

DIALOG

DIALOG GROUP BERHAD

198901001388 (178694-V)

SUSTAINABLE PROGRESS

ANNUAL
REPORT **2023**

FINANCIAL STATEMENTS





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This Annual Report is available at

www.dialogasia.com

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 2023.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the energy sector. 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 & fabrication, specialist products & services, plant maintenance & catalyst handling services, petrochemicals, sustainable & renewables business 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	520,623	120,047
Attributable to:		
Owners of the parent	510,522	120,047
Non-controlling interests	10,101	-
	520,623	120,047

DIVIDENDS

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

- Final cash dividend of 2.10 sen per ordinary share, amounting to RM118,493,965 in respect of financial year ended 30 June 2022 was paid on 20 December 2022; and
- Interim cash dividend of 1.30 sen per ordinary share, amounting to RM73,353,518 in respect of financial year ended 30 June 2023 was paid on 27 June 2023.

The Directors recommended a final cash dividend of 2.40 sen per ordinary share, amounting to approximately RM136,000,000 in respect of the financial year ended 30 June 2023, 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 other than those presented in the statements of changes in equity.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 5,645,904,682 to 5,645,913,082 by way of issuance of 8,400 new ordinary shares pursuant to the options exercised under the Employees' Share Option Scheme ("ESOS") at exercise price of RM2.39 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company has not issued any debentures during the financial year.

DIRECTORS' REPORT

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:

Option price	Number of options over ordinary shares					
	Balance as at 1.7.2022	Granted	Retracted*	Exercised	Balance as at 30.6.2023	Exercisable as at 30.6.2023
RM2.69	28,471,741	-	(2,678,040)	-	25,793,701	13,262,082
RM2.93	42,767,040	-	(3,324,920)	-	39,442,120	13,938,170
RM2.39	23,828,400	-	(1,531,600)	(8,400)	22,288,400	2,218,050
	95,067,181	-	(7,534,560)	(8,400)	87,524,221	29,418,302

* Due to resignation

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Since the implementation of the ESOS, a total of 113,543,320 options had been granted to the eligible employees of the Group of which a total of 7,916,000 options had been granted to the Executive Directors of the Company and persons connected to the Executive Directors. A total of 4,270,779 options had been exercised since implementation of the ESOS until the end of the financial year of which 561,200 options had been exercised by the Executive Directors of the Company and persons connected to the Executive Directors.

During the financial year and since the implementation of the ESOS, the Executive Directors and senior management of the Company and its subsidiaries had been granted 11% of the total options available under the ESOS as at the end of the financial year.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 17 November 2022, 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 5,645,913,082 (2022: 5,645,904,682) issued and fully paid ordinary shares as at 30 June 2023, 3,335,032 (2022: 3,335,032) ordinary shares purchased for RM3,624,613 (2022: 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 5,642,578,050 (2022: 5,642,569,650).

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

Chin Kwai Fatt

Dato' Ismail Bin Karim

Juniwati Rahmat Hussin

Badrul Hisham Bin Dahalan

Tan Sri Datuk Dr. Rebecca Fatima Sta Maria

(Appointed on 18 November 2022)

Bernard Rene Francois Di Tullio

(Appointed on 18 November 2022)

Zainab Binti Mohd Salleh

Siti Khairon Binti Shariff

(Retired on 17 November 2022)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

In accordance with Clause 91 of the Company's Constitution, Juniwati Rahmat Hussin and Zainab Binti Mohd Salleh retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 96 of the Company's Constitution, Tan Sri Datuk Dr. Rebecca Fatima Sta Maria and Bernard Rene Francois Di Tullio 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 election.

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are set out in the respective subsidiary's directors' report and audited 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 2023 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 1.7.2022	Bought	Sold	Balance as at 30.6.2023
Shares in the Company				
<u>Direct interests:</u>				
Tan Sri Dr. Ngau Boon Keat	46,145,103	-	-	46,145,103
Chan Yew Kai	32,384,767	-	-	32,384,767
Zainab Binti Mohd Salleh	7,414,479	-	-	7,414,479
Juniwati Rahmat Hussin	8,345	-	-	8,345
<u>Indirect interests:</u>				
Tan Sri Dr. Ngau Boon Keat	1,032,443,442	13,250,000	(13,250,000)	1,032,443,442
Chan Yew Kai	3,000,000	-	-	3,000,000
Juniwati Rahmat Hussin	47,340	-	-	47,340

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

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 2023 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 (continued):

	←----- Number of options over ordinary shares ----->			
	Balance as at 1.7.2022	Granted	Exercised	Balance as at 30.6.2023
Share options in the Company				
<u>Direct interests:</u>				
Tan Sri Dr. Ngau Boon Keat	2,360,000	-	-	2,360,000
Chan Yew Kai	1,903,000	-	-	1,903,000
Zainab Binti Mohd Salleh	1,233,400	-	-	1,233,400
<u>Indirect interest:</u>				
Tan Sri Dr. Ngau Boon Keat	1,858,400	-	-	1,858,400

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' REPORT

DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follows:

	Group RM'000	Company RM'000
Directors of the Company:		
Executive:		
Emoluments other than fees	13,378	-
Non-Executive:		
Fees	924	924
Other emoluments	559	429
Total	14,861	1,353

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM118,000.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains Directors' and Officers' liability insurance for the purpose of Section 289 of the Companies Act 2016, throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Company and the Group. The amount of insurance premium paid or payable during the financial year, which was borne by the Company, has been accounted for in the financial statements of the Company, amounted to RM232,977.

There was no indemnity given to or insurance effected for Auditors of the Company in accordance with Section 289 of the Companies Act 2016.

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 all known bad debts had been 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.

DIRECTORS' REPORT

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

(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 render the amount written off of bad debts or the making of 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.

(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

- (a) In August 2022, the Group completed the acquisition of the entire equity interest in Pan Orient Energy Corp. ("POEC"), for a cash consideration of USD39,200,000 (equivalent to approximately RM174,600,000). Pursuant to that, POEC is now an indirect wholly owned subsidiary of the Company. POEC through its wholly owned subsidiary Pan Orient Petroleum Pte. Ltd., holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd., which is the concessionaire and operator of Concession L53/48, onshore Thailand.
- (b) In December 2022, Dialog (Labuan) Ltd., a wholly owned indirect subsidiary, disposed off its entire 60% equity interest in Dialog Services Saudi Arabia Company Limited ("DSSA"), for a total cash consideration of SAR6,600,000 (equivalent to approximately RM8,050,000). Following the disposal, DSSA ceased to be a subsidiary of the Group.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (c) In January 2023, Dialog Resources Sdn. Bhd., a wholly-owned subsidiary, signed a Small Field Asset Production Sharing Contract ("BJC SFA PSC") for a 70% participating interest including the operatorship of the Baram Junior Cluster. The BJC SFA PSC was signed with Petroliaam Nasional Berhad and Petroleum Sarawak Exploration and Production ("PSEP"), a wholly-owned subsidiary of Petroleum Sarawak Berhad. PSEP will take on the remaining 30% participating interest.

AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follows:

	Group RM'000	Company RM'000
Statutory audit	1,377	68
Non-statutory audit	4	4
Total	1,381	72

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



Tan Sri Dr. Ngau Boon Keat
Director

21 September 2023



Chin Kwai Fatt
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 15 to 92 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 2023 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



Chin Kwai Fatt
Director

21 September 2023

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 15 to 92 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
21 September 2023



Zainab Binti Mohd Salleh
Director

Before me:



3 Damansara Perdana, Petaling Jaya
2, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan

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 2023 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 15 to 92.

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 2023, 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 Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Impairment assessments of intangible assets*

As disclosed in Note 8 to the financial statements, the Group has intangible assets of RM922,445,000.

Rights and concession and development of oil and gas assets totaling RM884,509,000 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 value-in-use of cash generating units 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.

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (continued)

1. *Impairment assessments of intangible assets (continued)*

Audit response

The audit procedures included the following:

- (i) compared prior period projections to actual outcome to assess reliability of management forecasting process;
- (ii) assessed and evaluated the key assumptions used in forecasting revenues comparing to available external industry sources of data;
- (iii) assessed appropriateness of gross profit margins and growth rates used 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; and
- (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.

2. *Revenue recognition on construction contracts*

As disclosed in Note 25 to the financial statements, revenue of the Group amounted to RM3,001,534,000, of which revenue generated from construction contracts amounted to RM1,535,162,000 for the financial year ended 30 June 2023.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of the contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations. The Group also estimates total contract costs in applying the input method to recognise revenue over time. In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variation, claims and cost contingencies.

Audit response

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

- (i) reviewed major contracts with customers to identify distinct and material performance obligations;
- (ii) recomputed transaction prices based on contract prices, performance obligations and profit margins of major projects of the Group;
- (iii) verified actual costs incurred to date and assessed the reasonableness of estimated costs to complete to supporting documents, budgets, contract variations and cost contingencies; and
- (iv) assessed the reasonableness of the percentage of completion determined by management and recomputed the revenue recognised based on the input method of measuring progress to complete satisfaction of performance obligations.

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.

INDEPENDENT AUDITORS' REPORT

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

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.

INDEPENDENT AUDITORS' REPORT

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

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

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.

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.

INDEPENDENT AUDITORS' REPORT

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

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

201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Kuala Lumpur
21 September 2023



Koo Swee Lin

03281/08/2024 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		Group		Company	
		30.6.2023 RM'000	30.6.2022 RM'000	30.6.2023 RM'000	30.6.2022 RM'000
Note					
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,750,105	2,710,580	-	-
Development of tank terminals	7	685,837	639,640	-	-
Intangible assets	8	922,445	807,094	-	-
Investments in subsidiaries	9	-	-	2,601,289	2,592,642
Investments in joint ventures and associates	10	1,814,313	1,535,590	-	-
Inventories	11	271,655	237,805	-	-
Other investments	12	49,077	55,238	-	-
Deferred tax assets	13	76,976	65,183	-	-
Amounts owing by subsidiaries	14	-	-	616,071	650,523
		6,570,408	6,051,130	3,217,360	3,243,165
Current assets					
Inventories	11	70,853	73,452	-	-
Trade and other receivables	15	866,217	818,034	1,325	1,413
Amounts owing by subsidiaries	14	-	-	51,743	15,628
Amounts owing by joint ventures and associates	17	38,397	41,842	-	-
Current tax assets		20,438	17,290	-	-
Other investments	12	24,702	5,000	-	-
Cash and bank balances	18	1,720,621	1,840,307	468,857	583,181
		2,741,228	2,795,925	521,925	600,222
TOTAL ASSETS		9,311,636	8,847,055	3,739,285	3,843,387
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	1,698,323	1,698,303	1,698,323	1,698,303
Treasury shares	19	(3,625)	(3,625)	(3,625)	(3,625)
Reserves	20	3,881,431	3,359,720	1,030,447	1,118,257
		5,576,129	5,054,398	2,725,145	2,812,935
Perpetual Sukuk Wakalah	21	498,940	498,940	498,940	498,940
Non-controlling interests		85,248	99,115	-	-
TOTAL EQUITY		6,160,317	5,652,453	3,224,085	3,311,875

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	Group		Company	
		30.6.2023 RM'000	30.6.2022 RM'000	30.6.2023 RM'000	30.6.2022 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	22	1,363,710	1,526,934	-	-
Senior Sukuk Wakalah	21	500,000	500,000	500,000	500,000
Lease liabilities	6	16,914	17,789	-	-
Deferred tax liabilities	13	4,623	1,484	-	-
		1,885,247	2,046,207	500,000	500,000
Current liabilities					
Trade and other payables	23	906,988	740,695	13,019	13,087
Borrowings	22	298,791	337,175	-	17,500
Lease liabilities	6	5,327	5,885	-	-
Current tax liabilities		54,966	64,640	2,181	925
		1,266,072	1,148,395	15,200	31,512
TOTAL LIABILITIES		3,151,319	3,194,602	515,200	531,512
TOTAL EQUITY AND LIABILITIES		9,311,636	8,847,055	3,739,285	3,843,387

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	25	3,001,534	2,319,025	111,870	375,345
Cost of sales and services		(2,744,056)	(1,989,549)	-	-
Gross profit		257,478	329,476	111,870	375,345
Other operating income		71,430	60,668	41,541	19,682
Marketing and distribution costs		(1,797)	(1,213)	-	-
Administration expenses		(56,236)	(40,750)	(2,428)	(2,572)
Other operating expenses		(8,680)	(9,367)	-	-
Finance costs		(72,335)	(40,101)	(23,357)	(11,391)
Share of profit of joint ventures and associates, net of tax		364,028	251,589	-	-
Profit before tax	26	553,888	550,302	127,626	381,064
Tax expense	28	(33,265)	(44,424)	(7,579)	(3,463)
Profit for the financial year		520,623	505,878	120,047	377,601
Profit for the financial year attributable to:					
Owners of the parent		510,522	508,005	120,047	377,601
Non-controlling interests		10,101	(2,127)	-	-
		520,623	505,878	120,047	377,601
Earnings per ordinary share attributable to equity holders of the Company:					
Basic earnings per ordinary share (sen)	29	9.05	9.00		
Diluted earnings per ordinary share (sen)	29	9.05	9.00		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the financial year	520,623	505,878	120,047	377,601
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Fair value loss on other investment	(6,645)	(4,208)	-	-
Items that may be reclassified subsequently to profit or loss				
Foreign currency translations	135,363	34,653	-	-
Fair value gain on cash flow hedge	15,882	3,378	-	-
Share of other comprehensive gain of joint ventures	79,724	114,772	-	-
	230,969	152,803	-	-
Other comprehensive income for the financial year	224,324	148,595	-	-
Total comprehensive income for the financial year	744,947	654,473	120,047	377,601
Total comprehensive income attributable to:				
Owners of the parent	729,637	652,653	120,047	377,601
Non-controlling interests	15,310	1,820	-	-
	744,947	654,473	120,047	377,601

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Group	Note	Non-distributable						Distributable	Total attributable to owners of the parent RM'000	Perpetual Sukuk Wakalah RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000				
Balance as at 1 July 2022		1,698,303	(3,625)	11,715	218,710	2,394	25,682	3,101,219	5,054,398	498,940	99,115	5,652,453
Profit for the financial year		-	-	-	-	-	-	510,522	510,522	-	10,101	520,623
Foreign currency translations		-	-	-	130,154	-	-	-	130,154	-	5,209	135,363
Fair value gain on cash flow hedge		-	-	-	-	15,882	-	-	15,882	-	-	15,882
Fair value loss on other investment		-	-	-	-	-	(6,645)	-	(6,645)	-	-	(6,645)
Share of other comprehensive income of joint ventures		-	-	-	44,061	35,663	-	-	79,724	-	-	79,724
Total comprehensive income		-	-	-	174,215	51,545	(6,645)	510,522	729,637	-	15,310	744,947
Transactions with owners												
Previous financial year:												
- Final dividend	30	-	-	-	-	-	-	(118,494)	(118,494)	-	-	(118,494)
Current financial year:												
- Interim dividend	30	-	-	-	-	-	-	(73,353)	(73,353)	-	-	(73,353)
Share options granted under ESOS		-	-	4,671	-	-	-	-	4,671	-	69	4,740
Issuance of ordinary shares pursuant to ESOS exercised		20	-	-	-	-	-	-	20	-	-	20
Profit distribution paid to holders of Perpetual Sukuk Wakalah		-	-	-	-	-	-	(20,750)	(20,750)	-	-	(20,750)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(5,405)	(5,405)
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(5,240)	(5,240)
Reclassification of subsidiary to joint venture		-	-	-	-	-	-	-	-	-	(980)	(980)
Additional shares subscription from non-controlling interest		-	-	-	-	-	-	-	-	-	5	5
Capital reduction payable to non-controlling interests		-	-	-	-	-	-	-	-	-	(14,729)	(14,729)
Capital repayment to non-controlling interests		-	-	-	-	-	-	-	-	-	(2,897)	(2,897)
Total transactions with owners		20	-	4,671	-	-	-	(212,597)	(207,906)	-	(29,177)	(237,083)
Balance as at 30 June 2023		1,698,323	(3,625)	16,386	392,925	53,939	19,037	3,399,144	5,576,129	498,940	85,248	6,160,317

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Group	Note	Non-distributable						Distributable	Total attributable to owners of the parent RM'000	Perpetual Sukuk Wakalah RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Exchange translation reserve RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000				
Balance as at 1 July 2021		1,697,751	(3,625)	8,778	165,658	(93,410)	29,890	2,792,626	4,597,668	498,940	102,255	5,198,863
Profit for the financial year		-	-	-	-	-	-	505,504	505,504	2,501	(2,127)	505,878
Foreign currency translations		-	-	-	30,706	-	-	-	30,706	-	3,947	34,653
Fair value gain on cash flow hedge		-	-	-	-	3,378	-	-	3,378	-	-	3,378
Fair value loss on other investment		-	-	-	-	-	(4,208)	-	(4,208)	-	-	(4,208)
Share of other comprehensive income of joint ventures		-	-	-	22,346	92,426	-	-	114,772	-	-	114,772
Total comprehensive income		-	-	-	53,052	95,804	(4,208)	505,504	650,152	2,501	1,820	654,473
Transactions with owners												
Previous financial year:												
- Final dividend		-	-	-	-	-	-	(107,209)	(107,209)	-	-	(107,209)
Current financial year:												
- Interim dividend	30	-	-	-	-	-	-	(73,353)	(73,353)	-	-	(73,353)
Share options granted under ESOS		-	-	3,024	-	-	-	-	3,024	-	231	3,255
Issuance of ordinary shares pursuant to ESOS exercised		553	-	(87)	-	-	-	-	466	-	(3)	463
Share issues expenses		(1)	-	-	-	-	-	-	(1)	-	-	(1)
Profit distribution payable to holders of Perpetual Sukuk Wakalah		-	-	-	-	-	-	-	-	(2,501)	-	(2,501)
Profit distribution paid to holders of Perpetual Sukuk Wakalah		-	-	-	-	-	-	(20,750)	(20,750)	-	-	(20,750)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(4,177)	(4,177)
Additional shares subscription from non-controlling interest		-	-	-	-	-	-	-	-	-	3,690	3,690
Acquisition of shares from non-controlling interests		-	-	-	-	-	-	4,401	4,401	-	(4,701)	(300)
Total transactions with owners		552	-	2,937	-	-	-	(196,911)	(193,422)	(2,501)	(4,960)	(200,883)
Balance as at 30 June 2022		1,698,303	(3,625)	11,715	218,710	2,394	25,682	3,101,219	5,054,398	498,940	99,115	5,652,453

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Company	Note	Non-distributable			Distributable	Perpetual Sukuk Wakalah RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Retained earnings RM'000		
Balance as at 1 July 2022		1,698,303	(3,625)	11,989	1,106,268	498,940	3,311,875
Profit for the financial year		-	-	-	120,047	-	120,047
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	120,047	-	120,047
Transactions with owners							
Previous financial year:							
- Final dividend	30	-	-	-	(118,494)	-	(118,494)
Current financial year:							
- Interim dividend	30	-	-	-	(73,353)	-	(73,353)
Share options granted under ESOS		-	-	4,740	-	-	4,740
Issuance of ordinary shares pursuant to ESOS exercised		20	-	-	-	-	20
Profit distribution paid to holders of Perpetual Sukuk Wakalah		-	-	-	(20,750)	-	(20,750)
Total transactions with owners		20	-	4,740	(212,597)	-	(207,837)
Balance as at 30 June 2023		1,698,323	(3,625)	16,729	1,013,718	498,940	3,224,085

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Company	Note	Non-distributable			Distributable	Perpetual Sukuk Wakalah RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Retained earnings RM'000		
Balance as at 1 July 2021		1,697,751	(3,625)	8,824	932,480	498,940	3,134,370
Profit for the financial year		-	-	-	375,100	2,501	377,601
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	375,100	2,501	377,601
Transactions with owners							
Previous financial year:							
- Final dividend		-	-	-	(107,209)	-	(107,209)
Current financial year:							
- Interim dividend	30	-	-	-	(73,353)	-	(73,353)
Share options granted under ESOS		-	-	3,255	-	-	3,255
Issuance of ordinary shares pursuant to ESOS exercised		553	-	(90)	-	-	463
Share issues expenses		(1)	-	-	-	-	(1)
Profit distribution paid to holders of Perpetual Sukuk Wakalah		-	-	-	(20,750)	-	(20,750)
Profit distribution payable to holders of Perpetual Sukuk Wakalah		-	-	-	-	(2,501)	(2,501)
Total transactions with owners		552	-	3,165	(201,312)	(2,501)	(200,096)
Balance as at 30 June 2022		1,698,303	(3,625)	11,989	1,106,268	498,940	3,311,875

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Note					
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		553,888	550,302	127,626	381,064
Adjustments for:					
Amortisation of intangible assets	8	97,008	98,556	-	-
Depreciation of property, plant and equipment	5	157,900	140,690	-	-
Fair value gain on other investment		(21,058)	-	-	-
Gain on foreign exchange - unrealised		(2,680)	(600)	(43)	(79)
(Gain)/Loss on disposals of:					
- property, plant and equipment		(972)	1,570	-	-
- other investment		-	(3,563)	-	-
Loss on lease reassessments		6	-	-	-
Advances to an associate written off		1,791	-	-	-
Impairment losses on trade receivables	15(d)	3,058	3	-	-
Interest expense		71,598	39,783	23,357	11,391
Interest income		(32,757)	(19,376)	(41,480)	(19,587)
Property, plant and equipment written off	5	17,976	71	-	-
Reversal of impairment losses on receivables	15(d)	(968)	-	-	-
Share of profit of joint ventures and associates		(364,028)	(251,589)	-	-
Share options granted under ESOS		4,740	3,255	-	-
Operating profit before working capital changes		485,502	559,102	109,460	372,789
Decrease/(Increase) in inventories		19,836	(8,917)	-	-
(Increase)/Decrease in trade and other receivables		(41,206)	(358,271)	88	(203)
Decrease in amounts owing by joint ventures and associates		1,654	118,070	-	-
Increase/(Decrease) in trade and other payables		146,893	(15,752)	(68)	9,656
Cash generated from operations		612,679	294,232	109,480	382,242
Dividends received from joint ventures and associates		162,705	254,026	-	-
Interest received		32,757	19,376	11,698	5,850
Tax paid		(69,807)	(70,349)	(6,323)	(3,602)
Tax refunded		11,843	21,780	-	-
Net cash from operating activities		750,177	519,065	114,855	384,490

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions/Additions of:					
- interests in subsidiaries		-	-	(235,550)	(275,563)
- interests in joint ventures and associates		(209,714)	(6,860)	-	-
Repayments from/(Advances to) subsidiaries		-	-	140,830	(65,859)
Acquisition of shares from non-controlling interests		-	(300)	-	-
Redemption of redeemable preference shares of:					
- subsidiaries		-	-	89,150	94,000
- joint venture and associate		250,521	102,969	-	-
Development of tank terminals	7(d)	(46,197)	(49,741)	-	-
Interest received		-	-	29,782	13,737
(Additions in)/Withdrawal of deposits pledged to licensed banks		(2)	21	-	-
Proceeds from disposals of:					
- property, plant and equipment		3,048	12,746	-	-
- other investments		8,380	12,193	-	-
- a subsidiary, net of cash and cash equivalents disposed	9(h)	(70)	-	-	-
Purchases of:					
- intangible assets	8	(211,046)	(70,203)	-	-
- land held for development		(24,791)	(228,192)	-	-
- property, plant and equipment	5(c)	(62,763)	(61,559)	-	-
- other investments		(2,910)	(4,426)	-	-
Net cash (used in)/from investing activities		(295,544)	(293,352)	24,212	(233,685)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(71,598)	(39,783)	(23,357)	(11,391)
Dividends paid to non-controlling interests		(5,405)	(4,177)	-	-
Dividends paid to ordinary shareholders of the Company		(191,847)	(180,562)	(191,847)	(180,562)
Additional shares subscription from non-controlling interest		5	3,690	-	-
Capital repayment to non-controlling interest		(2,897)	-	-	-
Proceeds from issuance of ordinary shares pursuant to ESOS exercised		20	463	20	463
Net proceeds from issuance of Senior Sukuk Wakalah		-	499,470	-	499,470
Payments of lease liabilities		(6,173)	(5,246)	-	-
Drawdowns of bank loans		364,375	279,497	122,820	51,710
Repayments of bank loans		(663,719)	(377,441)	(140,320)	(121,710)
Profit distribution to Perpetual Sukuk holders		(20,750)	(20,750)	(20,750)	(20,750)
Share issue expenses		-	(1)	-	(1)
Net cash (used in)/from financing activities		(597,989)	155,160	(253,434)	217,229

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net (decrease)/increase in cash and cash equivalents		(143,356)	380,873	(114,367)	368,034
Effect of exchange rate changes on cash and cash equivalents		23,670	6,058	43	79
Cash and cash equivalents at beginning of financial year		1,840,183	1,453,252	583,181	215,068
Cash and cash equivalents at end of financial year	18	1,720,497	1,840,183	468,857	583,181

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Bank Loans					
Balance as at 1 July		1,864,109	1,935,643	17,500	87,500
Cash flows:					
- Drawdowns of bank loans		364,375	279,497	122,820	51,710
- Repayments of bank loans		(663,719)	(377,441)	(140,320)	(121,710)
Non-cash flows:					
- Effect of foreign exchange		97,736	26,410	-	-
Balance as at 30 June	22	1,662,501	1,864,109	-	17,500
Lease Liabilities					
Balance as at 1 July		23,674	26,611	-	-
Cash flows:					
- Repayments of lease		(7,419)	(6,475)	-	-
Non-cash flows:					
- Unwinding of interest		1,246	1,229	-	-
- Acquisitions of property, plant and equipment	5(c)	3,696	6,997	-	-
- Reassessments	6	169	(4,177)	-	-
- Disposal of a subsidiary	9(h)	(272)	-	-	-
- Effect of foreign exchange		1,147	(511)	-	-
Balance as at 30 June	6	22,241	23,674	-	-
Senior Sukuk Wakalah					
Balance as at 1 July		500,000	-	500,000	-
Cash flows:					
- Net proceeds from issuance		-	499,470	-	499,470
- Transaction cost in operating activities		-	530	-	530
Balance as at 30 June	21	500,000	500,000	500,000	500,000

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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 2023 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 21 September 2023.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries, which serve a wide spectrum of the energy sector. 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 & fabrication, specialist products & services, plant maintenance & catalyst handling services, petrochemicals, sustainable & renewables business 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 38.1 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

4. OPERATING SEGMENTS (CONTINUED)

2022	Malaysia RM'000	Asia RM'000	Australia & New Zealand RM'000	Middle East RM'000	Other Countries RM'000	Total RM'000
Segment profits/(losses)	531,162	(36,393)	17,906	37,444	183	550,302
Included in the measure of segment profits are:						
Revenue from external customers	1,330,691	333,081	368,423	286,740	90	2,319,025
Inter-segment revenue	26,145	5,132	5,967	-	-	37,244
Depreciation of property, plant and equipment	112,356	4,281	14,776	9,277	-	140,690
Amortisation of intangible assets	98,246	25	285	-	-	98,556
Interest expense	37,501	264	1,421	597	-	39,783
Interest income	18,844	513	19	-	-	19,376
Share of profit/(loss) of joint ventures and associates	251,668	(79)	-	-	-	251,589
Segment assets	7,688,539	411,410	412,527	269,396	-	8,781,872
Deferred tax assets						65,183
Total assets						<u>8,847,055</u>
Included in the measure of segment assets are:						
Investments in joint ventures and associates	1,535,057	533	-	-	-	1,535,590
Additions to non-current assets:						
- Property, plant and equipment	42,319	5,663	12,774	803	-	61,559
- Development of tank terminals	49,741	-	-	-	-	49,741
- Joint ventures and associates	6,860	-	-	-	-	6,860
- Intangible assets	68,755	23	1,425	-	-	70,203
- Inventories	-	-	228,192	-	-	228,192
- Other investments	-	4,426	-	-	-	4,426
Segment liabilities	2,906,747	150,106	76,743	59,522	-	3,193,118
Deferred tax liabilities						1,484
Total liabilities						<u>3,194,602</u>

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

Major customers

There is no single customer with revenue equal or more than 10% of the Group revenue during the financial year and in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2022 RM'000	Additions RM'000	Reassess- ments RM'000	Disposal of a subsidiary (Note 9) RM'000	Disposals 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 30.6.2023 RM'000
Carrying amount										
Freehold land	27,896	3,868	-	-	-	-	-	-	-	31,764
Buildings	275,875	19,696	-	(1,724)	-	-	(7,880)	9,600	197	295,764
Furniture, fittings and office equipment	7,583	4,417	-	(165)	-	-	(6,441)	2,566	-	7,960
Plant, machinery and equipment	1,966,987	16,481	-	(635)	(2,076)	(17,976)	(122,766)	128,318	11,436	1,979,769
Motor vehicles	10,463	4,020	-	-	-	-	(2,995)	(3,587)	-	7,901
Renovation and electrical installation	9,536	786	-	(1,278)	-	-	(1,681)	(39)	-	7,324
Plant and equipment under construction	11,802	11,983	-	-	-	-	-	259	(11,927)	12,117
	2,310,142	61,251	-	(3,802)	(2,076)	(17,976)	(141,763)	137,117	(294)	2,342,599
Right-of-use										
Leasehold land*	379,558	1,512	-	-	-	-	(9,805)	16,762	294	388,321
Land	11,493	-	163	(189)	-	-	(915)	676	-	11,228
Buildings	6,319	1,825	-	-	-	-	(3,470)	165	-	4,839
Motor vehicles	2,084	1,871	-	-	-	-	(1,267)	92	-	2,780
Plant and machinery	984	-	-	-	-	-	(680)	34	-	338
	400,438	5,208	163	(189)	-	-	(16,137)	17,729	294	407,506
	2,710,580	66,459	163	(3,991)	(2,076)	(17,976)	(157,900)	154,846	-	2,750,105

Group	At 30.6.2023		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	31,764	-	31,764
Buildings	366,980	(71,216)	295,764
Furniture, fittings and office equipment	83,986	(76,026)	7,960
Plant, machinery and equipment	2,787,458	(807,689)	1,979,769
Motor vehicles	38,083	(30,182)	7,901
Renovation and electrical installation	20,629	(13,305)	7,324
Plant and equipment under construction	12,117	-	12,117
	3,341,017	(998,418)	2,342,599
Right-of-use			
Leasehold land*	437,343	(49,022)	388,321
Land	19,805	(8,577)	11,228
Buildings	13,325	(8,486)	4,839
Motor vehicles	9,675	(6,895)	2,780
Plant and machinery	3,644	(3,306)	338
	483,792	(76,286)	407,506
	3,824,809	(1,074,704)	2,750,105

* Leasehold land refers to right-of-use assets for which the Group has land titles.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Balance as at 1.7.2021 RM'000	Additions RM'000	Reassess- ments RM'000	Disposals 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 30.6.2022 RM'000
Carrying amount									
Freehold land	27,896	-	-	-	-	-	-	-	27,896
Buildings	283,690	2,389	-	(1,567)	-	(8,102)	501	(1,036)	275,875
Furniture, fittings and office equipment	8,468	3,997	-	(26)	(1)	(4,449)	(1,069)	663	7,583
Plant, machinery and equipment	1,981,220	11,301	-	(2,787)	(58)	(104,658)	9,232	72,737	1,966,987
Vessel	10,693	-	-	(9,832)	-	(965)	104	-	-
Motor vehicles	7,478	5,648	-	(104)	-	(2,556)	(3)	-	10,463
Renovation and electrical installation	6,564	4,724	-	-	(12)	(4,550)	2,810	-	9,536
Plant and equipment under construction	34,539	33,500	-	-	-	-	16,127	(72,364)	11,802
	2,360,548	61,559	-	(14,316)	(71)	(125,280)	27,702	-	2,310,142
Right-of-use									
Leasehold land*	374,832	-	-	-	-	(9,228)	13,954	-	379,558
Land	11,773	-	-	-	-	(891)	611	-	11,493
Buildings	6,397	6,366	(3,180)	-	-	(3,067)	(197)	-	6,319
Motor vehicles	3,142	631	(34)	-	-	(1,308)	(347)	-	2,084
Plant and machinery	2,777	-	(963)	-	-	(916)	86	-	984
	398,921	6,997	(4,177)	-	-	(15,410)	14,107	-	400,438
	2,759,469	68,556	(4,177)	(14,316)	(71)	(140,690)	41,809	-	2,710,580

Group	At 30.6.2022		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land	27,896	-	27,896
Buildings	341,438	(65,563)	275,875
Furniture, fittings and office equipment	78,920	(71,337)	7,583
Plant, machinery and equipment	2,681,958	(714,971)	1,966,987
Motor vehicles	36,456	(25,993)	10,463
Renovation and electrical installation	24,844	(15,308)	9,536
Plant and equipment under construction	11,802	-	11,802
	3,203,314	(893,172)	2,310,142
Right-of-use			
Leasehold land*	435,059	(55,501)	379,558
Land	19,465	(7,972)	11,493
Buildings	10,973	(4,654)	6,319
Motor vehicles	7,498	(5,414)	2,084
Plant and machinery	3,432	(2,448)	984
	476,427	(75,989)	400,438
	3,679,741	(969,161)	2,710,580

* Leasehold land refers to right-of-use assets for which the Group has land titles.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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	2.5% - 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

30 JUNE 2023

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	
	2023 RM'000	2022 RM'000
Purchase of property, plant and equipment	66,459	68,556
Financed by lease arrangements	(3,696)	(6,997)
Cash payments on purchase of property, plant and equipment	62,763	61,559

- (d) Leasehold land is analysed as:

	Group	
	2023 RM'000	2022 RM'000
Short term (unexpired period less than 50 years)	135,588	142,632
Long term (unexpired period more than 50 years)	252,733	236,926
	388,321	379,558

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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 1.7.2022 RM'000	Additions RM'000	Reassess- ments RM'000	Disposal of a subsidiary (Note 9) RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassi- fications RM'000	Balance as at 30.6.2023 RM'000
Carrying amount								
Leasehold land	379,558	1,512	-	-	(9,805)	16,762	294	388,321
Land	11,493	-	163	(189)	(915)	676	-	11,228
Buildings	6,319	1,825	-	-	(3,470)	165	-	4,839
Motor vehicles	2,084	1,871	-	-	(1,267)	92	-	2,780
Plant and machinery	984	-	-	-	(680)	34	-	338
	400,438	5,208	163	(189)	(16,137)	17,729	294	407,506

Lease liabilities	Balance as at 1.7.2022 RM'000	Additions RM'000	Reassess- ments RM'000	Disposal of a subsidiary (Note 9) RM'000	Lease payments RM'000	Interest expense RM'000	Exchange differences RM'000	Balance as at 30.6.2023 RM'000
Carrying amount								
Land	14,139	-	169	(272)	(1,668)	879	821	14,068
Buildings	6,374	1,825	-	-	(3,766)	251	291	4,975
Motor vehicles	2,146	1,871	-	-	(1,285)	102	1	2,835
Plant and machinery	1,015	-	-	-	(700)	14	34	363
	23,674	3,696	169	(272)	(7,419)	1,246	1,147	22,241

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

6. LEASES (CONTINUED)**The Group as lessee (continued)**

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

	Balance as at 1.7.2021 RM'000	Additions RM'000	Reassess- ments RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Balance as at 30.6.2022 RM'000
Right-of-use assets						
Carrying amount						
Leasehold land	374,832	-	-	(9,228)	13,954	379,558
Land	11,773	-	-	(891)	611	11,493
Buildings	6,397	6,366	(3,180)	(3,067)	(197)	6,319
Motor vehicles	3,142	631	(34)	(1,308)	(347)	2,084
Plant and machinery	2,777	-	(963)	(916)	86	984
	398,921	6,997	(4,177)	(15,410)	14,107	400,438

	Balance as at 1.7.2021 RM'000	Additions RM'000	Reassess- ments RM'000	Lease payments RM'000	Interest expense RM'000	Exchange differences RM'000	Balance as at 30.6.2022 RM'000
Lease liabilities							
Carrying amount							
Land	14,246	-	-	(1,658)	713	838	14,139
Buildings	6,367	6,366	(3,180)	(2,370)	269	(1,078)	6,374
Motor vehicles	3,192	631	(34)	(1,503)	213	(353)	2,146
Plant and machinery	2,806	-	(963)	(944)	34	82	1,015
	26,611	6,997	(4,177)	(6,475)	1,229	(511)	23,674

	2023 RM'000	2022 RM'000
Represented by:		
Non-current liabilities	16,914	17,789
Current liabilities	5,327	5,885
Lease liabilities owing to non-financial institutions	22,241	23,674

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
2023						
Lease liabilities	5.52	5,327	3,117	3,945	9,852	22,241
2022						
Lease liabilities	5.33	5,885	4,051	3,873	9,865	23,674

- (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
2023				
Lease liabilities	6,431	10,105	12,420	28,956
2022				
Lease liabilities	7,051	11,105	12,702	30,858

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

7. DEVELOPMENT OF TANK TERMINALS

	Group	
	2023 RM'000	2022 RM'000
Development of tank terminals, at cost	685,837	639,640

- (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 RM30,765,000 (2022: RM20,820,000) was capitalised at rates ranging from 3.60% to 4.74% (2022: 2.76% to 3.76%) 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	
	2023 RM'000	2022 RM'000
Balance as at 1 July	639,640	589,899
Additions	46,197	49,741
Balance as at 30 June	685,837	639,640

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

8. INTANGIBLE ASSETS

Group	Balance as at 1.7.2022 RM'000	Additions RM'000	Amortisation charge for the financial year RM'000	Exchange differences RM'000	Balance as at 30.6.2023 RM'000
Carrying amount					
Goodwill	14,446	-	-	1,187	15,633
Rights and concession	62,922	-	(5,070)	-	57,852
Development of oil and gas assets	712,059	201,273	(86,675)	-	826,657
Development of prototypes	9,534	-	(1,079)	-	8,455
Computer software	8,133	9,773	(4,184)	126	13,848
Intellectual property	-	-	-	-	-
	807,094	211,046	(97,008)	1,313	922,445

Group	At 30.6.2023		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	22,920	(7,287)	15,633
Rights and concession	85,368	(27,516)	57,852
Development of oil and gas assets	1,477,359	(650,702)	826,657
Development of prototypes	13,457	(5,002)	8,455
Computer software	46,317	(32,469)	13,848
Intellectual property	16,644	(16,644)	-
	1,662,065	(739,620)	922,445

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

8. INTANGIBLE ASSETS (CONTINUED)

Group	Balance as at 1.7.2021 RM'000	Additions RM'000	Amortisation charge for the financial year RM'000	Exchange differences RM'000	Balance as at 30.6.2022 RM'000
Carrying amount					
Goodwill	14,094	-	-	352	14,446
Rights and concession	68,074	-	(5,152)	-	62,922
Development of oil and gas assets	737,220	63,444	(88,605)	-	712,059
Development of prototypes	10,665	-	(1,131)	-	9,534
Computer software	5,003	6,759	(3,668)	39	8,133
Intellectual property	-	-	-	-	-
	835,056	70,203	(98,556)	391	807,094

Group	At 30.6.2022		
	Cost RM'000	Accumulated amortisation and impairment RM'000	Carrying amount RM'000
Goodwill	21,256	(6,810)	14,446
Rights and concession	85,368	(22,446)	62,922
Development of oil and gas assets	1,276,086	(564,027)	712,059
Development of prototypes	13,457	(3,923)	9,534
Computer software	38,501	(30,368)	8,133
Intellectual property	14,950	(14,950)	-
	1,449,618	(642,524)	807,094

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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	
	2023 RM'000	2022 RM'000
Malaysia	509	509
Australia and New Zealand	14,853	13,687
Other Asian countries	271	250
	15,633	14,446

Impairment

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.

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:

	2023 %	2022 %
Growth rates:		
Malaysia	5.0	5.0
Australia and New Zealand	8.0	8.0
Other Asian countries	8.0	8.0
Pre-tax discount rate	10.8	9.6

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 2023 as their recoverable amounts were in excess of their carrying amounts.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

8. INTANGIBLE ASSETS (CONTINUED)

- (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.

Rights and concession also includes the Oilfield Services Contract ("OSC") of the Bayan field located in Bintulu, Sarawak. The OSC expires on 31 December 2036 and the expenditure of the rights and concession is amortised over the useful life of the OSC.

- (c) Development of oil and gas assets represents costs incurred in re-development and enhancement of oil recovery of the above fields located in Bintulu, Sarawak under the PSC and 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 PSC and OSC periods. 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 ten (10) years using the straight-line method.
- (g) 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

30 JUNE 2023

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost	2,071,935	1,925,535
Equity loan/Advances to subsidiaries	512,625	655,118
Equity contributions in subsidiaries in respect of ESOS	16,729	11,989
	2,601,289	2,592,642

- (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.

Impairment for equity loan/advances to 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.

No expected credit loss is recognised arising from equity loan/advances to subsidiaries as the amount is negligible.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
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 and equipment rental.
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	100%	100%	Provision of consultancy, technical support services and marketing of specialty equipment.
Dialog Energy Sdn. Bhd.	Malaysia	100%	100%	Project management and 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 development of tank terminal and logistic services.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
Dialog D & P Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
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.
Dialog Chemicals Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
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%	Dormant.
Overseas Manufacturing (Johor) Sdn. Bhd.	Malaysia	80%	80%	Fabrication and installation of tanks, pipelines and other related 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
@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%	90%	Provision of heavy fabrication & multi-disciplined engineering.
@^Dialog Property (NZ) Limited	New Zealand	97%	97%	Property development.
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.
**2432707 Alberta Ltd.	Canada	-	100%	Investment holding.
**Pan Orient Energy Corporation Pte. Ltd.	Singapore	100%	-	Investment holding.
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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
Subsidiaries of Dialog (Labuan) Ltd.				
@Dialog Services Saudi Arabia Co. Ltd.	Kingdom of Saudi Arabia	-	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%	Dormant.
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 Dialog Plant Services Sdn. Bhd.				
Dialog Catalyst Services Sdn. Bhd.	Malaysia	100%	100%	Provision of catalyst and process material handling services.
Subsidiaries of Dialog Petroleum Sdn. Bhd.				
Oriental Valley Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Senyum Bestari Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Idaman Tropikal Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Corak Dahlia Sdn. Bhd.	Malaysia	100%	100%	Dormant.
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%	100%	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
Subsidiary of Infodasia Sdn. Bhd.				
DIV Services Sdn. Bhd.	Malaysia	60%	60%	Provision of payment system and services, IT systems and other IT services.
Subsidiary of DIV Services Sdn. Bhd.				
DIV Systems Sdn. Bhd.	Malaysia	39%	39%	Providing and operating payment system 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.
^Pengerang Terminals (Seven) Sdn. Bhd.	Malaysia	100%	-	Provision of terminal storage facilities and handling services.
^Pengerang Terminals (Eight) Sdn. Bhd.	Malaysia	100%	-	Provision of terminal storage facilities and handling services.
^Pengerang Terminals (Nine) Sdn. Bhd.	Malaysia	100%	-	Provision of terminal storage facilities and handling services.
Subsidiary of Dialog Systems (Thailand) Ltd.				
@Dialog Technology & Services Limited	Thailand	49%	49%	Dormant.
Subsidiaries of Dialog Fitzroy Limited				
@Dialog Fitzroy Australia Pty. Ltd.	Australia	90%	90%	Provision of heavy fabrication and multi-disciplined engineering.
@Dialog Fitzroy Tower Services Limited	New Zealand	91%	91%	Provision of power pylon painting services.
@Fineline Services Limited	New Zealand	90%	90%	Provision of plate profile cutting services.
@Dialog Offshore Services (NZ) Limited	New Zealand	91%	91%	Provision of offshore services.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
Subsidiaries of Dialog Property (NZ) Limited				
@Domain Gardens Development Limited	New Zealand	97%	97%	Property development.
@Parnell Park Development Limited	New Zealand	97%	97%	Property development.
@576 GSR Development Limited	New Zealand	97%	97%	Property development.
@Dixon Apartments Limited (formerly known as 104 Dixon Street Limited)	New Zealand	97%	97%	Property development.
Subsidiary of Dialog Upstream Services Sdn. Bhd.				
Dialog Subsurface Technology Sdn. Bhd.	Malaysia	100%	100%	Dormant.
Subsidiary of Dialog D & P Sdn. Bhd.				
Dialog Bayan Petroleum Sdn. Bhd.	Malaysia	100%	100%	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.
%Dialog Terminals Pengerang (6) Sdn. Bhd. (formerly known as Pengerang Terminals (Six) Sdn. Bhd.)	Malaysia	-	100%	Provision of terminal storage facilities and handling services.
Subsidiaries of Dialog Terminals Sdn. Bhd.				
Dialog Terminals Langsung (1) Sdn. Bhd.	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
Dialog Terminals Langsung (2) Sdn. Bhd.	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
Dialog Terminals Langsung (3) Sdn. Bhd.	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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
		2023	2022	
Dialog Terminals Pengerang CTF Sdn. Bhd.	Malaysia	100%	100%	Provision of common tankage facilities.
Dialog Terminals Pengerang (5) Sdn. Bhd.	Malaysia	100%	100%	Provision of tank terminal storage facilities and handling services.
%Dialog Terminals Pengerang (6) Sdn. Bhd. (formerly known as Pengerang Terminals (Six) Sdn. Bhd.)	Malaysia	100%	-	Provision of terminal storage facilities and handling services.
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 Chemicals Sdn. Bhd.				
+Dialog Diyou PCR Sdn. Bhd.	Malaysia	-	51%	Production, sale and marketing of food grade recycled polyethylene terephthalate pellets.
Dialog Eseco Sdn. Bhd.	Malaysia	95%	100%	Provision of innovative solutions for waste management.
Subsidiary of Pan Orient Energy Corporation Pte. Ltd.				
*Pan Orient Petroleum Pte. Ltd.	Singapore	100%	-	Investment holding.
Subsidiary of Pan Orient Petroleum Pte. Ltd.				
*Kamphaeng Saen Energy Ltd	Bermuda	100%	-	Dormant.

@ Subsidiaries audited by BDO member firms.

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

^ Subsidiaries newly incorporated during the financial year.

+ Dialog Diyou PCR Sdn. Bhd. has been reclassified from subsidiary to joint venture during the financial year upon finalisation of terms of agreement.

% Dialog Terminals Pengerang (6) Sdn. Bhd. (formerly known as Pengerang Terminals (Six) Sdn. Bhd.) was formerly a subsidiary of Dialog Equity (Two) Sdn. Bhd. and became a subsidiary of Dialog Terminals Sdn. Bhd. during the financial year.

During the financial year, 2432707 Alberta Ltd. was amalgamated with Pan Orient Energy Corp. ("POEC") and subsequently POEC was redomiciled from Canada to Singapore.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (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 2023 and 30 June 2022.
- (f) In the previous financial year, Dialog Chemicals Sdn. Bhd. ("Dialog Chemicals"), a wholly owned subsidiary of the Company incorporated Dialog Eseco Sdn. Bhd. ("DESECO") with an initial issued and fully paid-up capital of RM1,000 comprising 1,000 ordinary shares. In current financial year, the issued and paid up share capital for DESECO was increased to RM100,000 with 95% equity stake, amounted to RM95,000 owned by Dialog Chemicals.
- (g) Acquisition of subsidiary during the financial year ended 30 June 2023.

In August 2022, Dialog Systems (Asia) Pte. Ltd., a wholly owned subsidiary of the Company acquired the entire equity interest in Pan Orient Energy Corp. ("POEC"), for a cash consideration of USD39,200,000 (equivalent to approximately RM174,600,000). POEC through its wholly owned subsidiary Pan Orient Petroleum Pte. Ltd, holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd., which is the concessionaire and operator of Concession L53/48, onshore Thailand.

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

	At date of acquisition RM'000
Investments in joint ventures	174,607
Cash and bank balances	1,057
Payables	(900)
Total identifiable net assets acquired	174,764
Purchase consideration	174,607
Cash and cash equivalents of a subsidiary acquired	(1,057)
Net cash outflow of the Group on acquisition	173,550

Had the acquisition occurred on 1 July 2022, it would not have any material effect on the earnings, net assets or gearing of the Group for the financial year ended 30 June 2023.

The acquisition of POEC was accounted for as an acquisition of assets.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (h) Disposal of a subsidiary during the financial year ended 30 June 2023.

In December 2022, Dialog (Labuan) Ltd, a wholly owned indirect subsidiary, disposed off its entire 60% equity interest in Dialog Services Saudi Arabia Company Limited ("DSSA"), for a total cash consideration of SAR6,600,000 (equivalent to approximately RM8,050,000).

The details of the disposal of the subsidiary were as follows:

	Note	At date of disposal RM'000
Property, plant and equipment	5	3,802
Right of use assets	6	189
Receivables		14,025
Cash and bank balances		8,120
Payables		(12,574)
Lease liabilities	6	(272)
Total identifiable net assets disposed		13,290
Non-controlling interest		(5,240)
Net proceeds from disposal		(8,050)
Gain/(Loss) on disposal		-
Proceeds from disposal		8,050
Cash and cash equivalents of a subsidiary disposed		(8,120)
Net cash outflow of the Group on disposal		(70)

The financial results of the subsidiary disposed were insignificant to the Group.

- (i) In the previous financial year, the Company incorporated Dialog Chemicals Sdn. Bhd., a wholly owned subsidiary in Malaysia, with an initial issued and fully paid-up share capital of RM1,000 comprising 1,000 ordinary shares. Subsequently, Dialog Chemicals subscribed for 51% equity stake, amounted to RM1,020,000 in a newly incorporated company, Dialog Diyou PCR Sdn. Bhd..
- (j) Capital reduction in a subsidiary during the financial year ended 30 June 2023.

During the financial year, Dialog (Labuan) Ltd., a wholly-owned subsidiary of the Company has received capital repayment of SAR3,600,000 (equivalent to approximately RM4,345,000) pursuant to the capital reduction exercise of its subsidiary, Dialog Jubail Supply Base Co. Ltd. ("DJSB"). This capital reduction exercise did not change the Group's equity interest in DJSB.

- (k) Accretion of interests in subsidiaries during the financial year ended 30 June 2022.

In May 2022, the Company acquired the remaining 40% equity interest in Dialog Services Sdn. Bhd. ("DSVSSB") for a total cash consideration of RM300,000. Pursuant to that, DSVSSB is now a wholly owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Group	
	2023 RM'000	2022 RM'000
Joint ventures		
Unquoted equity shares, at cost	773,769	805,315
Share of post-acquisition reserves, net of the Group's unrealised profit and dividends	789,244	543,847
Exchange differences	52,922	13,462
	1,615,935	1,362,624
Associates		
Unquoted equity shares, at cost	66,097	76,338
Share of post-acquisition reserves, net of dividends	130,883	95,182
Exchange differences	1,398	1,446
	198,378	172,966
	1,814,313	1,535,590

- (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 2023 except for Kertih Terminals Sdn. Bhd., Pengerang Terminals (Two) Sdn. Bhd., Morimatsu Dialog (Malaysia) Sdn. Bhd., Pan Orient (Siam) Ltd. and Pengerang LNG (Two) Sdn. Bhd., which are based on unaudited financial statements made up to 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) 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
		2023	2022	
*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.
@Morimatsu Dialog (Malaysia) Sdn. Bhd.	Malaysia	49%	49%	Provision of engineering and fabrication services for process equipment, pressure vessels and modular plant/facility solutions.
+Dialog Diyou PCR Sdn. Bhd.	Malaysia	51%	-	Production, sale and marketing of food grade recycled polyethylene terephthalate pellets.
@Pan Orient Energy (Siam) Ltd	Bermuda/ Thailand	50.01%	-	Concessionaire and operator of oilfield concession.
^*BC Petroleum Sdn. Bhd.	Malaysia	-	32%	Wound up
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.

@ Audited by BDO member firm.

* Not audited by BDO PLT or BDO member firms.

^ The joint venture has been dissolved by way of a Members' Voluntary Winding Up pursuant to Section 439(1)(b) of the Companies Act 2016 in September 2022.

+ Dialog Diyou PCR Sdn. Bhd. has been reclassified from subsidiary to joint venture during the financial year upon finalisation of terms of agreement.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) Joint ventures (continued)

- (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.

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

	Pengerang Terminals Sdn. Bhd. and its subsidiary	
	2023 RM'000	2022 RM'000
Assets		
Non-current assets	2,600,055	2,473,261
Cash and cash equivalents	194,477	131,771
Other current assets	44,300	46,485
Total assets	2,838,832	2,651,517
Liabilities		
Non-current financial liabilities (excluding trade and other payables)	996,567	-
Financial liabilities (excluding trade and other payables)	94,742	680,430
Other current liabilities (including trade and other payables)	80,314	19,709
Total liabilities	1,171,623	700,139
Net assets	1,667,209	1,951,378
Results		
Revenue	333,951	284,537
Depreciation of property, plant and equipment	(97,522)	(92,838)
Interest income	2,760	785
Interest expense	(42,699)	(37,354)
Tax expense	(1,242)	(643)
Profit for the financial year	178,731	96,843
Other comprehensive income	87,343	64,835
Total comprehensive income	266,074	161,678

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(d) 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	
	2023 RM'000	2022 RM'000
Share of net assets	850,277	995,202
Adjustment for unrealised profits, foreign currency translation and others	(92,208)	(80,173)
Carrying amount	758,069	915,029
Share of results for the financial year		
Share of profit or loss	91,153	49,390
Share of other comprehensive income	44,545	33,066
Share of total comprehensive income	135,698	82,456
Dividend income from joint venture	51,938	31,538

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

	Group	
	2023 RM'000	2022 RM'000
Carrying amounts of interests in joint ventures	857,866	447,595
Share of results for the financial year		
Share of profit or loss	200,244	116,550
Share of other comprehensive income	35,179	81,706
Share of total comprehensive income	235,423	198,256
Dividend income from joint ventures	73,837	132,814

- (vi) Acquisition of joint venture during the financial year ended 30 June 2023.

In August 2022, Dialog Systems (Asia) Pte. Ltd., a wholly owned subsidiary of the Company acquired the entire equity interest in Pan Orient Energy Corp. ("POEC"), for a cash consideration of USD39,200,000 (equivalent to approximately RM174,600,000). POEC through its wholly owned subsidiary Pan Orient Petroleum Pte. Ltd, holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd., which is the concessionaire and operator of Concession L53/48, onshore Thailand.

- (vii) Acquisition of joint venture during the financial year ended 30 June 2022.

In September 2021, Dialog Fabricators Sdn. Bhd. ("DFSB"), a wholly owned subsidiary of the Company, subscribed 49% equity stake, amounted to RM490 in a newly incorporated company, Morimatsu Dialog (Malaysia) Sdn. Bhd. ("MDMSB"). In December 2021, the issued and paid-up share capital for MDMSB was increased to RM14,000,000.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) 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
		2023	2022	
Associate of Dialog LNG Sdn. Bhd.		25%	25%	Provision of Liquefied Natural Gas ‘LNG’ terminal storage, regasification of LNG into natural gas and handling services.
* Pengerang LNG (Two) Sdn. Bhd.	Malaysia			
Associate of Dialog OTEC Pte. Ltd.		32%	32%	Construction services.
*Dialog OTEC E and C Inc.	Philippines			

* 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 2023 and 30 June 2022.

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

	Group	
	2023 RM'000	2022 RM'000
Carrying amounts of interests in associates	198,378	172,966
Share of results for the financial year		
Share of profit or loss	72,631	85,649
Share of other comprehensive income	-	-
Share of total comprehensive income	72,631	85,649
Dividend income from associates	36,930	89,674

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

11. INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
At cost		
Non-current assets:		
Land held for development	271,655	237,805
Current assets:		
Construction materials	9,234	6,259
Trading inventories	61,619	67,193
	70,853	73,452

- (a) Land held for development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle, is classified as non-current. The carrying amount of such land classified as inventory under non-current assets is carried at the lower of cost and net realisable value.
- (b) The costs of construction materials and trading inventories are determined using the weighted average basis.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM536,706,000 (2022: RM352,086,000).

12. OTHER INVESTMENTS

	Group	
	2023 RM'000	2022 RM'000
Non-current assets:		
Financial assets at fair value through other comprehensive income		
Quoted shares outside Malaysia	38,284	41,581
Unquoted shares and bonds in Malaysia	4,082	4,082
Unquoted shares outside Malaysia	6,711	9,575
	49,077	55,238
Current assets:		
Financial assets at fair value through other comprehensive income		
Unquoted government bonds in Malaysia	-	5,000
Financial assets at fair value through profit or loss		
Quoted shares outside Malaysia	24,702	-
	24,702	5,000
	73,779	60,238

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER INVESTMENTS (CONTINUED)

- (a) The non-current other investments were classified as financial assets at fair value through other comprehensive income. These are strategic investments for which the Group considers this classification to be appropriate and relevant.
- (b) The current other investments were classified as financial asset at fair value through other comprehensive income or fair value through profit or loss.
- (c) All regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.
- (d) Fair value of quoted ordinary shares outside Malaysia was determined by reference to the exchange quoted market prices at the close of the business on the reporting date. The fair value of quoted ordinary shares of the Group was categorised as Level 1 in the fair value hierarchy.
- (e) Unquoted shares and unquoted government bonds of the Group are categorised as Level 3 in the fair value hierarchy. Fair value of unquoted ordinary shares and unquoted government bonds of the Group are estimated based on the price to book valuation model.
- (f) The following table shows a reconciliation of Level 3 fair values of other investments:

	Group	
	2023 RM'000	2022 RM'000
Balance as at 1 July	18,657	14,218
Addition on investments during the financial year		
- At cost	2,910	4,426
Disposal of investment during the financial year		
- At cost	(8,380)	-
Reclassification from unquoted to quoted investment	(2,736)	-
Fair value adjustment	(395)	(321)
Exchange differences	737	334
Balance as at 30 June	10,793	18,657

- (g) The Group is not subject to significant exposure to price risk in respect of other investments and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

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13. DEFERRED TAX**Recognised deferred tax assets and liabilities**

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

	Group	
	2023 RM'000	2022 RM'000
Deferred tax assets	76,976	65,183
Deferred tax liabilities	(4,623)	(1,484)
	72,353	63,699

- (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:

	Note	Group	
		2023 RM'000	2022 RM'000
Balance as at 1 July		63,699	45,046
Recognised in profit or loss			
- property, plant and equipment		(7,807)	1,638
- amounts due from customers for contract works		2,142	210
- unabsorbed capital allowances		3,154	8,280
- unabsorbed tax allowances		(3,506)	(1,621)
- unused tax losses		15,120	4,467
- accrued liabilities		4,408	(2,930)
- unrealised profits		(636)	(636)
- other deductible temporary differences		(4,221)	9,245
	28	8,654	18,653
Balance as at 30 June		72,353	63,699

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

13. DEFERRED TAX (CONTINUED)**Recognised deferred tax assets and liabilities (continued)**

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

	Group	
	2023 RM'000	2022 RM'000
Deferred tax assets		
Unused tax losses	28,760	13,640
Unabsorbed capital allowances	35,917	32,763
Unabsorbed tax allowances	21,878	25,384
Unrealised profits	9,920	10,556
Accrued liabilities	13,698	9,290
Amounts due from customers for contract works	2,142	-
Other deductible temporary differences	13,538	17,759
Deferred tax assets (before off-setting)	125,853	109,392
Offsetting	(48,877)	(44,209)
Deferred tax assets (after off-setting)	76,976	65,183
Deferred tax liabilities		
Property, plant and equipment	53,500	45,693
Deferred tax liabilities (before off-setting)	53,500	45,693
Offsetting	(48,877)	(44,209)
Deferred tax liabilities (after off-setting)	4,623	1,484

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.

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX (CONTINUED)**Recognised deferred tax assets and liabilities (continued)**

- (b) The components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of (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	
	2023 RM'000	2022 RM'000
Unabsorbed tax allowances	1,184,021	1,209,053
Accrued liabilities	1,979	2,924
Unused tax losses		
- Expires by 30 June 2023	-	1,583
- Expires by 30 June 2024	2,434	2,344
- Expires by 30 June 2025 to 2033	52,569	48,803
	1,241,003	1,264,707

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. Unused tax losses of the Company and subsidiaries incorporated in Malaysia can be carried forward up to ten (10) consecutive years of assessment immediately following the year of assessment under the tax legislation of Inland Revenue Board.

14. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Non-current assets:		
Amounts owing by subsidiaries	616,071	650,523
Current assets:		
Amounts owing by subsidiaries	51,743	15,628

- (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 RM506,961,000 (2022: RM564,176,000), which bear interest at rates ranging from 3.60% to 4.74% (2022: 2.76% to 3.51%) per annum. The advances together with the interest receivable thereon, which amounted to RM616,071,000 (2022: RM650,523,000) are not repayable within the next twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS

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14. AMOUNTS OWING BY SUBSIDIARIES (CONTINUED)

- (c) The amounts owing by subsidiaries are denominated in RM.
- (d) 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 2023				
Floating rate	4.21	51,000	506,961	557,961
30 June 2022				
Floating rate	3.05	12,000	564,176	576,176

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

15. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables					
Third parties		524,699	561,952	-	-
Amounts due from customers for contract works	16	273,791	203,074	-	-
		798,490	765,026	-	-
Less: Impairment losses		(3,165)	(971)	-	-
Total trade receivables		795,325	764,055	-	-
Other receivables					
Other receivables		29,417	10,679	1,171	1,328
Deposits		10,807	17,295	65	35
Total other receivables		40,224	27,974	1,236	1,363
Total receivables		835,549	792,029	1,236	1,363
Hedge derivative assets		19,334	5,626	-	-
Prepayments		11,334	20,379	89	50
		866,217	818,034	1,325	1,413

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (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 (2022: 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	
	2023 RM'000	2022 RM'000
Euro	-	3,384
Pound Sterling	-	3,696
Singapore Dollar	1,844	1,305
United States Dollar	42,705	52,356

- (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.

The probabilities of non-payments by the trade receivables are adjusted by forward-looking information i.e. Unemployment rate (2022: Unemployment rate), and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss ("ECL") for the trade receivables. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) (continued)

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

	Group	
	Credit impaired	
	2023 RM'000	2022 RM'000
Balance as at 1 July	971	909
Charge for the financial year	3,058	3
Reversal of impairment losses	(968)	-
Exchange differences	104	59
Balance as at 30 June	3,165	971

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.

(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
2023			
Current	481,460	-	481,460
Past due			
61 to 90 days	27,710	-	27,710
91 to 120 days	1,869	-	1,869
More than 120 days	13,660	(3,165)	10,495
	43,239	(3,165)	40,074
	524,699	(3,165)	521,534
2022			
Current	494,352	-	494,352
Past due			
61 to 90 days	41,460	-	41,460
91 to 120 days	12,446	-	12,446
More than 120 days	13,694	(971)	12,723
	67,600	(971)	66,629
	561,952	(971)	560,981

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (f) Included in trade receivables is total retention sum for contract works amounting to RM5,989,000 (2022: RM5,224,000).
- (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.

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 (2022: Non-Performing Loan ratio) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

	Note	Group	
		2023 RM'000	2022 RM'000
Amounts due from customers for contract works	15	273,791	203,074
Amounts due to customers for contract works	23	(38,118)	(22,909)
		235,673	180,165

- (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 represented normal trade transactions and payments made on behalf, which were interest-free, unsecured and repayable within next twelve (12) months in cash and cash equivalents.
- (c) The foreign currency exposure of amounts owing by joint ventures and associates of the Group is as follows:

	Group	
	2023 RM'000	2022 RM'000
United States Dollar	128	1,900

- (d) 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.
- (e) 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

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18. CASH AND BANK BALANCES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	759,471	775,659	150,059	87,483
Deposits with licensed banks (not more than three months)	961,150	1,064,648	318,798	495,698
As reported in the statements of financial position	1,720,621	1,840,307	468,857	583,181
Less:				
Bank balances and deposits pledged to licensed banks	(124)	(124)	-	-
Cash and cash equivalents included in the statements of cash flows	1,720,497	1,840,183	468,857	583,181

- (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 to 90 days (2022: 30 to 90 days).
- (c) The foreign currency exposure of cash and bank balances are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Australian Dollar	2,510	2,363	-	-
Euro	1,118	657	-	-
Indonesian Rupiah	2,198	438	-	-
Japanese Yen	37,624	523	-	-
New Zealand Dollar	777	8,013	-	-
Pound Sterling	221	3,214	-	-
Singapore Dollar	4,758	8,073	-	-
United Arab Emirates Dirham	4,194	-	-	-
United States Dollar	47,829	27,341	100	368

- (d) The bank balances and deposits pledged to licensed banks are for bank guarantees and term loan granted to a subsidiary as disclosed in Note 22(h) to the financial statements.
- (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	
	2023 %	2022 %	2023 %	2022 %
Fixed rates	3.18	1.92	3.05	1.95

- (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.

NOTES TO THE FINANCIAL STATEMENTS

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19. SHARE CAPITAL

	Group and Company			
	2023		2022	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued and fully paid				
Balance as at 1 July	5,645,905	1,698,303	5,645,732	1,697,751
Issuance of ordinary shares pursuant to ESOS exercised	8	20	173	553
Share issue expenses	-	-*	-	(1)
Balance as at 30 June	5,645,913	1,698,323	5,645,905	1,698,303

* Amount is immaterial.

- During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 5,645,904,682 to 5,645,913,082 by way of issuance of 8,400 new ordinary shares pursuant to the options exercised under the Employees' Share Option Scheme ("ESOS") at exercise price of RM2.39 per ordinary share for cash.
- In the previous financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 5,645,732,458 to 5,645,904,682 by way of issuance of 172,224 new ordinary shares pursuant to the options exercised under the Employees' Share Option Scheme ("ESOS") at exercise prices of RM2.69.
- Of the total 5,645,913,082 (2022: 5,645,904,682) issued and fully paid ordinary shares as at 30 June 2023, 3,335,032 (2022: 3,335,032) ordinary shares purchased for RM3,624,613 (2022: 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 5,642,578,050 (2022: 5,642,569,650).
- 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.

20. RESERVES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-distributable:				
Share options reserve	16,386	11,715	16,729	11,989
Exchange translation reserve	392,925	218,710	-	-
Hedging reserve	53,939	2,394	-	-
Fair value reserve	19,037	25,682	-	-
	482,287	258,501	16,729	11,989
Distributable:				
Retained earnings	3,399,144	3,101,219	1,013,718	1,106,268
	3,881,431	3,359,720	1,030,447	1,118,257

NOTES TO THE FINANCIAL STATEMENTS

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20. RESERVES (CONTINUED)

(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.

(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.

(d) Fair value reserve

The fair value reserve relates to the fair valuation of financial assets categorised as financial assets at fair value through other comprehensive income.

21. SUKUK PROGRAMME

	Note	Group and Company	
		2023 RM'000	2022 RM'000
Equity attributable to owners of the parent:			
Perpetual Sukuk Wakalah			
Issuance at nominal value	21(b)	498,940	498,940
Non-current liabilities:			
Senior Sukuk Wakalah	21(c)	500,000	500,000

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

21. SUKUK PROGRAMME (CONTINUED)

- (a) In September 2020, the Company obtained approval for an Islamic notes issuance programme of up to an aggregate amount of RM3,000,000,000 in nominal value based on the Shariah principle of Sukuk Programme with the Securities Commission Malaysia. The Sukuk Programme, which has a perpetual programme tenure, provides the Company the flexibility to issue, from time to time, senior Islamic medium term notes ("Senior Sukuk Wakalah") and/or subordinated perpetual Islamic notes ("Perpetual Sukuk Wakalah") subject to the aggregate outstanding nominal amount not exceeding RM3,000,000,000 at any point in time.

The sums raised from the Sukuk Programme, which are moneys borrowed from the subscribers are used for the following Shariah-compliant purpose:

- (i) To finance investments, acquisition, capital expenditure, working capital requirements, repayment of intercompany borrowings; and/or
 - (ii) For general corporate purposes of the Company and/or its subsidiaries, associates and/or joint venture companies; and/or
 - (iii) To refinance existing financing/debt obligations.
- (b) The Perpetual Sukuk Wakalah was issued in November 2020 and is a financial instrument which has the following features:
- (i) A perpetual non-callable 7 years at profit rates of 4.15% per annum, payable semi-annually and are redeemable at the option of the Company subject to the terms of the Perpetual Sukuk Wakalah;
 - (ii) Direct, unsecured and subordinated obligations of the Company and shall rank pari passu without any preference amongst themselves and the Perpetual Sukuk Wakalah will be issued with a perpetual tenure that does not have a fixed maturity date; and
 - (iii) The Perpetual Sukuk Wakalah is rated and issued under the Shariah principle of Wakalah Bi Al-Istithmar and shall be transferable and tradable.

In compliance with Paragraph 16 of MFRS 132 *Financial instruments: Presentation*, the Perpetual Sukuk Wakalah is classified as equity. The classification of the Perpetual Sukuk Wakalah as equity is for accounting purposes and this does not alter its substance, nature and characteristic as a borrowing. Hence, the distribution paid under the Perpetual Sukuk Wakalah is for all intent and purposes akin to interest and would be treated as such for the purposes of income tax pursuant to Section 2(7) of the Income Tax Act 1967, despite the fact that it is recognised in equity in the period in which they are paid in this financial statements.

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21. SUKUK PROGRAMME (CONTINUED)

- (c) The Senior Sukuk Wakalah was issued in January 2022 with tenure of 10 years with a periodic distribution rate 4.53% per annum and payable semi-annually.

The table below summarises the maturity profile of the Senior Sukuk Wakalah of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

Group and Company	On demand or within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2023				
Senior Sukuk Wakalah	22,650	90,600	581,106	694,356
30 June 2022				
Senior Sukuk Wakalah	22,650	90,600	603,756	717,006

- (d) The Perpetual Sukuk Wakalah and Senior Sukuk Wakalah are fixed rates instruments. Sensitivity analysis for both at the end of the reporting period are not presented as they are not affected by changes in interest rates.

22. BORROWINGS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Secured				
Term loans				
- non-current	1,313,408	1,298,415	-	-
- current	87,928	31,123	-	-
	1,401,336	1,329,538	-	-
Unsecured				
Term loans				
- non-current	50,302	228,519	-	-
- current	171,024	285,117	-	17,500
Revolving credits				
- current	39,839	20,935	-	-
	261,165	534,571	-	17,500
	1,662,501	1,864,109	-	17,500
Represented by:				
- non-current	1,363,710	1,526,934	-	-
- current	298,791	337,175	-	17,500
	1,662,501	1,864,109	-	17,500

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
New Zealand Dollar	22,411	24,560	-	-
Ringgit Malaysia	405,326	695,636	-	17,500
Singapore Dollar	1,204,925	1,129,372	-	-
United States Dollar	29,839	14,541	-	-
	1,662,501	1,864,109	-	17,500

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

	Contract/Notional value		Net fair value gains
	FC'000	RM'000	RM'000
2023			
Interest rate swap contracts			
With maturity more than 2 years:			
Singapore Dollar	175,000	602,000	19,332
2022			
Interest rate swap contracts			
With maturity more than 3 years:			
Singapore Dollar	181,000	573,770	5,620

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

22. BORROWINGS (CONTINUED)

- (f) 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:

Group	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
30 June 2023						
Bank loans						
Fixed rates	4.98	4,248	4,093	14,070	-	22,411
Floating rates	4.55	294,543	98,395	1,125,152	122,000	1,640,090
30 June 2022						
Bank loans						
Fixed rates	4.53	4,103	4,103	9,960	-	18,166
Floating rates	2.64	333,072	250,828	1,128,043	134,000	1,845,943
Company	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
30 June 2022						
Bank loans						
Floating rates	3.51	17,500	-	-	-	17,500

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS (CONTINUED)

- (g) 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:

Group	On demand or within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2023				
Bank loans	370,716	1,372,551	127,356	1,870,623
30 June 2022				
Bank loans	386,078	1,490,777	138,489	2,015,344
Company	On demand or within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2022				
Bank loans	17,551	-	-	17,551

- (h) Certain term loans of the Group are secured by assignments of contract proceeds of the subsidiaries and bank balances pledged to licensed banks as disclosed in Note 18(d) to the financial statements.
- (i) Included in the borrowings of the Group is RM1,234,440,000 (2022: RM1,476,440,000) obtained under Islamic financing facility.

NOTES TO THE FINANCIAL STATEMENTS

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23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade payables					
Third parties		690,987	583,125	-	-
Amounts due to customers for contract works	16	38,118	22,909	-	-
Total trade payables		729,105	606,034	-	-
Other payables					
Other payables		1,459	12,969	-	-
Accruals		176,276	119,356	13,019	13,087
Total other payables		177,735	132,325	13,019	13,087
Total payables		906,840	738,359	13,019	13,087
Hedge derivative liabilities		148	2,336	-	-
		906,988	740,695	13,019	13,087

- (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 30 to 90 days (2022: 30 to 90 days).
- (c) The foreign currency exposure of trade and other payables of the Group are as follows:

	Group	
	2023 RM'000	2022 RM'000
Australian Dollar	342	-
Euro	368	2,005
Japanese Yen	887	-
Singapore Dollar	2,479	1,994
United Arab Emirates Dirham	700	668
United States Dollar	597	1,784

- (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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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

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

	Group	
	2023 RM'000	2022 RM'000
Not later than one (1) year	300	337
Later than one (1) year and not later than five (5) years	5	89
	305	426

- (b) Capital commitments

	Group	
	2023 RM'000	2022 RM'000
(i) Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	81,800	64,600
Contracted but not provided for	34,200	15,100
	116,000	79,700
(ii) Commitments in respect of upstream business	210,000	201,200

NOTES TO THE FINANCIAL STATEMENTS

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25. REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers:				
- Contract revenue	1,535,162	1,108,335	-	-
- Sale of products and services rendered	1,466,372	1,210,690	-	-
Other revenue:				
- Dividend income from subsidiaries	-	-	111,870	375,345
	3,001,534	2,319,025	111,870	375,345
Timing of revenue recognition:				
- Transferred over time	1,601,852	1,158,374	-	-
- Transferred at a point in time	1,399,682	1,160,651	-	-
	3,001,534	2,319,025	-	-

(a) Construction contracts

Revenue from construction contracts is recognised over the period of the contract using 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.

(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

30 JUNE 2023

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	1,377	1,360	68	65
- under provision in prior years	63	8	3	5
- Non-statutory audit	4	79*	4	4
Contract expenditure	1,532,200	1,111,413	-	-
Interest expense on:				
- bank loans	47,674	28,920	707	1,897
- bank overdraft	28	140	-	-
- lease liabilities	1,246	1,229	-	-
- Senior Sukuk Wakalah	22,650	9,494	22,650	9,494
Advances to an associate written off	1,791	-	-	-
Impairment losses on trade receivables	3,058	3	-	-
Property, plant and equipment written off	17,976	71	-	-
Rental expense of:				
- low-value items	544	295	-	-
- short-term leases	5,657	4,454	-	-
Loss on disposals of property, plant and equipment	-	1,570	-	-
Loss on lease reassessments	6	-	-	-
And crediting:				
Fair value gain on other investment	21,058	-	-	-
Gain on disposals of:				
- property, plant and equipment	972	-	-	-
- other investment	-	3,563	-	-
Interest income from:				
- deposits with licensed banks	32,757	19,376	11,698	5,850
- advances to subsidiaries	-	-	29,782	13,737
Reversal of impairment losses on receivables	968	-	-	-
Rental income	4,379	2,667	-	-

* Included RM75,000 for services provided by an affiliate of BDO PLT.

- (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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

26. PROFIT BEFORE TAX (CONTINUED)

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	28,876	19,373	41,480	19,587
Financial liabilities at amortised cost	(71,598)	(39,783)	(23,357)	(11,391)
	(42,722)	(20,410)	18,123	8,196

27. DIRECTORS' REMUNERATION

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company:				
Executive:				
Emoluments other than fees	13,378	9,868	-	-
Share options granted under ESOS	-	599	-	-
Non-Executive:				
Fees	924	735	924	735
Other emoluments	559	555	429	483
	14,861	11,757	1,353	1,218

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM118,000 (2022: RM81,000).

NOTES TO THE FINANCIAL STATEMENTS

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28. TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax expense based on profit for the financial year:				
Malaysian income tax	27,824	54,174	7,365	3,520
Foreign income tax	15,354	10,226	-	-
	43,178	64,400	7,365	3,520
(Over)/Under provision in prior years	(1,259)	(1,323)	214	(57)
	41,919	63,077	7,579	3,463
Deferred tax (Note 13)				
Relating to origination and reversal of temporary differences	(13,707)	(16,645)	-	-
Under/(Over) provision in prior years	5,053	(2,008)	-	-
	(8,654)	(18,653)	-	-
Tax expense for the financial year	33,265	44,424	7,579	3,463
Share of tax of joint ventures and associates	68,544	9,416	-	-
Total tax expense including joint ventures and associates	101,809	53,840	7,579	3,463

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 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.
- (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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the financial year	520,623	505,878	120,047	377,601
Add: Total tax expense including joint ventures and associates	101,809	53,840	7,579	3,463
Profit before tax	622,432	559,718	127,626	381,064

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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 (continued):

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
Applicable tax rate	24.0	24.0	24.0	24.0
Tax effects in respect of:				
Non allowable expenses	2.8	0.5	3.8	0.7
Tax exempt income	(3.2)	(5.8)	(22.1)	(23.8)
(Lower)/Higher tax rates in foreign jurisdiction	(1.2)	1.0	-	-
Effect of different effective tax rate of the joint ventures and associates	(5.7)	(9.5)	-	-
Utilisation of previously unrecognised deferred tax assets	(0.9)	-	-	-
	15.8	10.2	5.7	0.9
(Over)/Under provision in prior years:				
- current tax	(0.2)	(0.2)	0.2	-.*
- deferred tax	0.8	(0.4)	-	-
Average effective tax rate	16.4	9.6	5.9	0.9

* Amount is less than 0.1%.

- (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
2023			
Foreign currency translations	135,363	-	135,363
Fair value gain on cash flow hedge	15,882	-	15,882
Share of other comprehensive gain of joint ventures	79,724	-	79,724
	230,969	-	230,969
2022			
Foreign currency translations	34,653	-	34,653
Fair value gain on cash flow hedge	3,378	-	3,378
Share of other comprehensive gain of a joint venture	114,772	-	114,772
	152,803	-	152,803

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

28. TAX EXPENSE (CONTINUED)

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

Item that may not be reclassified subsequently to profit or loss	Group		
	Before tax RM'000	Tax effect RM'000	After tax RM'000
2023			
Fair value loss on other investment	(6,645)	-	(6,645)
2022			
Fair value loss on other investment	(4,208)	-	(4,208)

29. EARNINGS PER ORDINARY SHARE

(a) Basic

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	
	2023	2022
Profit for the financial year attributable to ordinary equity holders of the parent (RM'000)	510,522	508,005
Weighted average number of ordinary shares in issue ('000)	5,642,573	5,642,502
Basic earnings per ordinary share (sen)	9.05	9.00

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year end attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year end adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS is exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

NOTES TO THE FINANCIAL STATEMENTS

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29. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted (continued)

	Group	
	2023	2022
Profit for the financial year attributable to ordinary equity holders of the parent (RM'000)	510,522	508,005
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,573	5,642,502
Diluted earnings per ordinary share (sen)	9.05	9.00

30. DIVIDENDS

	Group and Company			
	2023		2022	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
Interim cash dividend paid	1.30	73,353	1.30	73,353
Final cash dividend proposed/paid	2.40*	136,000	2.10	118,494
	3.70	209,353	3.40	191,847

The dividend per share is based on ordinary shares.

* The Directors recommended a final cash dividend of 2.40 sen per ordinary share, amounting to approximately RM136,000,000 in respect of the financial year ended 30 June 2023, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the financial year ended 30 June 2023 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 2024.

NOTES TO THE FINANCIAL STATEMENTS

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31. EMPLOYEE BENEFITS

	Group	
	2023 RM'000	2022 RM'000
Salaries, wages, bonuses and allowances	367,687	341,707
Directors' remuneration:		
- emoluments other than fees	26,830	19,973
Defined contribution plans	28,429	25,037
Share options granted under ESOS:		
- Directors	804	1,159
- Other employees	3,936	2,096
Other employee benefits	14,209	13,974
	441,895	403,946

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.

NOTES TO THE FINANCIAL STATEMENTS

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32. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

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

Option price	Number of options over ordinary shares					Exercisable as at 30.6.2023
	Balance as at 1.7.2022	Granted	Retracted*	Exercised	Balance as at 30.6.2023	
RM2.69	28,471,741	-	(2,678,040)	-	25,793,701	13,262,082
RM2.93	42,767,040	-	(3,324,920)	-	39,442,120	13,938,170
RM2.39	23,828,400	-	(1,531,600)	(8,400)	22,288,400	2,218,050
	95,067,181	-	(7,534,560)	(8,400)	87,524,221	29,418,302

* Due to resignation

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:

Average share price at grant date (RM)	2.84 - 3.31
Exercise price (RM)	2.39 - 2.93
Fair value of share options (RM)	0.52 - 0.59
Risk free rate of interest (%)	3.40 - 4.10
Expected dividend yield (%)	1.17 - 1.35
Expected volatility (%)	23.65 - 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
- (iv) DIV Services Sdn. Bhd., DIV Systems Sdn. Bhd. and Dialog Innovation Ventures Sdn. Bhd. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

33. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party transactions

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

	2023 RM'000	2022 RM'000
Group		
Transactions with joint ventures and associates:		
Dividend income	162,705	254,026
Sub-contract works received	74,307	4,713
Company		
Transactions with subsidiaries:		
Dividend income	111,870	375,345
Interest income on advances	29,782	13,737

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.

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

	Group	
	2023 Number (‘000)	2022 Number (‘000)
Balance as at 1 July	12,523	9,827
Granted	-	2,646
Appointed	87	50
Resigned	(74)	-
Balance as at 30 June	12,536	12,523

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 2023 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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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 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 2023 and 30 June 2022.

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 2023 and 30 June 2022 are as follows:

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Borrowings	22	1,662,501	1,864,109	-	17,500
Senior Sukuk Wakalah	21	500,000	500,000	500,000	500,000
Less: Cash and bank balances	18	(1,720,621)	(1,840,307)	(468,857)	(583,181)
Net debt/(Net cash)		441,880	523,802	31,143	(65,681)
Total equity attributable to owners of the parents		5,576,129	5,054,398	2,725,145	2,812,935
Net debt-to-equity ratio		0.08	0.10	0.01	*

* Not required as the Company is in net cash position.

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 2023.

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

NOTES TO THE FINANCIAL STATEMENTS

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34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, cash flow risk and market price 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 RM101,229,000 (2022: RM50,622,000) and RM100,000 (2022: RM368,000) 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.

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	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate RM/FC	Expiry date
30 June 2023				
Euro	98	479	4.89	13.07.2023 - 06.09.2023
Japanese Yen	37,566	1,267	0.0337	30.08.2023 - 19.12.2023
Singapore Dollar	2,453	8,391	3.42	18.07.2023 - 01.09.2023
United States Dollar	2,335	10,592	4.54	05.07.2023 - 19.10.2023

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in New Zealand Dollar (NZD'000)	Average contractual rate FC/NZD	Expiry date
30 June 2023				
Australian Dollar	87	94	0.92	31.07.2023 - 31.08.2023

Group	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Thai Baht (Baht'000)	Average contractual rate Baht/FC	Expiry date
30 June 2023				
Singapore Dollar	748	19,110	25.54	29.12.2023

Group	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in Ringgit Malaysia (RM'000)	Average contractual rate RM/FC	Expiry date
30 June 2022				
Australian Dollar	549	1,674	3.05	01.07.2022 - 05.07.2022
Japanese Yen	938,925	32,735	0.0349	30.08.2022 - 31.01.2023
Singapore Dollar	1,973	6,247	3.17	27.09.2022
United States Dollar	1,970	8,654	4.40	12.07.2022 - 30.09.2022

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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	Contractual amount in Foreign Currency (FC'000)	Equivalent amount in New Zealand Dollar (NZD'000)	Average contractual rate FC/NZD	Expiry date
30 June 2022				
United States Dollar	229	356	0.64	15.07.2022

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 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.

(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 seek 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

Credit risk concentration profile

At the end of each reporting period, the Group has no significant concentration of credit risk. The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting 99% (2022: 99%) of total receivables of the Company in the current financial year. 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.

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted shares outside Malaysia. The instruments are classified as financial assets at fair value through profit or loss and at fair value through other comprehensive income.

To manage its market price risk, the Group manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis for market price risk

Sensitivity analysis for market price risk at the end of the reporting period is not presented as changes in stock indices will not have any significant impact to the financial statements of the Group.

35. CONTINGENT LIABILITIES - UNSECURED

- (a) The Company provides corporate guarantees up to a total amount of RM1,841,575,000 (2022: RM2,257,290,000) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totaled RM1,465,300,000 as at 30 June 2023 (2022: RM1,669,300,000).
- (b) The Company also provided corporate guarantees up to a total amount of RM39,504,900 (2022: RM Nil) to licensed banks for banking facilities granted to certain joint ventures. The amount of the banking facilities utilised by the said subsidiaries totaled RM26,515,000 as at 30 June 2023 (2022: RM Nil).
- (c) In the previous financial year, the Company had provided a sponsor's undertaking to financial institutions for the provision of cash flow deficiency support of up to SGD30,951,000 equivalent to RM98,114,000 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

35. CONTINGENT LIABILITIES - UNSECURED (CONTINUED)

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. had 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 had been dismissed by the courts and TKSb had 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 appealed against this decision at the Federal Court.

The Company and Dialog Pengerang Sdn. Bhd. had filed their respective applications to strike out the Suit. The Federal Court has on 31 October 2022 dismissed TKSb's application for leave to appeal against the decisions.

As at 30 June 2023, the Group and the Company are not engaged in any material litigation and are not aware of any legal proceeding that might materially affect the financial position or business of the Group and the Company.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) In August 2022, the Group completed the acquisition of the entire equity interest in Pan Orient Energy Corp. ("POEC"), for a cash consideration of USD39,200,000 (equivalent to approximately RM174,600,000). Pursuant to that, POEC is now an indirect wholly owned subsidiary of the Company. POEC through its wholly owned subsidiary Pan Orient Petroleum Pte. Ltd, holds 50.01% equity interest in Pan Orient Energy (Siam) Ltd., which is the concessionaire and operator of Concession L53/48, onshore Thailand.
- (b) In December 2022, Dialog (Labuan) Ltd, a wholly owned indirect subsidiary, disposed off its entire 60% equity interest in Dialog Services Saudi Arabia Company Limited ("DSSA"), for a total cash consideration of SAR6,600,000 (equivalent to approximately RM8,050,000). Following the disposal, DSSA ceased to be a subsidiary of the Group.
- (c) In January 2023, Dialog Resources Sdn. Bhd., a wholly-owned subsidiary, signed a Small Field Asset Production Sharing Contract ("BJC SFA PSC") for a 70% participating interest including the operatorship of the Baram Junior Cluster. The BJC SFA PSC was signed with Petroliaam Nasional Berhad and Petroleum Sarawak Exploration and Production ("PSEP"), a wholly-owned subsidiary of Petroleum Sarawak Berhad. PSEP will take on the remaining 30% participating interest.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

38. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSS

38.1 New MFRSSs adopted during the financial year

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

Title	Effective Date
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and the Company.

38.2 New MFRSSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

The following are Standards and Amendments 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
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendment to MFRS 17 Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
<i>Amendments to MFRS 101 Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108 Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 16 Lease liability in a sale and leaseback</i>	1 January 2024
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Amendments to MFRS 101 Non-current Liabilities with Covenants</i>	1 January 2024
<i>Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements</i>	1 January 2024
<i>Amendments to MFRS 112 International Tax Reform - Pillar Two Model Rules</i>	See paragraph 98M of MFRS 112

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

MyKasih Foundation

is a non-profit organisation that provides food aid, health awareness, children's education, financial literacy programmes and skills training programmes to less fortunate Malaysians.



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