysts and absorbents, petroleum additives, drilling base oil and specialty equipment and provision of specialist technical services. |
| Dialog E & I Sdn. Bhd. | Malaysia | **100%** | 100% | Specialised electrical and instrumentation, construction, commissioning and calibration services. |
| Dialog Fabricators Sdn. Bhd. | Malaysia | **100%** | 100% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| Pacific Advance Composites Sdn. Bhd. | Malaysia | **100%** | 100% | Engineering, manufacturing and installation of composite pipe system. |
| Dialog Petroleum Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| Dialog Corporate Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of management, consultancy and administration services. |
| Dialog Equity Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| *Dialog Systems (Asia) Pte. Ltd. | Singapore | **100%** | 100% | Investment holding. |
| Dialog Services Sdn. Bhd. | Malaysia | **60%** | 60% | Provision of consultancy, technical support services and marketing of specialty equipment. |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity 2020 | Effective interest in equity 2019 | Principal activities |
|---|---|---|---|---|
| Dialog Energy Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of upstream support services. |
| Infodasia Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of information technology support and services. |
| Dialog Properties Sdn. Bhd. | Malaysia | **100%** | 100% | Letting out and management of properties. |
| Dialog Pengerang Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding and involved in the development of tank terminal and logistic services. |
| Dialog D & P Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding and provision of manpower services. |
| Dialog Upstream Services Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| Dialog Equity (Two) Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| Dialog Resources Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum development, appraisal and production operations. |
| Pengerang Deepwater Terminals Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |
| Dialog Terminals Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| Dialog Terminals Operations Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of terminals management and operational services. |
| **Subsidiary of Saga Dialog Sdn. Bhd.** | | | | |
| Dialog Construction Sdn. Bhd. | Malaysia | **100%** | 100% | Construction of plant and civil engineering works. |
| **Subsidiaries of Dialog Fabricators Sdn. Bhd.** | | | | |
| Dialog OTEC Sdn. Bhd. | Malaysia | **100%** | 100% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| ^Overseas Manufacturing (Johor) Sdn. Bhd. | Malaysia | **80%** | - | Fabrication of steel storage tanks and structures. |

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity 2020 | Effective interest in equity 2019 | Principal activities |
|---|---|---|---|---|
| **Subsidiaries of Dialog Systems (Asia) Pte. Ltd.** | | | | |
| *Dialog Systems Pte. Ltd. | Singapore | **100%** | 100% | Marketing of specialty chemicals and equipment and provision of technical services. |
| *Dialog Engineering Pte. Ltd. | Singapore | **100%** | 100% | Investment holding and contracting of petroleum and petrochemical related works. |
| *Dialog Services Pte. Ltd. | Singapore | **100%** | 100% | Investment holding. |
| @PT. Dialog Sistemindo | Indonesia | **90%** | 90% | Provision of marketing of specialty chemicals and equipment and technical support services. |
| @Dialog Systems (Thailand) Ltd. | Thailand | **49%** | 49% | Contracting of petroleum and petrochemical related works and trading in specialty chemicals and equipment. |
| Dialog (Labuan) Ltd. | Malaysia | **100%** | 100% | Investment holding. |
| @Dialog Services Pty. Ltd. | Australia | **100%** | 100% | Marketing of specialty chemicals and equipment, and provision of catalyst and process material handling services. |
| *Dialog Petroleum Technical Services (Beijing) Limited | China | **100%** | 100% | Provision of technical consulting and technical services. |
| *Dialog OTEC Pte. Ltd. | Singapore | **80%** | 80% | Investment holding. |
| @Dialog Fitzroy Limited | New Zealand | **90%** | 88% | Provision of heavy fabrication & multi-disciplined engineering. |
| Dialog Systems (Labuan) Ltd. | Malaysia | **100%** | 100% | Provision of specialist products & services. |
| *Dialog Systems International FZE | United Arab Emirates | **100%** | 100% | Provision of specialist products & services. |

## NOTES TO THE FINANCIAL STATEMENTS



### 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|---|---|---|
| | | 2020 | 2019 | |
| **Subsidiaries of Dialog Engineering Pte. Ltd.** | | | | |
| *Dialog Plant Services Pte. Ltd. | Singapore | **100%** | 100% | Provision of plant maintenance services and general civil and mechanical engineering works. |
| *OTEC Holdings Pte. Ltd. | Singapore | **74%** | 74% | Investment holding. |
| **Subsidiaries of Dialog (Labuan) Ltd.** | | | | |
| @Dialog Services Saudi Arabia Co. Ltd. | Kingdom of Saudi Arabia | **60%** | 60% | Contracting of petroleum and petrochemical related works and trading in specialty chemicals and equipment. |
| @Dialog Jubail Supply Base Co. Ltd. | Kingdom of Saudi Arabia | **60%** | 60% | Provision of logistic services of a supply base and trading of base oil. |
| Dialog Marine (Labuan) Ltd. | Malaysia | **100%** | 100% | Logistics services for the marketing of specialist product in the petroleum and petrochemical industry. |
| **Subsidiary of Dialog OTEC Pte. Ltd.** | | | | |
| *Overseas Technical Engineering and Construction Pte. Ltd. | Singapore | **80%** | 80% | General stainless steel fabrication and supply of fabricated construction material, engineering equipment and related spares. |
| **Subsidiary of Overseas Technical Engineering and Construction Pte. Ltd.** | | | | |
| ^Overseas Manufacturing (Johor) Sdn. Bhd. | Malaysia | **-** | 80% | Fabrication of steel storage tanks and structures. |
| **Subsidiary of Dialog Plant Services Sdn. Bhd.** | | | | |
| Dialog Catalyst Services Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of catalyst and process material handling services. |

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity 2020 | Effective interest in equity 2019 | Principal activities |
|---|---|---|---|---|
| **Subsidiaries of Dialog Petroleum Sdn. Bhd.** | | | | |
| Oriental Valley Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum retailing. |
| Senyum Bestari Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |
| Idaman Tropikal Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |
| Corak Dahlia Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |
| +Cendana Sutera Sdn. Bhd. | Malaysia | **-** | 100% | Struck off. |
| **Subsidiary of Dialog Services Pte. Ltd.** | | | | |
| *EC-Dialog Pte. Ltd. | Singapore | **100%** | 100% | Investment holding. |
| **Subsidiary of Dialog E & C Sdn. Bhd.** | | | | |
| Dialog Offshore Engineering Sdn. Bhd. | Malaysia | **100%** | 55% | Provision of engineering design, consulting and project management. |
| **Subsidiary of Infodasia Sdn. Bhd.** | | | | |
| DIV Services Sdn. Bhd. | Malaysia | **60%** | 60% | Provision of payment system and services, IT systems and other IT services. |
| **Subsidiaries of Dialog Pengerang Sdn. Bhd.** | | | | |
| Pengerang Marine Operations Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of marine operation, maintenance and other related marine services. |
| Sungai Rengit Industrial Estate Sdn. Bhd. | Malaysia | **100%** | 100% | Industrial estate development. |
| **Subsidiary of Dialog Systems (Thailand) Ltd.** | | | | |
| @Dialog Technology & Services Limited | Thailand | **49%** | 49% | Dormant. |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|---|---|---|
| | | 2020 | 2019 | |
| **Subsidiaries of Dialog Fitzroy Limited** | | | | |
| @Dialog Fitzroy Australia Pty. Ltd. | Australia | **90%** | 88% | Provision of heavy fabrication and multi-disciplined engineering. |
| @Dialog Fitzroy Tower Services Limited | New Zealand | **91%** | 89% | Provision of power pylon painting services. |
| @Fineline Services Limited | New Zealand | **90%** | 88% | Provision of plate profile cutting services. |
| @104 Dixon Street Limited | New Zealand | **90%** | 88% | Property development. |
| **Subsidiary of DIV Services Sdn. Bhd.** | | | | |
| DIV Systems Sdn. Bhd. | Malaysia | **39%** | 39% | Providing and operating payment system and other IT services. |
| **Subsidiary of Dialog Upstream Services Sdn. Bhd.** | | | | |
| Dialog Subsurface Technology Sdn. Bhd. | Malaysia | **100%** | 100% | Marketing and provision of seismic technology and other related upstream services. |
| **Subsidiary of Dialog D & P Sdn. Bhd.** | | | | |
| +Halliburton Bayan Petroleum Sdn. Bhd. | Malaysia | **95%** | - | Provision of services and technology in petroleum production industry. |
| **Subsidiaries of Dialog Equity (Two) Sdn. Bhd.** | | | | |
| Dialog LNG Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| Pengerang LNG Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of terminal storage facilities and handling services. |
| Pengerang Terminals (Six) Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The details of the subsidiaries are as follows (continued):

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity 2020 | Effective interest in equity 2019 | Principal activities |
|---|---|---|---|---|
| **Subsidiary of EC-Dialog Pte. Ltd.** | | | | |
| *Catalyst Handling Research & Engineering Limited | United Kingdom | **100%** | 100% | Specialised in catalyst handling, research and engineering. |
| **Subsidiaries of Dialog Terminals Sdn. Bhd.** | | | | |
| Dialog Terminals Langsat (1) Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of tank terminal storage facilities and handling services. |
| Dialog Terminals Langsat (2) Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of tank terminal storage facilities and handling services. |
| Dialog Terminals Langsat (3) Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of tank terminal storage facilities and handling services. |
| Dialog Terminals Pengerang CTF Sdn. Bhd. (formerly known as Pengerang CTF Sdn. Bhd.) | Malaysia | **100%** | 100% | Provision of common tankage facilities. |
| Dialog Terminals Pengerang (5) Sdn. Bhd. (formerly known as Pengerang Terminals (Five) Sdn. Bhd.) | Malaysia | **100%** | 100% | Provision of tank terminal storage facilities and handling services. |

+ Details of acquisition of subsidiary, accretion of interests in subsidiary and deregistration of subsidiary during the financial year are disclosed in Note 37 to the financial statements.

@ Subsidiaries audited by BDO member firms.

* Subsidiaries not audited by BDO PLT or BDO member firms.

^ Overseas Manufacturing (Johor) Sdn. Bhd. was formerly a subsidiary of Overseas Technical Engineering and Construction Pte. Ltd. and became a subsidiary of Dialog Fabricators Sdn. Bhd. during the financial year.

(d) The Group considers that it controls Dialog Systems (Thailand) Ltd., Dialog Technology & Services Limited and DIV Systems Sdn. Bhd. even though it owns less than fifty percent (50%) of the voting rights. This is due to the Group having control over the Board and the power to govern the relevant activities of these entities.

(e) The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group for both financial years ended 30 June 2020 and 30 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(f) Acquisition of subsidiary during the financial year ended 30 June 2020

In August 2019, Dialog D & P Sdn. Bhd. ("DDPSB"), a wholly owned subsidiary of the Company, acquired an additional 25% equity interest in Halliburton Bayan Petroleum Sdn. Bhd. ("HBP") for a total cash consideration of USD8,220,000 (equivalent to RM34,560,990). Pursuant to that, DDPSB held 75% equity interest in HBP and HBP became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition are as follows:

| | Note | At date of acquisition RM'000 |
|---|---|---|
| Intangible assets | 8 | **306,906** |
| Receivables | | **43,343** |
| Cash and bank balances | | **101,053** |
| Payables | | **(374,707)** |
| Total identified net assets | | **76,595** |
| Non-controlling interests | | **(19,149)** |
| Goodwill arising from acquisition | 8 | **46,237** |
| Total deemed purchase consideration | | **103,683** |
| Less: Carrying value of interest in a joint venture previously held | 10(f)(vi) | **(40,584)** |
| Less: Fair value gain on deemed disposal of a joint venture | 10(f)(vi) | **(28,538)** |
| Purchase consideration | | **34,561** |
| Cash and cash equivalents of a subsidiary acquired | | **(101,053)** |
| Net cash inflow of the Group on acquisition | | **(66,492)** |

Had the acquisition occurred on 1 July 2019, it would not have any material effect on the earnings, net assets or gearing of the Group for the financial year ended 30 June 2020.

(g) Accretion of interests in subsidiaries during the financial year ended 30 June 2020

In August 2019, Dialog Systems (Asia) Pte. Ltd. ("DSAPL"), a wholly owned subsidiary of the Company, acquired an additional 2.5% equity interest in Dialog Fitzroy Limited ("DFL") for a total cash consideration of NZD644,820 (equivalent to RM1,766,235). Pursuant to that, DFL is now a 90% owned subsidiary of DSAPL.

In October 2019, Dialog E & C Sdn. Bhd. ("DECSB"), a wholly owned subsidiary of the Company, acquired the remaining 45% equity interest in Dialog Offshore Engineering Sdn. Bhd. ("DOESB") for a total cash consideration of RM1, with net liabilities acquired of RM25,657. Pursuant to that, DOESB is now a wholly owned subsidiary of DECSB.

In December 2019, DDPSB acquired an additional 20% equity interest in HBP subsequent to the acquisition of 25% equity interest as disclosed in Note 9(f) to the financial statements for a total cash consideration of USD6,576,000 (equivalent to RM27,629,650). Pursuant to that, HBP is now a 95% owned subsidiary of DDPSB.

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(h) Acquisition of subsidiary during the financial year ended 30 June 2019

In June 2019, Fitzroy Engineering Group Limited ("FEGL"), an 88% subsidiary of the Group, acquired the remaining 40% equity interest in 104 Dixon Street Limited ("Dixon") for a total cash consideration of NZD1,360,000 (equivalent to RM3,749,520). Pursuant to that, Dixon became a wholly owned subsidiary of FEGL. The Group then changed FEGL's name to Dialog Fitzroy Limited.

The fair value of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

| | Note | At date of acquisition RM'000 |
|---|---|---|
| Property, plant and equipment | 5 | 10,296 |
| Receivables | | 87 |
| Cash and bank balances | | 19 |
| Payables | | (1,028) |
| Total identified net assets | | 9,374 |
| Total deemed purchase consideration | | 9,374 |
| Less: Carrying value of interest in a joint venture previously held | 10(f)(vii) | (5,624) |
| Purchase consideration | | 3,750 |
| Cash and cash equivalents of a subsidiary acquired | | (19) |
| Net cash outflow of the Group on acquisition | | 3,731 |

Had the acquisition occured on 1 July 2018, the revenue and profit after tax of the Group for the financial year ended 30 June 2019 would have been RM2,386,453,000 and RM551,868,000 respectively.

(i) Accretion of interests in subsidiaries during the financial year ended 30 June 2019

In August 2018, Dialog Engineering Pte. Ltd. ("DEPL"), an indirectly owned subsidiary of the Company, acquired an additional 10% equity interest in Dialog Plant Services Pte. Ltd. ("DPSPL") for a total cash consideration of SGD11,006 (equivalent to RM33,018).

Subsequently in the same month, Dialog Systems (Asia) Pte. Ltd. ("DSAPL"), a wholly owned subsidiary of the Company, acquired the remaining 11.48% equity interest in DEPL for a total cash consideration of SGD1,841,514 (equivalent to RM5,524,542). Pursuant to that, DEPL and DPSPL became direct and indirect wholly owned subsidiaries of DSAPL respectively.

## NOTES TO THE FINANCIAL STATEMENTS





### 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Joint ventures** | | |
| Unquoted equity shares, at cost | **798,455** | 1,132,224 |
| Advances to a joint venture | **-** | 74,728 |
| Share of post-acquisition reserves, net of the Group's unrealised profit and dividends | **227,318** | 165,428 |
| Exchange differences | **5,564** | 119 |
| | **1,031,337** | 1,372,499 |
| **Associates** | | |
| Unquoted equity shares, at cost | **179,307** | 179,307 |
| Advances to an associate | **-** | 503,292 |
| Share of post-acquisition reserves, net of the Group's unrealised profit and dividends | **71,340** | 85,339 |
| Exchange differences | **1,401** | (2,986) |
| | **252,048** | 764,952 |
| | **1,283,385** | 2,137,451 |

(a) Investments in joint ventures and associates are measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.

(b) Impairment assessment

The recoverable amounts of these investments were determined based on the value-in-use model where judgements and estimates have been made on their future results and key assumptions applied to cash flow forecasts. These key assumptions include forecast growth in future revenue, operating profit margins and an appropriate pre-tax discount rate.

Management has determined that the recoverable amounts are in excess of the carrying amounts of these investments and no impairment loss has been recorded in the financial statements.

(c) The most recent available financial statements of the joint ventures and associates are used by the Group in applying the equity method. The Group's share of results of joint ventures and associates are based on the audited financial statements made up to 30 June 2020 except for Kertih Terminals Sdn. Bhd., BC Petroleum Sdn. Bhd., Pengerang Terminals (Two) Sdn. Bhd. and Pengerang LNG (Two) Sdn. Bhd., which are based on unaudited financial statements made up to 30 June 2020.

(d) In the previous financial year, advances to a joint venture were unsecured, settlement was neither planned nor likely to occur in the foreseeable future and interest-free.

## 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) In the previous financial year, advances to an associate were unsecured, settlement was neither planned nor likely to occur in the foreseeable future. These advances bore interest at a fixed rate of 6.50% per annum.

(f) Joint ventures

(i) The details of the joint ventures are as follows:

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|---|---|---|
| | | 2020 | 2019 | |
| *Kertih Terminals Sdn. Bhd. | Malaysia | **30%** | 30% | Provision of bulk chemical storage and handling services. |
| Pengerang Terminals Sdn. Bhd. | Malaysia | **51%** | 51% | Investment holding company and provision of management and operational services. |
| Pengerang Terminals (Two) Sdn. Bhd. | Malaysia | **25%** | 25% | Provision of terminal storage facilities for petroleum and petrochemical products. |
| +Halliburton Bayan Petroleum Sdn. Bhd. | Malaysia | **-** | 50% | Provision of services and technology in petroleum production industry. |
| ^*BC Petroleum Sdn. Bhd. | Malaysia | **32%** | 32% | Inactive. |
| **Subsidiary of Pengerang Terminals Sdn. Bhd.** | | | | |
| Pengerang Independent Terminals Sdn. Bhd. | Malaysia | **46%** | 46% | Provision of independent petroleum terminal facilities for the handling, storage processing and distribution of oil, petroleum and petrochemical products. |

* Not audited by BDO PLT or BDO member firms.

+ Details of the equity changes in the joint venture during the financial year is disclosed in Note 37 to the financial statements.

^ On 11 September 2020, the joint venture has resolved to wind up by way of a Members' Voluntary Winding Up pursuant to Section 439(1)(b) of the Companies Act 2016.

(ii) The joint ventures, in which the Group participates, are unlisted separate structured entities whose quoted market prices are not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint ventures and provides the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for liabilities of the joint arrangements resting primarily with the joint ventures. These joint arrangements have been classified as joint ventures and have been included in the consolidated financial statements using the equity method.

## NOTES TO THE FINANCIAL STATEMENTS





### 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

(iii) The summarised financial information of material joint ventures are as follows:

| | Pengerang Terminals Sdn. Bhd. and its subsidiary | | Pengerang Terminals (Two) Sdn. Bhd. | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Assets** | | | | |
| Non-current assets | **2,560,932** | 2,554,734 | **5,037,086** | 4,104,978 |
| Cash and cash equivalents | **143,177** | 146,291 | **963,314** | 519,084 |
| Other current assets | **52,747** | 44,997 | **256,452** | 152,359 |
| Total assets | **2,756,856** | 2,746,022 | **6,256,852** | 4,776,421 |
| **Liabilities** | | | | |
| Non-current financial liabilities (excluding trade and other payables) | **828,125** | 965,965 | **4,636,080** | 2,581,250 |
| Other non-current liabilities (including trade and other payables) | **-** | - | **548,490** | 71,201 |
| Financial liabilities (excluding trade and other payables) | **212,205** | 133,411 | **-** | - |
| Other current liabilities (including trade and other payables) | **60,261** | 180,471 | **313,743** | 277,152 |
| Total liabilities | **1,100,591** | 1,279,847 | **5,498,313** | 2,929,603 |
| Net assets | **1,656,265** | 1,466,175 | **758,539** | 1,846,818 |
| **Results** | | | | |
| Revenue | **272,056** | 183,527 | **921,243** | 567,501 |
| Depreciation of property, plant and equipment | **(85,766)** | (75,456) | **(200,244)** | (113,517) |
| Interest income | **1,945** | 2,088 | **14,139** | 4,661 |
| Interest expense | **(50,124)** | (55,494) | **(124,479)** | (47,808) |
| Tax expense | **(918)** | (769) | **(3,394)** | (835) |
| Profit for the financial year | **87,784** | 14,694 | **583,156** | 282,034 |
| Other comprehensive (loss)/income | **(9,914)** | 24,068 | **(325,324)** | (187,176) |
| Total comprehensive income | **77,870** | 38,762 | **257,832** | 94,858 |

## 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

(iv) The reconciliation of net assets of material joint ventures to the carrying amounts of the investments in joint ventures are as follows:

| | Pengerang Terminals Sdn. Bhd. and its subsidiary | | Pengerang Terminals (Two) Sdn. Bhd. | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Share of net assets | **844,695** | 747,749 | **189,635** | 461,705 |
| Adjustment for unrealised profits, foreign currency translation and others | **(66,765)** | (64,510) | **20,272** | 62,353 |
| Carrying amount | **777,930** | 683,239 | **209,907** | 524,058 |
| **Share of results for the financial year** | | | | |
| Share of profit or loss | **44,770** | 7,494 | **145,789** | 70,509 |
| Share of other comprehensive (loss)/income | **(5,056)** | 12,274 | **(81,331)** | (46,794) |
| Share of total comprehensive income | **39,714** | 19,768 | **64,458** | 23,715 |

(v) Set out below is the financial information of all individually immaterial joint ventures on an aggregate basis:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Carrying amounts of interests in joint ventures | **43,500** | 165,202 |
| **Share of results for the financial year** | | |
| Share of profit or loss | **35,058** | 43,537 |
| Share of other comprehensive income | **-** | - |
| Share of total comprehensive income | **35,058** | 43,537 |
| Dividend income from joint ventures | **39,000** | 37,500 |

## 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(f) Joint ventures (continued)

(vi) Deemed disposal of a joint venture during the financial year ended 30 June 2020

In August 2019, Dialog D & P Sdn. Bhd. ("DDPSB"), a wholly owned subsidiary of the Company, acquired an additional 25% equity interest in Halliburton Bayan Petroleum Sdn. Bhd. ("HBP") for a total cash consideration of USD8,220,000 (equivalent to RM34,560,990). Pursuant to that, DDPSB held 75% equity interest in HBP and HBP became a subsidiary of the Group.

The details of the deemed disposal are as follows:

| Group | Note | At date of disposal RM'000 |
|---|---|---|
| Cost of investment | | **2,500** |
| Share of post-acquisition reserves | | **38,084** |
| Share of interest in joint venture | 9(f) | **40,584** |
| Fair value of interest held | | **(69,122)** |
| Fair value gain on deemed disposal | 9(f) | **(28,538)** |

(vii) Deemed disposal of a joint venture during the financial year ended 30 June 2019

In June 2019, Fitzroy Engineering Group Limited ("FEGL"), an 88% subsidiary of the Group, acquired the remaining 40% equity interest in 104 Dixon Street Limited ("Dixon") for a total cash consideration of NZD1,360,000 (equivalent to RM3,749,520). Pursuant to that, Dixon became a wholly owned subsidiary of FEGL. The Group then changed FEGL's name to Dialog Fitzroy Limited.

The details of the deemed disposal were as follows:

| Group | Note | At date of disposal RM'000 |
|---|---|---|
| Cost of investment | | 6,291 |
| Share of post-acquisition reserves | | (667) |
| Share of interest in joint venture | 9(h) | 5,624 |
| Fair value of interest held | | (5,624) |
| Fair value gain on deemed disposal | | - |

## 10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(g) Associates

(i) The details of the associates are as follows:

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity | | Principal activities |
|---|---|---|---|---|
| | | 2020 | 2019 | |
| **Associate of Dialog LNG Sdn. Bhd.** | | | | |
| *Pengerang LNG (Two) Sdn. Bhd. | Malaysia | **25%** | 25% | Provision of Liquefied Natural Gas 'LNG' terminal storage, regasification of LNG into natural gas and handling services. |
| **Associate of Dialog OTEC Pte. Ltd.** | | | | |
| *Dialog OTEC E and C Inc. | Philippines | **32%** | 32% | Construction services. |

* Not audited by BDO PLT or BDO member firms.

(ii) The Group does not have any associate, which is individually material to the Group for both financial years ended 30 June 2020 and 30 June 2019.

(iii) Set out below is the financial information of all associates on an aggregate basis:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Carrying amounts of interests in associates | **252,048** | 764,952 |
| **Share of results for the financial year** | | |
| Share of profit or loss | **16,344** | 58,562 |
| Share of other comprehensive income | **-** | - |
| Share of total comprehensive income | **16,344** | 58,562 |
| Dividend income from associates | **30,343** | 19,626 |

## 11. OTHER INVESTMENTS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Financial assets at fair value through other comprehensive income** | | |
| - Unquoted shares in Malaysia | **4,082** | 4,082 |
| - Unquoted shares outside Malaysia | **2,651** | 2,566 |
| | **6,733** | 6,648 |

(a) The equity securities were classified as financial assets at fair value through other comprehensive income. The fair value of other investments of the Group are categorised as Level 3 in the fair value hierarchy.

(b) All regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(c) The following table shows a reconciliation of Level 3 fair values of other investments:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Balance as at 1 July | **6,648** | 6,583 |
| Exchange differences | **85** | 65 |
| Balance as at 30 June | **6,733** | 6,648 |

(d) Fair values of investments in unquoted shares are estimated based on the price to book valuation model.

(e) Sensitivity analysis for investments in unquoted shares is not material to the Group.

## 12. DEFERRED TAX

**Recognised deferred tax assets and liabilities**

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Deferred tax assets | **66,895** | 50,324 |
| Deferred tax liabilities | **(4,140)** | (4,978) |
| | **62,755** | 45,346 |

(a) The amount of the deferred tax income or expense recognised in the statements of profit or loss during the financial year are as follows:

| | | Group | |
|---|---|---|---|
| | **Note** | **2020 RM'000** | **2019 RM'000** |
| Balance as at 1 July | | **45,346** | 51,020 |
| Recognised in profit or loss | | | |
| - property, plant and equipment | | **(31,367)** | 634 |
| - amounts due from customers for contract works | | **442** | 5,144 |
| - unabsorbed capital allowances | | **37,388** | 75 |
| - unused tax losses | | **(3,744)** | (27,149) |
| - accrued liabilities | | **9,352** | 18,294 |
| - unrealised profits | | **(612)** | (2,936) |
| - other deductible temporary differences | | **5,971** | 163 |
| | 28 | **17,430** | (5,775) |
| Exchange differences | | **(21)** | 101 |
| Balance as at 30 June | | **62,755** | 45,346 |

## 12. DEFERRED TAX (CONTINUED)

(b) The components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Deferred tax assets** | | |
| Unused tax losses | **3,971** | 7,715 |
| Unabsorbed capital allowances | **45,653** | 8,265 |
| Unrealised profits | **11,828** | 12,440 |
| Accrued liabilities | **42,033** | 32,681 |
| Other deductible temporary differences | **6,608** | 637 |
| Deferred tax assets (before off-setting) | **110,093** | 61,738 |
| Offsetting | **(43,198)** | (11,414) |
| Deferred tax assets (after off-setting) | **66,895** | 50,324 |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | **40,689** | 9,301 |
| Amounts due from customers for contract works | **6,649** | 7,091 |
| Deferred tax liabilities (before off-setting) | **47,338** | 16,392 |
| Offsetting | **(43,198)** | (11,414) |
| Deferred tax liabilities (after off-setting) | **4,140** | 4,978 |

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit would be available against which the unused tax losses and the capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that could be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## 12. DEFERRED TAX (CONTINUED)

### Unrecognised deferred tax assets

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Taxable temporary differences | **(252,094)** | (324,117) |
| Unabsorbed tax allowances | **489,885** | 625,728 |
| Unabsorbed capital allowances | **1,166** | 1,827 |
| Accrued liabilities | **1,748** | 4,262 |
| Unused tax losses | | |
| - Expires by 30 June 2019 | **-** | 12,777 |
| - Expires by 30 June 2020 | **-** | 270 |
| - Expires by 30 June 2022 | **33** | - |
| - Expires by 30 June 2023 to 2028 | **28,160** | 23,350 |
| | **268,898** | 344,097 |

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of respective local tax authorities.

## 13. AMOUNTS OWING BY SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Non-current assets:** | | |
| Amounts owing by subsidiaries | **359,908** | 502,471 |
| **Current assets:** | | |
| Amounts owing by subsidiaries | **122,272** | 157,397 |

(a) Amounts owing by subsidiaries are classified as financial assets measured at amortised cost.

(b) The non-current amounts owing by subsidiaries represent unsecured advances of RM291,709,000 (2019: RM450,157,000), which bear interest at rates ranging from 3.34% to 4.54% (2019: 4.50% to 6.02%) per annum. The advances together with the interest receivable thereon, which amounted to RM359,908,000 (2019: RM502,471,000) are not repayable within the next twelve (12) months.

## 13. AMOUNTS OWING BY SUBSIDIARIES (CONTINUED)

(c) The current amounts owing by subsidiaries are non-trade in nature, unsecured, repayable within next twelve (12) months in cash and cash equivalents and interest-free except for an amount of RM155,452,000 owing by subsidiaries in the previous financial year, which bore interest at rates ranging from 4.54% to 4.78% per annum.

(d) The amounts owing by subsidiaries are denominated in RM.

(e) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the amounts owing by subsidiaries of the Company that are exposed to interest rate risk:

| Company | Weighted average effective interest rate per annum % | Within 1 year RM'000 | More than 1 year RM'000 | Total RM'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| Fixed rate | **4.50** | **-** | **98,218** | **98,218** |
| Floating rate | **3.99** | **-** | **193,491** | **193,491** |
| **30 June 2019** | | | | |
| Fixed rate | 4.50 | - | 113,218 | 113,218 |
| Floating rate | 4.73 | 155,452 | 336,939 | 492,391 |

(f) Impairment for amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 15(g) to the financial statements.

(g) No expected credit loss is recognised arising from amounts owing by subsidiaries as the amount is negligible.

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **At cost** | | |
| Construction materials | **4,940** | 5,388 |
| Trading inventories | **79,768** | 90,205 |
| | **84,708** | 95,593 |

(a) Cost is determined using the first-in-first-out basis.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM362,017,000 (2019: RM344,716,000).

## 15. TRADE AND OTHER RECEIVABLES

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Trade receivables** | | | | | |
| Third parties | | **344,845** | 390,808 | **-** | - |
| Amounts due from customers for contract works | 16 | **260,693** | 458,920 | **-** | - |
| | | **605,538** | 849,728 | **-** | - |
| Less: Impairment losses | | **(3,835)** | (2,368) | **-** | - |
| Total trade receivables | | **601,703** | 847,360 | **-** | - |
| **Other receivables** | | | | | |
| Other receivables | | **27,484** | 43,996 | **530** | 85 |
| Deposits | | **6,569** | 26,142 | **5** | 5 |
| Total other receivables | | **34,053** | 70,138 | **535** | 90 |
| **Total receivables** | | **635,756** | 917,498 | **535** | 90 |
| Hedge derivative assets | | **28** | 46 | **-** | - |
| Prepayments | | **12,096** | 9,636 | **51** | 51 |
| | | **647,880** | 927,180 | **586** | 141 |

(a) Total receivables are classified as financial assets measured at amortised cost. Hedge derivative assets are classified as financial assets at fair value through profit or loss.

(b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 7 to 60 days (2019: 7 to 60 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) The foreign currency exposure of trade and other receivables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Australian Dollar | **1,206** | - |
| Euro | **483** | 75 |
| Renminbi | **335** | 8 |
| Singapore Dollar | **681** | 552 |
| Sterling Pound | **6,193** | - |
| United States Dollar | **11,175** | 39,747 |

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probabilities of non-payments by the trade receivables are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss ("ECL") for the trade receivables. The Group has identified the Non-Performing Loan ratio (2019: Bank Lending Rate ("BLR") and unemployment rate) as the key macroeconomic factors. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss. On confirmation that the trade receivables would not be collectable, the gross carrying values of the assets would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Movements in the impairment losses for trade receivables are as follows:

| | Group Credit impaired | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Balance as at 1 July | **2,368** | 114 |
| Charge for the financial year | **1,440** | 2,251 |
| Reversal of impairment losses | **(37)** | - |
| Exchange differences | **64** | 3 |
| Balance as at 30 June | **3,835** | 2,368 |

Credit impaired allowance refer to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The ageing analysis of trade receivables of the Group are as follows:

| Group | Gross carrying amount RM'000 | Impaired RM'000 | Total 30 June RM'000 |
|---|---|---|---|
| **2020** | | | |
| Current | **290,853** | **-** | **290,853** |
| Past due | | | |
| 61 to 90 days | **20,148** | **-** | **20,148** |
| 91 to 120 days | **13,481** | **-** | **13,481** |
| More than 120 days | **20,363** | **(3,835)** | **16,528** |
| | **53,992** | **(3,835)** | **50,157** |
| | **344,845** | **(3,835)** | **341,010** |
| **2019** | | | |
| Current | 335,570 | - | 335,570 |
| Past due | | | |
| 61 to 90 days | 28,162 | - | 28,162 |
| 91 to 120 days | 9,627 | - | 9,627 |
| More than 120 days | 17,449 | (2,368) | 15,081 |
| | 55,238 | (2,368) | 52,870 |
| | 390,808 | (2,368) | 388,440 |

(f) Included in trade receivables is total retention sum for contract works amounting to RM21,610,000 (2019: RM24,495,000).

(g) Impairment of other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit loss along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit loss along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit loss along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the other receivables, changes to contractual terms, payment delays and past due information. A significant increase in credit risk is presumed if contractual payments are more than 90 days.

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(g) (continued)

The probabilities of non-payments by other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates are adjusted by forward-looking information i.e. Non-Performing Loan ratio (2019: Bank Lending Rate ("BLR") and unemployment rate) and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for the other receivables, amounts owing by subsidiaries and amounts owing by joint ventures and associates.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward looking information and significant increase in credit risk.

(h) No expected credit loss is recognised arising from other receivables as the amount is negligible.

(i) The fair value of hedge derivative assets of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the financial year.

(j) The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

| | | Group | |
|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 |
| Amounts due from customers for contract works | 15 | **260,693** | 458,920 |
| Amounts due to customers for contract works | 23 | **(18,770)** | (62,063) |
| | | **241,923** | 396,857 |

(a) Amounts due from/(to) customers for contract works represent the timing differences in revenue recognition and progress billings as at the end of the reporting period.

Amounts due from customers for contract works are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Amounts due to customers for contract works are recognised as revenue when performance obligations are satisfied.

(b) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period are within two (2) years.

(c) Impairment for amounts due from customers from contract works that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 15(d) to the financial statements.

(d) No expected credit loss is recognised arising from amounts due from customers for contract works as the amount is negligible.

## 17. AMOUNTS OWING BY JOINT VENTURES AND ASSOCIATES

(a) Amounts owing by joint ventures and associates are classified as financial assets measured at amortised cost.

(b) The amounts owing by joint ventures and associates represent normal trade transactions and payments made on behalf, which are interest-free, unsecured and repayable within next twelve (12) months in cash and cash equivalents, except for an amount of RM447,903,000 (2019: RM503,292,000 as disclosed in Note 10(e) to the financial statements) owing by an associate, which bears interest at a fixed rate of 6.50% per annum (2019: 6.50%).

(c) The foreign currency exposure of amount owing by an associate of the Group is as follows:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| United States Dollar | **2,983** | 3,529 |

(d) The following table sets out the carrying amount, the weighted average effective interest rate as at the end of the reporting period and the remaining maturities of the amount owing by an associate of the Group that is exposed to interest rate risk:

| Group | Weighted average effective interest rate per annum % | Within 1 year RM'000 | Total RM'000 |
|---|---|---|---|
| **30 June 2020** | | | |
| Fixed rate | **6.50** | **447,903** | **447,903** |

(e) Impairment for amounts owing by joint ventures and associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 15(g) to the financial statements.

(f) No expected credit loss is recognised arising from amounts owing by joint ventures and associates as the amount is negligible.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and bank balances | **868,102** | 551,294 | **76,247** | 23,035 |
| Deposits with licensed banks (not more than three months) | **372,287** | 333,109 | **272,753** | 79,191 |
| As reported in the statements of financial position | **1,240,389** | 884,403 | **349,000** | 102,226 |
| Less: | | | | |
| Bank balances and deposits pledged to licensed banks | **(38,957)** | (30,054) | **-** | - |
| Cash and cash equivalents included in the statements of cash flows | **1,201,432** | 854,349 | **349,000** | 102,226 |

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

(b) Deposits with licensed banks of the Group and of the Company have an average maturity period of 30 days (2019: 30 days).

(c) The foreign currency exposure of cash and bank balances are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Australian Dollar | **395** | 342 | **-** | - |
| Euro | **182** | 1,308 | **-** | - |
| Indian Rupees | **-** | 2,734 | **-** | - |
| Japanese Yen | **189** | 294 | **-** | - |
| Korean Won | **6** | 6 | **-** | - |
| New Zealand Dollar | **18** | 63 | **-** | - |
| Papua New Guinea Kina | **31** | 32 | **-** | - |
| Singapore Dollar | **9,991** | 8,087 | **-** | - |
| Sterling Pound | **121** | 1,874 | **-** | - |
| Thai Baht | **-** | 736 | **-** | - |
| United States Dollar | **91,460** | 65,958 | **3,400** | 291 |

(d) The bank balances and deposits pledged to licensed banks are for bank guarantees and term loans granted to certain subsidiaries as disclosed in Note 22(i) to the financial statements.

## 18. CASH AND BANK BALANCES (CONTINUED)

(e) The weighted average effective interest rate of deposits with licensed banks of the Group and of the Company as at the end of each reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 % | 2019 % | 2020 % | 2019 % |
| Fixed rates | **2.03** | 3.21 | **2.28** | 3.64 |

(f) No expected credit loss is recognised arising from the cash and bank balances and deposits with financial institutions because the probability of default by these financial institutions are negligible.

## 19. ASSETS CLASSIFIED AS HELD FOR SALE

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Property, plant and equipment | **3,986** | - |

(a) Assets classified as held for sale are in relation to disposal of property, plant and equipment as disclosed in Note 5 to the financial statements.

(b) In February 2020, the Group had entered into Sale and Purchase Agreement to dispose of a piece of freehold land with a petrol station and a convenience store which are all situated on the land together with all the fixtures, fittings and equipment situated, affixed or installed therein. The disposal is expected to be completed within twelve (12) months from the end of the reporting period. The assets are presented within total assets of the Malaysia segment as disclosed in Note 4 to the financial statements.

The property, plant and equipment classified as held for sale at the end of the reporting period are as follows:

| | At 30.6.2020 | | |
|---|---|---|---|
| Group | Cost RM'000 | Accumulated depreciation RM'000 | Carrying amount RM'000 |
| Freehold land | **2,867** | **-** | **2,867** |
| Building | **1,754** | **(642)** | **1,112** |
| Plant, machinery and equipment | **1,627** | **(1,627)** | **-** |
| Renovation and electrical installations | **254** | **(247)** | **7** |
| Furniture, fittings and office equipment | **372** | **(372)** | **-** |
| | **6,874** | **(2,888)** | **3,986** |

## NOTES TO THE FINANCIAL STATEMENTS

### 20. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Number of shares ('000) | RM'000 | Number of shares ('000) | RM'000 |
| **Issued and fully paid** | | | | |
| Balance as at 1 July | **5,641,642** | **1,684,126** | 5,641,642 | 1,684,287 |
| Share issue expenses | **-** | **-** | - | (161) |
| Balance as at 30 June | **5,641,642** | **1,684,126** | 5,641,642 | 1,684,126 |

(a) The Company did not issue any new shares or debentures during the financial year.

(b) Of the total 5,641,642,303 (2019: 5,641,642,303) issued and fully paid ordinary shares as at 30 June 2020, 3,335,032 (2019: 3,335,032) ordinary shares purchased for RM3,624,613 (2019: RM3,624,613) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 5,638,307,271 (2019: 5,638,307,271).

(c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

### 21. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Non-distributable:** | | | | |
| Share options reserve | **5,423** | - | **5,558** | - |
| Exchange translation reserve | **185,756** | 164,318 | **-** | - |
| Hedging reserve | **(177,841)** | (72,570) | **-** | - |
| | **13,338** | 91,748 | **5,558** | - |
| **Distributable:** | | | | |
| Retained earnings | **2,438,308** | 2,018,983 | **1,014,832** | 674,422 |
| | **2,451,646** | 2,110,731 | **1,020,390** | 674,422 |

(a) Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. When options are exercised, the amount from the share options reserve is transferred to share capital. When the share options expire, the amount from the share options reserve is transferred to retained earnings.

## 21. RESERVES (CONTINUED)

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.





## 22. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Secured** | | | | |
| Term loans | | | | |
| - non-current | **649,801** | 585,027 | **-** | - |
| - current | **131,367** | 125,379 | **-** | - |
| | **781,168** | 710,406 | **-** | - |
| **Unsecured** | | | | |
| Term loans | | | | |
| - non-current | **703,660** | 605,368 | **87,500** | 148,750 |
| - current | **102,807** | 215,430 | **61,250** | 172,500 |
| Revolving credits | | | | |
| - non-current | **100,000** | 127,780 | **100,000** | 127,780 |
| - current | **223,510** | 15,379 | **210,094** | - |
| | **1,129,977** | 963,957 | **458,844** | 449,030 |
| | **1,911,145** | 1,674,363 | **458,844** | 449,030 |
| **Represented by:** | | | | |
| - non-current | **1,453,461** | 1,318,175 | **187,500** | 276,530 |
| - current | **457,684** | 356,188 | **271,344** | 172,500 |
| | **1,911,145** | 1,674,363 | **458,844** | 449,030 |

## 22. BORROWINGS (CONTINUED)

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Term loan agreements entered into by the Group and the Company include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(c) The borrowings of the Group and of the Company are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| New Zealand Dollar | **26,677** | 33,894 | **-** | - |
| Ringgit Malaysia | **1,302,905** | 1,082,050 | **368,750** | 449,030 |
| Saudi Riyal | **-** | 33,034 | **-** | - |
| Sterling Pound | **2,487** | 760 | **-** | - |
| United States Dollar | **579,076** | 524,625 | **90,094** | - |
| | **1,911,145** | 1,674,363 | **458,844** | 449,030 |

(d) The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group and the Company for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group and the Company based on its size and its business risk. The fair value of the borrowings of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the financial year.

(e) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Group and Company** | | | | |
| Bank loans (fixed rates) | **-** | - | **140,000** | 136,624 |

The fair values of the borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

## 22. BORROWINGS (CONTINUED)

(f) The Group has the following outstanding interest rate swap contracts:

| | Contract/Notional value | | Net fair value losses |
|---|---|---|---|
| | FC'000 | RM'000 | RM'000 |
| **2020** | | | |
| **Interest rate swap contracts** | | | |
| With maturity 1 year to 2 years: | | | |
| Ringgit Malaysia | | **59,629** | **(364)** |
| With maturity within 3 years: | | | |
| United States Dollar | **111,200** | **475,936** | **(20,073)** |
| **2019** | | | |
| **Interest rate swap contracts** | | | |
| With maturity 1 year to 3 years: | | | |
| Ringgit Malaysia | | 98,190 | (243) |
| With maturity more than 3 years: | | | |
| United States Dollar | 121,600 | 502,208 | (4,552) |

## NOTES TO THE FINANCIAL STATEMENTS

### 22. BORROWINGS (CONTINUED)

(g) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group and of the Company that are exposed to interest rate risk:

| | Weighted average effective interest rate per annum % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **30 June 2020** | | | | | | |
| **Bank loans** | | | | | | |
| Floating rates | **4.06** | **457,684** | **356,401** | **730,932** | **366,128** | **1,911,145** |
| **30 June 2019** | | | | | | |
| **Bank loans** | | | | | | |
| Fixed rates | 5.16 | 140,000 | - | - | - | 140,000 |
| Floating rates | 4.77 | 216,188 | 362,513 | 715,593 | 240,069 | 1,534,363 |
| **Company** | | | | | | |
| **30 June 2020** | | | | | | |
| **Bank loans** | | | | | | |
| Floating rates | **3.67** | **271,344** | **70,000** | **117,500** | **-** | **458,844** |
| **30 June 2019** | | | | | | |
| **Bank loans** | | | | | | |
| Fixed rates | 5.16 | 140,000 | - | - | - | 140,000 |
| Floating rates | 4.68 | 32,500 | 189,030 | 87,500 | - | 309,030 |

## 22. BORROWINGS (CONTINUED)

(h) The table below summarises the maturity profile of the borrowings of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

| | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **30 June 2020** | | | | |
| Bank loans | **533,449** | **1,234,976** | **381,079** | **2,149,504** |
| **30 June 2019** | | | | |
| Bank loans | 412,611 | 1,213,822 | 251,744 | 1,878,177 |
| **Company** | | | | |
| **30 June 2020** | | | | |
| Bank loans | **286,872** | **193,767** | **-** | **480,639** |
| **30 June 2019** | | | | |
| Bank loans | 183,489 | 286,325 | - | 469,814 |

(i) Term loans of the Group are secured by certain property, plant and equipment and bank balances pledged to licensed banks as disclosed in Note 5(d) and Note 18(d) to the financial statements.

(j) Included in the borrowings of the Group is RM1,556,669,000 (2019: RM1,335,415,000) obtained under Islamic financing facility.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. TRADE AND OTHER PAYABLES

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Trade payables** | | | | | |
| Third parties | | **648,540** | 778,322 | **-** | - |
| Amounts due to customers for contract works | 16 | **18,770** | 62,063 | **-** | - |
| Total trade payables | | **667,310** | 840,385 | **-** | - |
| **Other payables** | | | | | |
| Other payables | | **41,186** | 7,175 | **-** | - |
| Accruals | | **201,301** | 197,269 | **3,570** | 1,495 |
| Total other payables | | **242,487** | 204,444 | **3,570** | 1,495 |
| **Total payables** | | **909,797** | 1,044,829 | **3,570** | 1,495 |
| Hedge derivative liabilities | | **21,006** | 5,134 | **-** | - |
| | | **930,803** | 1,049,963 | **3,570** | 1,495 |

(a) Trade and other payables are classified as financial liabilities measured at amortised cost except for hedge derivative liabilities, which are classified as financial liabilities at fair value through profit or loss.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 1 to 90 days (2019: 1 to 90 days).

(c) The foreign currency exposure of trade and other payables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Euro | **203** | 89 |
| Singapore Dollar | **2,088** | 2,832 |
| Sterling Pound | **2,567** | 1,045 |
| United States Dollar | **5,834** | 7,579 |

(d) The fair value of hedge derivative liabilities of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the financial year.

## 23. TRADE AND OTHER PAYABLES (CONTINUED)

(e) The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The fair value of an interest rate swap contract is the amount that would be payable or receivable upon termination of the position at the end of each reporting period, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the spot rate as at the end of each reporting period.

(f) The maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is payable on demand or within one (1) year.

## 24. COMMITMENTS

(a) Operating lease commitments

(i) The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises, equipment and storage tanks for terms between one (1) to twenty (20) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at the end of the reporting period as follows:

| | Group |
|---|---|
| | 2019<br>RM'000 |
| Not later than one (1) year | 9,243 |
| Later than one (1) year and not later than five (5) years | 10,508 |
| Later than five (5) years | 10,550 |
| | 30,301 |

## 24. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (continued)

(ii) The Group as a lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of between two (2) to three (3) years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent and a percentage of net product sales exceeding certain amounts.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Not later than one (1) year | **703** | 930 |
| Later than one (1) year and not later than five (5) years | **30** | 159 |
| | **733** | 1,089 |

(b) Capital commitments

| | | Group | |
|---|---|---|---|
| | | **2020 RM'000** | **2019 RM'000** |
| (i) | Capital expenditure in respect of purchase of property, plant and equipment: | | |
| | Approved but not contracted for | **4,200** | 9,500 |
| | Contracted but not provided for | **6,100** | 17,500 |
| | | **10,300** | 27,000 |
| (ii) | Commitments in respect of tank terminal business | **778,000** | 1,410,000 |
| (iii) | Commitments in respect of upstream business | **408,000** | 74,340 |

## 25. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Revenue from contracts with customers:** | | | | |
| - Contract revenue | **1,253,007** | 1,252,780 | **-** | - |
| - Sale of products and services rendered | **1,050,441** | 1,133,673 | **-** | - |
| **Other revenue:** | | | | |
| - Dividend income from subsidiaries | **-** | - | **538,135** | 328,274 |
| | **2,303,448** | 2,386,453 | **538,135** | 328,274 |
| **Timing of revenue recognition:** | | | | |
| - Transferred over time | **1,296,260** | 1,252,780 | **-** | - |
| - Transferred at a point in time | **1,007,188** | 1,133,673 | **-** | - |
| | **2,303,448** | 2,386,453 | **-** | - |

(a) Construction contracts

The Group revised the estimation of progress towards complete satisfaction of performance obligations from output method, which recognises revenue on the basis of direct measurements of value of the construction work performed to date relative to the remaining construction work promised under the contract to input method, which by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of that performance obligation if control of the assets transfers over time, with effect from 1 July 2019, as this better reflects the Group's performance. The revision was accounted for prospectively as a change in accounting estimate and there was no significant impact on the revenue of the Group for the current financial year.

(b) Services rendered

Revenue in respect of the rendering of services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligations over time.

Revenue from services rendered in the provision of tank terminal facilities for the oil, gas and petrochemical industry is recognised at a point in time in the profit or loss upon performance services.

(c) Sale of products

Revenue from sale of products is recognised at a point in time when the products have been transferred to the customers and coincide with the delivery of products and services and acceptance by customers.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the notes to the financial statements, the profit before tax is arrived at:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - Statutory audit: | | | | |
| - current year | **1,189** | 1,221 | **60** | 60 |
| - under provision in prior years | **39** | 17 | **1** | 7 |
| - Non-statutory audit | **4** | 4 | **4** | 4 |
| Amount owing by a subsidiary written off | **-** | - | **-** | 6,978 |
| Contract expenditure | **881,880** | 980,831 | **-** | - |
| Interest expense on: | | | | |
| - bank loans | **52,508** | 48,079 | **18,619** | 25,786 |
| - bank overdraft | **26** | 28 | **-** | - |
| - lease liabilities | **1,285** | - | **-** | - |
| Rental expense of: | | | | |
| - low-value items | **455** | - | **-** | - |
| - short-term leases | **7,494** | - | **-** | - |
| Rental expense | **-** | 12,445 | **-** | - |
| And crediting: | | | | |
| Gain on disposals of property, plant and equipment | **290** | 1,385 | **-** | - |
| Interest income from: | | | | |
| - deposits with licensed banks | **20,540** | 22,045 | **4,422** | 2,427 |
| - advances to an associate | **31,762** | 34,849 | **-** | - |
| - advances to subsidiaries | **-** | - | **18,502** | 29,559 |
| Rental income | **1,356** | 4,338 | **-** | - |

## 26. PROFIT BEFORE TAX (CONTINUED)

(a) Interest income is recognised as it accrues, using the effective interest method.

(b) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(c) Net gains and losses arising from financial instruments are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Net gains/(losses) on: | | | | |
| Financial assets at amortised cost | **50,899** | 54,643 | **22,924** | 31,986 |
| Financial liabilities at amortised cost | **(53,819)** | (48,107) | **(18,619)** | (25,786) |
| | **(2,920)** | 6,536 | **4,305** | 6,200 |

## 27. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Directors of the Company: | | | | |
| Executive: | | | | |
| Emoluments other than fees | **9,604** | 17,863 | **-** | - |
| Share options granted under ESOS | **323** | - | **-** | - |
| Non-Executive: | | | | |
| Fees | **735** | 735 | **735** | 735 |
| Other emoluments | **424** | 353 | **337** | 263 |
| Total | **11,086** | 18,951 | **1,072** | 998 |

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM74,000 (2019: RM140,000).

## 28. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Current tax expense based on profit for the financial year: | | | | |
| Malaysian income tax | **100,947** | 80,015 | **1,353** | 1,386 |
| Foreign income tax | **14,980** | 17,734 | **-** | - |
| | **115,927** | 97,749 | **1,353** | 1,386 |
| Under/(Over) provision in prior years | **687** | (2,845) | **-** | - |
| | **116,614** | 94,904 | **1,353** | 1,386 |
| Deferred tax (Note 12) | | | | |
| Relating to origination and reversal of temporary differences | **(5,679)** | 5,153 | **-** | - |
| (Over)/Under provision in prior years | **(11,751)** | 622 | **-** | - |
| | **(17,430)** | 5,775 | **-** | - |
| Tax expense for the financial year | **99,184** | 100,679 | **1,353** | 1,386 |
| Share of tax of joint ventures and associates | **12,400** | 11,623 | **-** | - |
| Total tax expense including joint ventures and associates | **111,584** | 112,302 | **1,353** | 1,386 |

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profit for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

## 28. TAX EXPENSE (CONTINUED)

(c) The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Profit for the financial year | **648,095** | 552,317 | **537,751** | 324,095 |
| Add: Total tax expense including joint ventures and associates | **111,584** | 112,302 | **1,353** | 1,386 |
| Profit before tax | **759,679** | 664,619 | **539,104** | 325,481 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 % | 2019 % | 2020 % | 2019 % |
| Applicable tax rate | **24.0** | 24.0 | **24.0** | 24.0 |
| Tax effects in respect of: | | | | |
| Non allowable expenses | **5.2** | 2.3 | **0.2** | 0.7 |
| Tax exempt income | **(4.0)** | (1.5) | **(24.0)** | (24.3) |
| Lower tax rates in foreign jurisdiction | **(1.8)** | (1.9) | **-** | - |
| Effect of different effective tax rate of the joint ventures and associates | **(4.9)** | (4.4) | **-** | - |
| Utilisation of previously unrecognised deferred tax assets | **(2.4)** | (1.2) | **-** | - |
| | **16.1** | 17.3 | **0.2** | 0.4 |
| Under/(Over) provision in prior years: | | | | |
| - current tax | **0.1** | (0.4) | **-** | - |
| - deferred tax | **(1.5)** | -* | **-** | - |
| Average effective tax rate | **14.7** | 16.9 | **0.2** | 0.4 |

* Percentage is immaterial to disclose

## 28. TAX EXPENSE (CONTINUED)

(d) Tax on each component of other comprehensive income are as follows:

| Items that may be reclassified subsequently to profit or loss | Group Before tax RM'000 | Tax effect RM'000 | After tax RM'000 |
|---|---|---|---|
| **2020** | | | |
| Foreign currency translations | **14,379** | **-** | **14,379** |
| Fair value loss on cash flow hedge | **(15,949)** | **-** | **(15,949)** |
| Share of other comprehensive loss of joint ventures | **(86,387)** | **-** | **(86,387)** |
| | **(87,957)** | **-** | **(87,957)** |
| **2019** | | | |
| Foreign currency translations | 2,186 | - | 2,186 |
| Fair value loss on cash flow hedge | (19,864) | - | (19,864) |
| Share of other comprehensive loss of a joint venture | (34,520) | - | (34,520) |
| | (52,198) | - | (52,198) |

## 29. EARNINGS PER ORDINARY SHARE

The basic and diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

| | Group 2020 | 2019 |
|---|---|---|
| Profit for the financial year attributable to ordinary equity holders of the parent (RM'000) | **630,363** | 535,836 |
| Weighted average number of ordinary shares in issue ('000) | **5,638,307** | 5,638,307 |
| Basic earnings per ordinary share (sen) | **11.18** | 9.50 |
| Diluted earnings per ordinary share (sen) | **11.18** | 9.50 |

The diluted earnings per ordinary share equal to basic earnings per ordinary share because there were no potential dilutive ordinary shares as at end of the reporting period.

## 30. DIVIDENDS

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Dividend per share sen | Amount of dividend RM'000 | Dividend per share sen | Amount of dividend RM'000 |
| Interim cash dividend paid | **1.20** | **67,660** | 1.50 | 84,575 |
| Final cash dividend proposed/paid | **1.90*** | **107,200*** | 2.30 | 129,681 |
| | **3.10** | **174,860** | 3.80 | 214,256 |

The dividend per share is based on ordinary shares.

* The Directors recommended a final cash dividend of 1.90 sen per ordinary share, amounting to approximately RM107,200,000 in respect of the financial year ended 30 June 2020, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the financial year ended 30 June 2020 do not reflect this proposed final cash dividend. The proposed final cash dividend, if approved by the shareholders, shall be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2021.

## 31. EMPLOYEE BENEFITS

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Salaries, wages, bonuses and allowances | **338,840** | 297,818 |
| Directors' remuneration: | | |
| - emoluments other than fees | **20,104** | 26,960 |
| Defined contribution plans | **23,681** | 22,244 |
| Share options granted under ESOS: | | |
| - Directors | **716** | - |
| - Other employees | **4,842** | - |
| Other employee benefits | **14,975** | 15,207 |
| | **403,158** | 362,229 |

## NOTES TO THE FINANCIAL STATEMENTS

### 32. EMPLOYEES' SHARE OPTION SCHEME

The ESOS 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 ("the option period").

The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act 2016 in Malaysia, as amended from time to time, and any re-enactment thereof;

(b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued ordinary shares of the Company (excluding treasury shares, if any) at any time during the existence of the ESOS;

(c) The option price under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate;

(d) The maximum number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's position, performance and length of service in the Company and its subsidiaries respectively, or such other matters that the ESOS Committee may in its discretion deem fit, subject to the following:

    (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and

    (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued ordinary shares of the Company (excluding treasury shares, if any).

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee; and

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

## 32. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

The details of the options over ordinary shares of the Company was as follows:

| | Number of options over ordinary shares | | | | |
|---|---|---|---|---|---|
| Option price | Balance as at 1.7.2019 | Granted | Retracted* | Exercised | Balance as at 30.6.2020 |
| RM2.69 | 37,308,600 | - | (1,652,500) | - | **35,656,100** |
| RM2.93 | - | 50,543,320 | (103,000) | - | **50,440,320** |
| | 37,308,600 | 50,543,320 | (1,755,500) | - | **86,096,420** |

* Due to resignation

None of the outstanding options are exercisable as at 30 June 2020.

The fair value of share options was estimated by the Group using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share option measured at grant date and the assumptions used are as follows:

| | 2020 | 2019 |
|---|---|---|
| Average share price at grant date (RM) | **2.99 - 3.31** | 2.99 |
| Exercise price (RM) | **2.69 - 2.93** | 2.69 |
| Fair value of share options (RM) | **0.51 - 0.57** | 0.51 |
| Risk free rate of interest (%) | **4.10** | 4.10 |
| Expected dividend yield (%) | **1.35 - 1.73** | 1.73 |
| Expected volatility (%) | **23.65 - 27.57** | 27.57 |

## 33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;

(ii) Joint ventures and associates as disclosed in Note 10 to the financial statements;

(iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group; and

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Identities of related parties (continued)

Related parties of the Group include (continued):

(iv) DIV Services Sdn. Bhd. ("DIV Services"), DIV Systems Sdn. Bhd. ("DIV Systems") and Dialog Innovation Ventures Sdn. Bhd. ("DIV") and its subsidiaries (collectively referred to as the "DIV Group"), whereby a Director cum substantial shareholder of the Company is also a director and/or substantial shareholder in DIV Group.

(b) Significant related party transactions

The Group and the Company had the following transactions with related parties during the financial year :

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| **Group** | | |
| Transactions with joint ventures and associates: | | |
| Dividend income | **69,343** | 57,126 |
| Interest income | **31,762** | 34,849 |
| Sub-contract works received | **286,453** | 561,145 |
| Transactions with DIV Group: | | |
| Provision of IT system and related services by DIV Services | **4,463** | 7,529 |
| Rental of premises to DIV Services | **409** | 588 |
| **Company** | | |
| Transactions with subsidiaries: | | |
| Dividend income | **538,135** | 328,274 |
| Interest income on advances | **18,502** | 29,559 |

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

(c) Compensation of key management personnel

The key management personnel comprises the Executive Directors of the Group and their remuneration during the financial year are disclosed in Note 31 to the financial statements.

## 33. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel (continued)

Executive Directors of the Group have been granted the following number of options under the ESOS:

| | Group | |
|---|---|---|
| | 2020 Number ('000) | 2019 Number ('000) |
| Balance as at 1 July | **2,372** | - |
| Granted | **8,249** | 2,372 |
| Balance as at 30 June | **10,621** | 2,372 |

None of the above options are exercisable as at 30 June 2020.

The terms and conditions of the ESOS are detailed in Note 32 to the financial statements.

(d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 30 June 2020 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

## 34. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Group's capital management is to maintain a strong capital base, good credit rating and healthy capital ratios to support its businesses and maximise its shareholders' value.

To manage the capital structure, the Group uses various methods including issuance of new shares, share buyback, distribution of cash and share dividend payments to shareholders and debt financing. The Group's dividend policy is to make a dividend payout ratio of at least 40% of profit attributable to owners of the parent for each financial year.

No changes were made in the objectives, policies or processes during the financial years ended 30 June 2020 and 30 June 2019.

## 34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Capital management (continued)

The Group monitors capital utilisation on the basis of net debt-to-equity ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parent. The net debt-to-equity ratios as at 30 June 2020 and 30 June 2019 are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Borrowings | 22 | **1,911,145** | 1,674,363 | **458,844** | 449,030 |
| Less: Cash and bank balances | 18 | **(1,240,389)** | (884,403) | **(349,000)** | (102,226) |
| Net debt | | **670,756** | 789,960 | **109,844** | 346,804 |
| Total equity attributable to shareholders | | **4,132,147** | 3,791,232 | **2,700,891** | 2,354,923 |
| Net debt-to-equity ratio | | **0.16** | 0.21 | **0.04** | 0.15 |

Pursuant to the requirements of Practice Note No. 17 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the share capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2020.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The Group's overall financial risk management objective is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

At the end of the reporting period, such foreign currency balances amounted to RM102,393,000 (2019: RM81,434,000) and RM3,400,000 (2019: RM291,000) for the Group and the Company respectively. The Group's policy is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost. The Group also attempts to limit its exposure for all committed transactions by entering into foreign currency forward contracts. As such, the fluctuations in foreign currencies are not expected to have a significant financial impact to the Group.

## 34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

Subsidiaries operating overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The unexpired foreign currency forward contracts, which have been entered into by the Group and the Company for its trade and other receivables and trade payables as at end of each reporting period are as follows:

| Group<br>30 June 2020 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|---|---|---|---|---|
| Australian Dollar | **406** | **1,206** | **2.97** | **29.12.2020** |
| Euro | **434** | **2,088** | **4.81** | **30.07.2020 - 07.01.2021** |
| Singapore Dollar | **14** | **42** | **3.00** | **10.07.2020** |
| Sterling Pound | **515** | **2,787** | **5.41** | **03.08.2020 - 07.10.2020** |
| United States Dollar | **3,005** | **12,854** | **4.28** | **15.07.2020 - 18.12.2020** |

| Group<br>30 June 2020 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Thai Baht (Baht'000) | Average contractual rate FC/Baht | Expiry date |
|---|---|---|---|---|
| Euro | **30** | **1,057** | **35.23** | **31.08.2020** |
| Sterling Pound | **327** | **12,791** | **39.12** | **15.07.2020** |

## 34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

The unexpired foreign currency forward contracts, which have been entered into by the Group and the Company for its trade and other receivables and trade payables as at end of each reporting period are as follows (continued):

| Group 30 June 2019 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Ringgit Malaysia (RM'000) | Average contractual rate FC/RM | Expiry date |
|---|---|---|---|---|
| Euro | 1,181 | 5,574 | 4.72 | 01.07.2019 - 29.10.2019 |
| Singapore Dollar | 791 | 2,408 | 3.04 | 29.07.2019 - 12.03.2020 |
| Sterling Pound | 254 | 1,365 | 5.37 | 17.09.2019 - 30.12.2019 |
| United States Dollar | 6,172 | 25,657 | 4.16 | 01.07.2019 - 07.01.2020 |

| Group 30 June 2019 | Contractual amount in Foreign Currency (FC'000) | Equivalent amount in Thai Baht (Baht'000) | Average contractual rate FC/Baht | Expiry date |
|---|---|---|---|---|
| Sterling Pound | 364 | 14,813 | 40.68 | 31.07.2019 |

*Sensitivity analysis for foreign currency risk*

The net exposure to foreign currency risk of the Group and of the Company is kept at a minimum level by entering into foreign currency forward contracts and hence any fluctuation in the foreign currency will not have a significant impact to the financial statements of the Group and of the Company.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's and to the Company's bank borrowings, lease liabilities, deposits placed with licensed banks and advances to its subsidiaries.

*Sensitivity analysis for interest rate risk*

The net exposure to interest rate risk of the Group and of the Company is kept at a minimum level by entering into interest rate swap contracts and hence any fluctuation in the interest rates will not have any significant impact to the financial statements of the Group and of the Company.

## 34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group and the Company also seeks to invest cash assets safely and profitably with approved financial institutions in line with the Group's and the Company's policy.

Deposits with licensed banks, that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

*Exposure to credit risk*

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 15 to the financial statements.

*Credit risk concentration profile*

At the end of each reporting period, the Group and the Company have no significant concentration of credit risk except for the amounts owing by two (2) joint ventures, an associate and subsidiaries constituting 44% (2019: 21%) and 99% (2019: 99%) of total receivables of the Group and of the Company respectively. The Group and the Company do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

(iv) Liquidity and cash flow risk

The Group and the Company actively manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group and the Company measure and forecast their cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's activities.

## 35. CONTINGENT LIABILITIES - UNSECURED

(a) The Company provides corporate guarantees up to a total amount of RM1,076,529,000 (2019: RM1,774,481,000) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM679,095,000 as at 30 June 2020 (2019: RM1,062,654,000).

(b) In addition, the Company also provides a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of up to SGD83,155,000 (2019: SGD106,658,000), equivalent to RM255,287,000 (2019: RM326,373,000) for project financing secured by a joint venture.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management’s view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

## 36. MATERIAL LITIGATIONS

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

## 36. MATERIAL LITIGATIONS (CONTINUED)

TKSB is now claiming against the Company, amongst others, for conspiracy to injure TKSB by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others, 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 TKSB if TKSB had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just.

The Company and Dialog Pengerang Sdn. Bhd. have filed their respective applications to strike out the suit.

The striking out application hearing was completed on 20 September 2020 and the judge will deliver the decision on 6 October 2020. TKSB has filed an application for discovery of documents, which will be dealt with after the decision of the striking out application.

The Suit did not have any material impact on the operational and financial position of the Group for the financial year ended 30 June 2020.

## 37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) In August 2019, Dialog D & P Sdn. Bhd. (“DDPSB”), a wholly owned subsidiary of the Company, acquired an additional 25% equity interest in Halliburton Bayan Petroleum Sdn. Bhd. (“HBP”) for a total cash consideration of USD8,220,000 (equivalent to RM34,560,990). Pursuant to that, DDPSB now holds 75% equity interest in HBP and HBP is now a subsidiary of the Group. Subsequently in December 2019, DDPSB acquired a further 20% equity interest in HBP for a purchase consideration of USD6,576,000 (equivalent to RM27,629,650). Pursuant to that, HBP is now a 95% owned subsidiary of DDPSB.

(b) In November 2019, Cendana Sutera Sdn. Bhd. (“CSSB”), a dormant indirect wholly owned subsidiary had completed its voluntary strike off. CSSB has ceased to be an indirect wholly owned subsidiary of the Group.

(c) In March 2020, The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order (“MCO”) effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was subsequently extended to 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 December 2020.

While the world is suffering from the economic downturn due to COVID-19 global pandemic which had caused the oil and gas prices to drop sharply, the Group 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.

The Group has also continued to prioritise the health and safety of its employees, and implemented necessary COVID-19 mitigation measures such as physical distancing at work, workplace segregation, staggered work hours and lunch breaks, flexible working arrangements including working from home, virtual meetings, temperature checks and regular workplace sanitisation.

Given the continued uncertainty posed by the COVID-19 pandemic, the Group continues to monitor both local and global developments closely, and remain proactive and vigilant in mitigating any potential impacts to the Group’s businesses.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 11 September 2020, the Company lodged an Islamic notes issuance programme of up to an aggregate amount of RM3.0 billion in nominal value based on the Shariah principle of *Wakalah Bi Al-Istithmar* ("Sukuk Programme") with the Securities Commission Malaysia ("SC") pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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 of Sukuk Wakalah below not exceeding RM3.0 billion at any point in time. The Senior Sukuk Wakalah and the Perpetual Sukuk Wakalah are collectively referred to as "Sukuk Wakalah".

The proceeds from the issuance of the Sukuk Wakalah shall be utilised by the Company for the following Shariah-compliant purposes:

(a) to finance investments, acquisition, capital expenditure, working capital requirements, repayment of intercompany borrowings; and/or

(b) for general corporate purposes of the Company and/or its subsidiaries, associates and/or joint venture companies; and/or

(c) to refinance existing financing/debt obligations.

### 39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

#### 39.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

| Title | Effective Date |
|---|---|
| MFRS 16 *Leases* | 1 January 2019 |
| IC Interpretation 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Amendments to MFRS 9 *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

## 39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

### 39.1 New MFRSs adopted during the financial year (continued)

**MFRS 16 *Leases***

The Group has adopted MFRS 16 *Leases* for the financial year ended 30 June 2020, which is effective for annual periods on or after 1 January 2019. MFRS 16 replaces the guidance in MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 *Property, Plant and Equipment* whereas lease liability is accreted to reflect interest and is reduced to reflect payments made.

In applying the MFRS 16 for the first time, the Group applied the following practical expedients:

(i) apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) reliance on previous assessments on whether the leases are onerous;

(iii) the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;

(iv) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

(v) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. Under MFRS 16, the Group recognises ROU assets and lease liabilities for most leases, except for those eligible for the recognition exemption as disclosed in Note 26 to the financial statements. As permitted by the transitional provision of MFRS 16, the Group has elected to apply modified retrospective approach and has measured the ROU assets on a retrospective basis as if the new rules had always been applied and the lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rates of the Group ranging from 4.0% to 8.3% as of 1 July 2019. Accordingly, the comparative information presented is not restated.

## 39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

### 39.1 New MFRSs adopted during the financial year (continued)

**MFRS 16 *Leases* (continued)**

| Group | Note | Balance as at 30 June 2019 RM'000 | Effects of adoption of MFRS 16 RM'000 | Balance as at 1 July 2019 RM'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 5 | 1,303,995 | 15,124 | 1,319,119 |
| **Equity** | | | | |
| Retained earnings | | 2,018,983 | (1,676) | 2,017,307 |
| Non-controlling interests | | 116,461 | (903) | 115,558 |
| | | 2,135,444 | (2,579) | 2,132,865 |
| **Non-current liabilities** | | | | |
| Lease liabilities | | - | 14,601 | 14,601 |
| **Current liabilities** | | | | |
| Lease liabilities | | - | 3,102 | 3,102 |
| | 6 | - | 17,703 | 17,703 |

Reconciliation for the differences between operating lease commitment disclosed as at 30 June 2019 and lease liabilities recognised at the date of initial application of 1 July 2019 are as follows:

| | Group RM'000 |
|---|---|
| Operating lease commitments as at 30 June 2019 as disclosed under MFRS 117 in Note 24(a)(i) to the financial statements | 30,301 |
| Weighted average incremental borrowing rate as at 1 July 2019 | 6.5% |
| Discounted operating lease commitments as at 1 July 2019 | 21,923 |
| Recognition exemption for leases of low-value assets | (1,471) |
| Recognition exemption for leases with less than 12 months of lease term at transition | (2,749) |
| Lease liabilities recognised as at 1 July 2019 | 17,703 |

There is no impact to the Company arising from initial application of MFRS 16.

Lessor accounting remains similar to the current standard which continued to be classified as finance or operating lease.

## 39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

### 39.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

| Title | Effective Date |
|---|---|
| *Amendments to References to the Conceptual Framework in MFRS Standards* | 1 January 2020 |
| Amendments to MFRS 3 *Definition of a Business* | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 *Definition of Material* | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* | 1 January 2020 |
| Amendment to MFRS 16 *Covid-19 - Related Rent Concessions* | 1 June 2020 |
| Amendments to MFRS 4 *Extension of the Temporary Exemption from Applying MFRS 9* | 17 August 2020 |
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |
| Amendments to MFRS 3 *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use* | 1 January 2022 |
| Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current* | 1 January 2023 |

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

## 40. FINANCIAL REPORTING UPDATES

**IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)**

The IFRS Interpretations Committee ("IFRIC") issued a final agenda decision on 26 November 2019 regarding "Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)".

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 30 June 2020.

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