

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		3 MONTHS ENDED	
	30/09/2008	30/09/2007	30/09/2008	30/09/2007
	RM'000	RM'000	RM'000	RM'000
Revenue	238,376	183,409	238,376	183,409
Operating expenses	(222,659)	(169,255)	(222,659)	(169,255)
Other operating income	817	1,437	817	1,437
Share of profit of associates	7,590	6,985	7,590	6,985
Finance costs	<u>(207)</u>	<u>(95)</u>	<u>(207)</u>	<u>(95)</u>
Profit before tax	23,917	22,481	23,917	22,481
Tax expense	<u>(3,748)</u>	<u>(3,463)</u>	<u>(3,748)</u>	<u>(3,463)</u>
Net profit for the period	<u>20,169</u>	<u>19,018</u>	<u>20,169</u>	<u>19,018</u>
Attributable to:				
Equity holders of the Company	18,815	16,948	18,815	16,948
Minority interests	<u>1,354</u>	<u>2,070</u>	<u>1,354</u>	<u>2,070</u>
	<u>20,169</u>	<u>19,018</u>	<u>20,169</u>	<u>19,018</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>1.35</u>	<u>1.21</u>	<u>1.35</u>	<u>1.21</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>1.35</u>	<u>1.21</u>	<u>1.35</u>	<u>1.21</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	NOTE	30/09/2008 RM'000	30/06/2008 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		181,748	166,070
Prepaid lease payments for land		27,341	27,514
Intangible assets		6,685	6,474
Investment in associates		107,124	113,023
Other investments		3,294	2,076
Deferred tax assets		4,872	4,810
		<u>331,064</u>	<u>319,967</u>
CURRENT ASSETS			
Inventories		16,022	22,646
Trade and other receivables	A16	264,534	225,242
Tax recoverable		5,277	3,440
Cash and bank balances	A15	100,158	81,821
		<u>385,991</u>	<u>333,149</u>
TOTAL ASSETS		<u>717,055</u>	<u>653,116</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		141,321	141,321
Reserves		268,374	246,526
Treasury shares		(8,657)	(8,576)
		401,038	379,271
Minority interests		<u>25,041</u>	<u>22,149</u>
TOTAL EQUITY		<u>426,079</u>	<u>401,420</u>
NON-CURRENT LIABILITIES			
Borrowings	B9	19,809	16,188
Deferred tax liabilities		2,672	2,032
		<u>22,481</u>	<u>18,220</u>
CURRENT LIABILITIES			
Trade and other payables	A17	238,900	213,777
Borrowings	B9	21,146	10,953
Tax payables		8,449	8,746
		<u>268,495</u>	<u>233,476</u>
TOTAL LIABILITIES		<u>290,976</u>	<u>251,696</u>
TOTAL EQUITY AND LIABILITIES		<u>717,055</u>	<u>653,116</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	Attributable To Equity Holders Of The Parent						Minority interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Balance as at 1 July 2008	141,321	25,043	(8,576)	4,288	217,195	379,271	22,149	401,420
Foreign currency translation	–	–	–	2,209	–	2,209	–	2,209
Income recognised directly in equity	–	–	–	2,209	–	2,209	–	2,209
Net profit for the year	–	–	–	–	18,815	18,815	1,354	20,169
Total recognised income for the period	–	–	–	2,209	18,815	21,024	1,354	22,378
Share options granted under ESOS	–	–	–	824	–	824	–	824
Shares repurchased	–	–	(81)	–	–	(81)	–	(81)
Acquisition of a subsidiary	–	–	–	–	–	–	1,538	1,538
Balance as at 30 September 2008	141,321	25,043	(8,657)	7,321	236,010	401,038	25,041	426,079
Balance as at 1 July 2007	141,321	25,147	(8,129)	926	165,254	324,519	15,931	340,450
Foreign currency translation	–	–	–	876	–	876	–	876
Income recognised directly in equity	–	–	–	876	–	876	–	876
Net profit for the year	–	–	–	–	16,948	16,948	2,070	19,018
Total recognised income for the period	–	–	–	876	16,948	17,824	2,070	19,894
Share options granted under ESOS	–	–	–	343	–	343	–	343
Share issue expenses	–	(6)	–	–	–	(6)	–	(6)
Shares repurchased	–	–	(18)	–	–	(18)	–	(18)
Balance as at 30 September 2007	141,321	25,141	(8,147)	2,145	182,202	342,662	18,001	360,663

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	30/09/2008 RM'000	30/09/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	23,917	22,481
Adjustments for :		
Depreciation and amortisation expenses	4,091	2,587
Share of results of associates	(7,590)	(6,985)
Other non-cash items	1,240	(32)
Interest, dividend income and profit from investing activities	(1)	(208)
Operating profit before working capital changes	21,657	17,843
Changes in working capital :		
Net change in current assets	(31,153)	(54,605)
Net change in current liabilities	24,128	2,354
Cash generated from / (used in) operations	14,632	(34,408)
Dividend and interest received	13,693	13,738
Tax paid	(5,309)	(876)
Tax refund	–	688
Net cash generated from / (used in) operating activities	23,016	(20,858)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	1,829	–
Net change in deposits with licensed bank	(402)	(507)
Payments of prepaid lease for land	–	(38,485)
Proceeds from disposal of portfolio investments	–	370
Proceeds from disposal of property, plant and equipment	119	400
Purchase of other investment	(1,200)	–
Purchase of property, plant and equipment	(14,101)	(4,812)
Net cash used in investing activities	(13,755)	(43,034)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
ENDED 30 SEPTEMBER 2008 (CONT'D)**

	30/09/2008	30/09/2007
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(648)	–
Net proceeds from bank borrowings drawdown	9,214	53,422
Share issue expenses	–	(6)
Shares repurchased	(81)	(18)
	<u>8,485</u>	<u>53,398</u>
Net cash generated from financing activities		
	<u>8,485</u>	<u>53,398</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	17,746	(10,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	79,367	56,051
Effects of exchange rate changes on cash and cash equivalents	190	667
As restated	<u>79,557</u>	<u>56,718</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)	<u>97,303</u>	<u>46,224</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and accompanying explanatory notes attached to the Interim Financial Statements.)

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NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa”) Listing Requirements and should be read in conjunction with the Group’s annual audited financial report for the financial year ended 30 June 2008. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2008.

A2 Auditors’ report of preceding annual audited financial statements

The auditors’ report on preceding year’s audited financial statements was not subject to any qualification.

A3 Seasonal or cyclical factors

The Group’s operations are not affected by seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

A6 Debt and equity securities

During the current financial period, the Company repurchased a total of 80,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM81,139. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A7 Dividends paid**

No dividend has been paid or proposed by the Company since the end of the previous financial year.

A8 Segment information

The Group operates principally in the oil, gas and petrochemical industry in Malaysia and other countries.

Segment information in respect of the Group's geographical segments are as follows :-

	Revenue 3 months ended 30-09-08 RM'000	Profit before tax 3 months ended 30-09-08 RM'000
Malaysia	113,922	8,995
Asia Pacific and other countries	<u>124,454</u>	<u>7,332</u>
	<u>238,376</u>	<u>16,327</u>
Share of profit of associates		<u>7,590</u>
		<u>23,917</u>

A9 Property, plant and equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 2008 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

A11 Changes in the composition of the Group

In September 2008, Infodasia Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 25,500,000 new ordinary shares of RM0.10 each at par in ePetrol Services Sdn. Bhd. ("ePetrol Services") for RM2,550,000 representing a 51% equity interest in the enlarged share capital of ePetrol Services.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A11 Changes in the composition of the Group (Cont'd)**

The acquisition has no material effect on the Group's financial results for the current financial quarter.

The effect on the financial position of the Group at the end of the financial quarter are as follows:

	30-09-08
	RM'000
Property, plant and equipment	(134)
Cash and bank balances	(4,379)
Trade and other payables	821
Minority interests	1,538
Net assets acquired	<u>(2,154)</u>
Goodwill on consolidation	(396)
Total purchase consideration	(2,550)
Cash and bank balances of the subsidiary acquired	<u>4,379</u>
Cash flow on acquisition, net of cash and bank balances acquired	<u>1,829</u>

If the acquisition had occurred on 1 July 2008, the Group's revenue and net profit for the period from 1 July 2008 to 30 September 2008 would have been RM238,376,229 and RM18,966,812 respectively.

Other than above, there were no changes in the composition of the Group during the current quarter ended 30 September 2008.

A12 Commitments

	30-09-08
	RM'000
i) Capital Commitments	
Capital expenditures in respect of property, plant and equipment :	
- contracted but not provided for	12,975
- approved but not contracted for	135,848
	<u>148,823</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	8,192
- later than one year and not later than five years	4,836
- after five years	211
	<u>13,239</u>
b) The Group as lessor	
- not later than one year	317
- later than one year and not later than five years	96
	<u>413</u>
	<u>162,475</u>

INTERIM FINANCIAL REPORT**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A13 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantee up to a total amount of RM373,906,000 (as at 30.06.08: RM379,883,000) to licensed banks for banking facilities granted to certain subsidiary companies. Consequently, the Company is contingently liable for the amount of banking facilities utilised by these subsidiary companies totalling RM147,097,711 (as at 30.06.08: RM113,939,449).

The Company has also given corporate guarantees amounting to RM42,620,000 (as at 30.06.08: RM40,340,000) to third parties for supply of goods and warehouse licenses for certain subsidiary companies. Consequently, the Company is contingently liable for the amount owing by these subsidiary companies to the third parties totalling RM28,088,664 (as at 30.06.08: RM17,526,483).

The Company also provides corporate guarantee amounting to RM 110,000,000 (as at 30.06.08: RM 110,000,000) to a joint venture partner for facilities extended by the joint venture partner to a jointly controlled entity. Consequently, the Company is contingently liable for the outstanding advances totalling RM61,132,500 (as at 30.06.08: RM47,404,500).

A14 Significant related party transactions

	3 months ended 30-09-08 RM'000
Contract revenue from jointly controlled entities	18,118
Contract revenue from an associate	425
Services rendered by a jointly controlled entity	912
Dividend received from an associate	13,500
	<u>13,500</u>

A15 Cash and cash equivalents

	30-09-08 RM'000
Deposits, cash and bank balances	100,158
Less: Deposits pledged to a licensed bank	<u>(2,855)</u>
	<u>97,303</u>

A16 Trade and other receivables

	30-09-08 RM'000
Amount due from customers for contract works	49,083
Trade receivables	182,017
Other receivables, deposits and prepayments	13,638
Amount due from associates	490
Amount due from jointly controlled entities	19,306
	<u>264,534</u>

As at the date of this report, the Group has subsequently collected RM112 million from the trade receivables which represents 61% of its total outstanding balance.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A17 Trade and other payables

	30-09-08
	RM'000
Amount due to customers for contract works	40,082
Trade payables	107,312
Amount due to associates	669
Amount due to a jointly controlled entity	141
Amount due to a shareholder of a jointly controlled entity	64,988
Accrual and other payables	25,708
	<u>238,900</u>

Included in the above amount due to a shareholder of a jointly controlled entity is RM61,132,500, being advance which is secured by the Company's corporate guarantee.

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

B1 Review of performance

The Group posted a 30% growth in revenue to RM238.4 million from RM183.4 million recorded in the corresponding financial quarter last year.

The better performance was mainly attributable to the growth experienced in Specialist Products & Services divisions, both in Malaysia and other regional countries.

In line with the growth in revenue recorded, profit after tax for the current financial quarter increased by 6% to RM20.2 million from RM19.0 million recorded for the same financial quarter last year.

B2 Variation of results against preceding quarter

The Group's profit before tax of RM23.9 million for the current financial quarter was 16% higher compared to RM20.6 million achieved in the preceding financial quarter. The better result was due to higher revenue recorded by all divisions in current financial quarter.

B3 Prospects

Being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group remains focused on the recurring businesses in the plant maintenance and catalyst handling services and the provision of specialist products and services, both locally and overseas. In addition, the Group shall continue to seek opportunities to grow its businesses with long term recurring income through its investments in tank terminal business.

Despite the current global financial crisis and the falling energy prices, and barring any unforeseen circumstances, the Board is confident that the Group's performance will be favorable for the financial year ending 30 June 2009 in view of the term contracts secured for most of our business activities above.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B4 Profit forecast and profit guarantee**

The Group did not announce any profit forecast nor profit guarantee for the current financial quarter.

B5 Taxation

	3 months ended 30-09-08 RM'000
Current tax expense	3,532
Deferred tax income	(118)
Under provision in prior years	334
Total tax expense	<u>3,748</u>

Overall effective tax rate of the Group for the current quarter is lower than the statutory tax rate of 25% due to lower tax rates in certain foreign jurisdictions.

B6 Unquoted investment and properties

There were no disposals of unquoted investment and/or properties during the current financial quarter.

B7 Quoted securities

There were no purchase nor disposal of quoted securities during the current financial quarter.

B8 Status of corporate proposals / contracts

Further to the announcement made on 11 July 2008 relating to the Letters of Award received from Malaysian Refining Company Sdn Bhd (MRC) for Melaka Refinery PSR-2 Revamp Projects, the Projects have commenced and are currently ongoing. The formal contracts are being finalised.

There was no corporate proposal announced but not completed as at the date of this announcement.

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As at 30 September 2008, the Group's secured borrowings are denominated in currency as follows:

	FC'000	RM'000
Short term borrowing:		
Sterling Pound	17	105
Singapore Dollar	1,530	3,703
Thailand Baht	343	38
Ringgit Malaysia	17,300	<u>17,300</u>
		<u>21,146</u>
Long term borrowing:		
Sterling Pound	13	81
Singapore Dollar	2,933	7,097
Thailand Baht	286	31
Ringgit Malaysia	12,600	<u>12,600</u>
		<u>19,809</u>
		<u>40,955</u>

B10 Off balance sheet financial instruments

As at 12 November 2008, the optional forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivables/payables are as follows:

Currency	Contract Amount FC'000	Maturity	Outstanding Contract Amount	
			FC'000	RM'000
USD	151	28.11.08	151	535
USD	345	28.11.08	24	77
SGD	528	28.11.08	528	1,268
EUR	14	02.12.08	14	68
USD	270	03.12.08	270	895
USD	817	10.12.08	817	2,889
GBP	13	15.12.08	13	81
USD	142	15.12.08	142	504
GBP	339	24.12.08	339	2,153
GBP	339	24.12.08	339	2,153

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B10 Off balance sheet financial instruments (Cont'd)**

Currency	Contract	Maturity	Outstanding Contract	
	Amount FC'000		Amount FC'000	RM'000
USD	64	30.12.08	64	227
EUR	140	30.12.08	140	757
USD	140	31.12.08	124	393
USD	121	31.12.08	121	394
USD	21	31.12.08	21	69
GBP	200	05.01.09	100	654
GBP	204	15.01.09	204	1,240
USD	1,152	13.02.09	1,152	4,124
EUR	64	31.03.09	64	328
EUR	21	31.03.09	21	99
SGD	1,120	30.04.09	784	1,858
USD	3,511	01.06.09	3,511	12,428
SGD	301	01.06.09	301	714
SGD	1,028	30.06.09	1,028	2,436
SGD	1,028	09.10.09	1,028	2,437

There is no cash requirement for the above forward foreign exchange contract. These contracts are recognised in the accounts upon settlement.

B11 Material litigation

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

B12 Dividends

A final dividend in respect of the previous financial year of 20% per ordinary share of RM0.10 each, less tax of 26%, amounting to RM20,697,363 has been proposed by the Directors during the current period for shareholders' approval at the forthcoming Annual General Meeting of the Company.

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

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D

B13 Earnings per share

The basic earnings per share for the current quarter is calculated based on profit attributable to the equity holders of the parent of RM18,814,645 and weighted average number of ordinary shares in issue of 1,398,527,730 (previous corresponding period: RM16,948,286 and 1,398,826,317 shares).

The diluted earnings per share for the current quarter is calculated based on profit attributable to the equity holders of the parent of RM18,814,645 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,398,527,730 (previous corresponding period: RM16,948,286 and 1,399,310,015 shares). The adjusted weighted average number of ordinary shares issued and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial period. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between share price and exercise price.

The basic earnings per share and the diluted earnings per share for the financial period are calculated based on the following weighted average number of ordinary shares:

	30-09-08
Weighted average number of ordinary shares in issue	1,398,527,730
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	–
Weighted average number of ordinary shares for diluted earnings per share	<u>1,398,527,730</u>

Date: 18 November 2008