DIALOG GROUP BERHAD
Company No. 178694 – V
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Revenue	268,532	275,570	532,336	584,422
Operating expenses	(233,700)	(248,608)	(467,472)	(530,978)
Other operating income	3,228	1,784	5,518	3,912
Share of results of jointly controlled entities and associates	9,616	8,546	19,483	14,762
Finance costs	(691)	(509)	(1,344)	(984)
Profit before tax	46,985	36,783	88,521	71,134
Income tax expense	(9,239)	(6,494)	(16,744)	(12,825)
Profit for the period	37,746	30,289	71,777	58,309
Profit attributable to:				
Owners of the Company	35,995	28,628	69,089	55,562
Non-controlling interests	1,751	1,661	2,688	2,747
	37,746	30,289	71,777	58,309
Basic earnings per ordinary share of RM0.10 each (sen)	1.84	1.47	3.52	2.85
Diluted earnings per ordinary share of RM0.10 each (sen)	1.83	1.47	3.50	2.85

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Profit for the period	37,746	30,289	71,777	58,309
Other comprehensive income:				
Currency translation difference arising from consolidation	2,477	(2,138)	1,809	(1,487)
Cash flow hedge	(204)	–	(102)	–
Other comprehensive income for the period	2,273	(2,138)	1,707	(1,487)
Total comprehensive income for the period	40,019	28,151	73,484	56,822
Total comprehensive income attributable to:				
Owners of the Company	37,845	26,543	70,063	54,048
Non-controlling interests	2,174	1,608	3,421	2,774
	40,019	28,151	73,484	56,822

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	NOTE	31/12/2010 RM'000	30/06/2010 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		147,915	153,711
Intangible assets		8,433	8,436
Interest in jointly controlled entities	B13	55,600	55,588
Investment in associates		87,270	87,541
Other investments		2,077	2,081
Other asset		335	349
Deferred tax assets		13,989	8,819
		315,619	316,525
CURRENT ASSETS			
Inventories		49,183	20,667
Trade and other receivables	A16	274,713	290,406
Current tax assets		5,974	5,054
Cash and cash equivalents	A17	280,591	261,062
		610,461	577,189
TOTAL ASSETS		926,080	893,714
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		198,852	198,052
Reserves		341,136	298,599
Treasury shares		(24,484)	(19,158)
		515,504	477,493
Non-controlling interests		37,934	34,688
TOTAL EQUITY		553,438	512,181
NON-CURRENT LIABILITIES			
Borrowings	B9	22,086	65,864
Deferred tax liabilities		4,487	6,134
		26,573	71,998
CURRENT LIABILITIES			
Trade and other payables	A18	275,096	287,077
Borrowings	B9	48,023	9,539
Current tax payable		22,950	12,919
		346,069	309,535
TOTAL LIABILITIES		372,642	381,533
TOTAL EQUITY AND LIABILITIES		926,080	893,714

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2010

	Attributable to owners of the Company							
	Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance as at 1 July 2010								
- as previously stated	198,052	2,051	(19,158)	3,155	293,393	477,493	34,688	512,181
- effect of adopting FRS 139	–	–	–	–	(27)	(27)	–	(27)
As restated	198,052	2,051	(19,158)	3,155	293,366	477,466	34,688	512,154
Total comprehensive income for the period	–	–	–	974	69,089	70,063	3,421	73,484
Appropriation:								
Final dividend for FY2010	–	–	–	–	(35,398)	(35,398)	–	(35,398)
Share options granted under ESOS	–	–	–	1,391	–	1,391	116	1,507
Share options exercised	800	9,836	–	(3,271)	–	7,365	(291)	7,074
Share issue expenses	–	(57)	–	–	–	(57)	–	(57)
Shares repurchased	–	–	(5,326)	–	–	(5,326)	–	(5,326)
Balance as at 31 December 2010	198,852	11,830	(24,484)	2,249	327,057	515,504	37,934	553,438
Balance as at 1 July 2009	141,321	25,043	(9,489)	7,873	275,848	440,596	30,816	471,412
Total comprehensive income for the period	–	–	–	(1,514)	55,562	54,048	2,774	56,822
Appropriation:								
Final dividend for FY2009	–	–	–	–	(24,951)	(24,951)	–	(24,951)
Share options granted under ESOS	–	–	–	2,089	–	2,089	–	2,089
Share option exercised	69	711	–	(193)	–	587	(9)	578
Share issue expense	–	(103)	–	–	–	(103)	–	(103)
Shares repurchased	–	–	(15,410)	–	–	(15,410)	–	(15,410)
Special share dividend		(24,877)	24,877	–	–	–	–	–
Balance as at 31 December 2009	141,390	774	(22)	8,255	306,459	456,856	33,581	490,437

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010

	31/12/2010 RM'000	31/12/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	88,521	71,134
Adjustments for :		
Depreciation expenses	8,994	8,472
Share of results of jointly controlled entities and associates	(19,483)	(14,762)
Other non-cash items	979	2,454
Interest income and expense	(1,889)	87
Operating profit before working capital changes	77,122	67,385
Changes in working capital :		
Net change in current assets	(5,310)	(25,468)
Net change in current liabilities	(14,930)	57,131
Cash generated from operations	56,882	99,048
Dividend and interest received	18,817	864
Tax paid	(15,106)	(12,535)
Net cash generated from operating activities	60,593	87,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	–	103
Investment in jointly controlled entity	–	(13,200)
Additional purchase of other investment	–	(33)
Net advances to jointly controlled entities	–	(11,110)
Net change in deposits with licensed banks	333	(131)
Proceeds from disposal of property, plant and equipment	5,264	105
Purchase of property, plant and equipment	(8,896)	(8,439)
Net cash used in investing activities	(3,299)	(32,705)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010 (CONT'D)

	31/12/2010 RM'000	31/12/2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(516)	(952)
Dividend paid	(35,398)	(24,951)
Net (repayment)/drawdown of bank borrowings	(5,395)	17,356
Proceeds from issuances of shares	7,074	578
Share issue expenses	(57)	(103)
Shares repurchased	(5,326)	(15,410)
Net cash used in financing activities	(39,618)	(23,482)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,676	31,190
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	258,075	174,568
Effects of exchange rate changes on cash and cash equivalents	2,185	65
As restated	260,260	174,633
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)	277,936	205,823

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and accompanying explanatory notes attached to the Interim Financial Statements.)

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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2010. 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 2010.

A2 Changes in accounting policies

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2010 except for the adoption of the following new FRSs, IC Interpretations and Amendments to FRSs issued by the MASB that are effective for the Group's financial statements commencing 1 July 2010:-

A2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations

On 1 July 2010, the Group adopted the following:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 127	Consolidated and Separate Financial Statements
FRS 139	Financial Instruments : Recognition and Measurement
Improvements to FRSs (2009)	Amendment to FRS 5, 8, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 131, 134, 136, and 138
Amendments to FRS 1 and FRS 127	First-time adoption of Financial Reporting Standards; and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
Amendments to FRS 2	Share-based Payments
Amendments to FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments : Recognition and Measurement; Financial Instruments : Disclosures; and Reassessment of Embedded Derivatives
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 14	FRS 119 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A2.2 Application of FRSs

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new FRSs, IC Interpretations and Amendments to FRSs are set out below:

a) FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes detail of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

b) FRS 139: Financial Instruments – Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 July 2010.

Financial assets

Under FRS 139, financial assets are classified as financial assets at Fair Value Through Profit or Loss, Loans and Receivables, or Held-To-Maturity investments, or Available-For-Sale financial assets, as appropriate.

The Group's financial assets include cash and deposits with licensed banks, loans and receivables, and other investments.

i) Loans and receivables

Prior to 1 July 2010, loans and receivables were stated at gross receivables less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. Gains and losses arising from derecognition of the loans and receivables, amortisation under the effective interest method and impairment losses are recognised in the income statement.

ii) Other investments

Prior to 1 July 2010, other investments consist of unquoted equity investments and club membership of the Group. These investments are stated at cost less allowance for diminution in value. Under FRS 139, unquoted equity investments are initially measured at fair value plus transaction cost and subsequently measured at cost less impairment. Club membership is not within the scope of FRS 139 and now reclassified as other assets in the statement of financial position.

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A2.2 Application of FRSs (cont'd)

b) FRS 139: Financial Instruments – Recognition and Measurement (cont'd)

Financial liabilities

Under FRS 139, financial liabilities are classified as financial liabilities at Fair Value Through Profit or Loss, or Other Financial Liabilities, as appropriate.

The Group's financial liabilities include trade and other payables, and borrowings, and are carried at amortised cost.

Derivative

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, derivatives are recognised at contract dates when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139.

Impact on opening balances

In accordance with the transitional provisions for first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives are not restated. The effects arising from the adoption of FRS 139 on balances as at 1 July 2010 are as follow:

	Before effects of adopting FRS 139 RM'000	Effect of adopting FRS 139 RM'000	After effects of adopting FRS 139 RM'000
Assets			
Other investments	2,430	(349)	2,081
Other asset	–	349	349
Trade and other receivables	290,406	206	290,612
Liabilities			
Trade and other payables	287,077	233	287,310
Equity			
Retained profits	293,393	(27)	293,366

The adoption of FRS 139 does not have any significant impact on the profit for the financial period.

Other than the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A3 Auditors' report of preceding annual audited financial statements

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

A4 Seasonal or cyclical factors

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

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

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

A6 Material changes in estimates

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

A7 Debt and equity securities

Changes in debt and equity securities during the current financial period were as follows:-

(i) The issued and paid-up share capital has been increased from RM198,052,323 to RM198,852,737 by the allotment of 8,004,140 new ordinary shares of RM0.10 each pertaining to the exercise of 8,004,140 share options under the Employees' Share Option Scheme; and

(ii) The Company repurchased a total of 4,438,300 ordinary shares of RM0.10 each from the open market for a total consideration of RM5,325,801. 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.

A8 Dividends paid

A final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to RM35,398,441 in respect of financial year ended 30 June 2010 was paid on 15 December 2010.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A9 Operating segments

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

	Malaysia RM'000	Asia Pacific Countries RM'000	Other Countries RM'000	Total RM'000
Segment profit	66,764	21,731	26	88,521
Included in the measure of segment profits are:				
Revenue from external customer	270,691	249,839	11,806	532,336
Inter-segment revenue	2,203	7,017	–	9,220
Depreciation	3,089	5,517	388	8,994
Interest expenses	1,145	139	23	1,307
Interest income	3,129	67	–	3,196
Share of profits in jointly controlled entities and associates	19,478	5	–	19,483
Segment assets	605,477	291,166	15,448	912,091
Deferred tax assets				13,989
Total assets				926,080
Included in measure of segment assets are:				
Investment in associates	*84,407*	*2,863*	–	*87,270*
Investment in jointly control entities	*55,425*	*175*	–	*55,600*
Addition to property, plant and equipment	*2,298*	*6,429*	*169*	*8,896*
Segment liabilities	234,955	115,514	17,686	368,155
Deferred tax liabilities				4,487
Total liabilities				372,642

A10 Property, plant and equipment

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

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 31 December 2010 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A12 Changes in the composition of the Group

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

A13 Commitments

	31-12-2010 RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	168,970
- contracted but not provided for	25,484
	194,454
Capital commitments of the Group to jointly control entities in respect of tank terminal business	13,800
Capital commitments in respect of proposed acquisition of a subsidiary	29,403
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	9,314
- later than one year and not later than five years	6,693
- after five years	7,847
	23,854
b) The Group as lessor	
- not later than one year	211
- later than one year and not later than five years	6
	217

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM356,190,000 (as at 30.06.10: RM348,288,569) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM117,653,310 (as at 30.06.10: RM93,720,876).

The Company has also given corporate guarantees amounting to RM38,180,000 (as at 30.06.10: RM40,340,000) to third parties for supply of goods and warehouse licenses for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM19,249,015 (as at 30.06.10: RM20,093,306).

In addition, the Company also provides a Letter of Undertaking to a jointly controlled entity for the provision of cash flow deficiency support up to RM37.4 million (as at 30.06.10: RM37.4 million) for banking facilities secured by a subsidiary company of this jointly controlled entity.

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current period ended 31 December 2010 are set out below. The relationship of the related parties are disclosed in the annual audited financial statements for the financial year ended 30 June 2010 and the approved shareholders' mandate in the circular dated 28 October 2010 for recurrent related party transactions.

	6 months ended 31-12-2010 RM'000
Transactions with associates:	
Subcontracts works received	442
Dividend received	16,800
Transactions with jointly controlled entities:	
Subcontract works received	27,102
Interest receivable	1,138
Commission received	314
Dividend received	957
Retainer fees received	372
Purchases and services received	(690)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,386
Subcontracts works	1,334
Management services	2,062
Provision of intellectual property right	411

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A16 Trade and other receivables

	31-12-2010 RM'000
Amount due from customers for contract works	42,727
Trade receivables	145,269
Other receivables, deposits and prepayments	15,976
Amount due from associates	329
Amount due from jointly controlled entities	70,277
Hedge derivative assets	135
	274,713

As at the date of this report, the Group has subsequently collected RM58.3 million from the trade receivables which represents 40% of its total outstanding balance.

A17 Cash and cash equivalents

	31-12-2010 RM'000
Deposits, cash and bank balances	280,591
Less: Deposits pledged to licensed banks	(2,655)
	277,936

A18 Trade and other payables

	31-12-2010 RM'000
Amount due to customers for contract works	38,048
Trade payables	196,509
Accruals and other payables	39,422
Amount due to an associate	581
Amount due to jointly controlled entities	282
Hedge derivative liabilities	254
	275,096

A19 Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at an Extraordinary General Meeting held on 25 July 2007 and shall be in force for a period of ten years until 29 July 2017.

In compliance with Financial Reporting Standard, FRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM1,506,600 was charged to income statements for the current financial period (FY2010 corresponding period: RM2,089,364).

INTERIM FINANCIAL REPORT

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

B1 Review of performance

The Group's profit after taxation for the current financial quarter of RM37.7 million was 25% higher when compared to the corresponding quarter last year despite the slight 3% drop in revenue. The better result was due to higher contribution from Engineering & Construction and Plant Maintenance activities in Malaysia and Singapore. The Specialist Products and Services for International operation also performed better in the current financial quarter.

In addition, the commencement of operation by Langsat Terminal (One) Sdn Bhd in Tanjung Langsat, Johor in September 2009 for its Phase 1 and in April 2010 for its Phase 2, had also contributed positively to the Group's financial results in the current quarter.

B2 Variation of results against preceding quarter

Profit before tax recorded for the current financial quarter of RM47.0 million was higher by 13% compared to RM41.5 million recorded in the preceding financial quarter. This was due to higher contribution from Engineering & Construction activities in Malaysia and Singapore, and Specialist Products and Services for International operation.

B3 Prospects

For the second half of our FY2011, the Group will continue to grow its core businesses with recurring income, such as, its Specialist Products and Services, and Plant Maintenance Services while at the same time focusing resources on the expansion of the Group's Logistics and Upstream businesses. Our Pengerang Independent Deepwater Terminal had been announced as one of the Entry Point Projects under the Government's National Key Economic Areas for the Economic Transformation Programme. We expect to commence the construction work soon after receiving approvals from all relevant authorities and partners.

We will further strengthen and enhance our fabrication business next quarter upon the completion of the proposed acquisition of Fitzroy Engineering Group Limited, one of the New Zealand's largest heavy fabrication and multi-disciplined engineering company.

The Group will continue to expand its scope and capability for provision of expertise services to the upstream sector of the domestic oil and gas industry. We will continue to expand our geographic footprint and widen our presence in existing markets while penetrating new ones internationally. In line with a strengthening global oil and gas market, we will continue to focus on growing and developing our human capital and talent pool to cater for our rapid expansion.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2011.

B4 Profit forecast and profit guarantee

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

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

B5 Taxation

	3 months ended 31-12-2010 RM'000	6 months ended 31-12-2010 RM'000
Current tax	12,848	23,896
Deferred tax	(3,642)	(7,518)
Under provision in prior year	33	366
Total tax expense	9,239	16,744

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

B6 Unquoted investment and properties

The Group's subsidiary company, Tempo Setara Sdn. Bhd., disposed a piece of leasehold land in Pekan Bukit Kepayang, Negeri Sembilan for a total consideration of RM5,297,297. The disposal was completed during the financial quarter and the Group registered a gain of RM333,005 from the disposal of said leasehold land.

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

B7 Quoted securities

There were neither purchases nor disposal of quoted securities during the current financial period.

B8 Status of corporate proposals / contracts

i) MEMORANDUM OF UNDERSTANDING WITH THE STATE GOVERNMENT OF JOHOR DARUL TA'ZIM AND THE STATE SECRETARY, JOHOR (INCORPORATED), AND VOPAK ASIA PTE. LTD.

The Company had on 8 June 2009 entered into a Memorandum of Understanding ("MOU") with the State Government of Johor Darul Ta'zim ("the Johor State Government") and the State Secretary, Johor (Incorporated) ("S.S.I."). Then on 20 July 2009, the Company had entered into a MOU with Vopak Asia Pte. Ltd., which is part of the Royal Vopak group ("VOPAK"), and the validity of the MOU has been extended to 31 March 2011 via an addendum dated 28 September 2010.

The MOUs are to facilitate the Company together with the Johor State Government, S.S.I. and VOPAK to conduct a feasibility study and an environmental impact assessment with the aim of developing an independent deepwater petroleum terminal with harbor port, jetty and other marine facilities with water depth up to 26 meters capable of handling Ultra Large Crude Carriers, Very Large Crude Carriers and other vessels, and with tankage facilities for the handling, storage, processing and distribution of crude oil, petroleum, petrochemicals and chemical products in Tanjung Ayam and Tanjung Kapal, Pengerang in Johor.

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

B8 Status of corporate proposals / contracts (cont'd)

In October 2010, the State Government of Johor Darul Ta'zim had approved to award DIALOG the exclusivity to develop an independent deepwater petroleum terminal at Pengerang, Johor for a period of 60 years.

The technical part of the feasibility study has been completed and concluded that the site is suitable for reclamation and the construction of the proposed terminal. The environmental impact assessment has been submitted for approval and the final investment decision will be made in first quarter of year 2011, after receiving approvals from all relevant authorities.

ii) AWARD FROM PETRONAS CARIGALI SDN BHD

The Company's wholly owned subsidiary, Dialog E & C Sdn Bhd ("Dialog E & C") had on 4 October 2010 received an award from PETRONAS Carigali Sdn Bhd for the provision of Engineering, Procurement, Construction and Commissioning ("EPCC") of a new condensate tank and associated facilities at Bintulu Crude Oil Terminal ("BCOT Project") with a value of RM60.7 million.

The formal contract has been signed and BCOT Project is currently ongoing.

iii) AWARD FROM ASEAN BINTULU FERTILIZER SDN BHD

Dialog E & C had on 29 December 2010 received an award from Asean Bintulu Fertilizer Sdn Bhd ("ABF") for the provision of EPCC and Associated Works of ABF new cooling tower at Bintulu, Sarawak (Rescue Package) ("the Project") with a value of RM64.6 million.

The formal contract has been signed and the Project is currently ongoing.

There were no other corporate proposals announced but not completed as at the date of this announcement.

B9 Borrowings and debt securities

As at 31 December 2010, the Group's borrowings are denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
Sterling Pound	30	146
Singapore Dollar	638	1,524
Ringgit Malaysia		6,353
Unsecured:		
Ringgit Malaysia		40,000
		48,023
Long term borrowings:		
Secured:		
Singapore Dollar	774	1,849
Ringgit Malaysia		20,237
		22,086
		70,109

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

B10 Derivative financial instruments

With the adoption of FRS 139, financial derivative are recognised on their respective contract dates. The related accounting policies are disclosed in note A2.2 (b) above.

As at 31 December 2010, the Group has the following outstanding forward foreign exchange contract with maturity less than 1 year:

	Contract Value		Fair value – net gains or (losses)
	FC'000	**RM'000**	**RM'000**
Forward foreign exchange contract:			
United States Dollar	6,395	20,192	(85)
Singapore Dollar	1,116	2,675	8
Sterling Pound	105	524	(18)
Euro	52	223	(17)

These forward contracts are to hedge the foreign currency risk associated with its trade receivables, other receivables and trade payables.

There is no change to the credit risk, market risk and liquidity risk associated with the forward foreign exchange contract as disclosed in audited financial statements for financial year ended 30 June 2010.

There is no cash requirement for the above forward foreign exchange contract.

There has been no change by the Group in the policy as disclosed in the audited financial statements for the year ended 30 June 2010, to mitigate or control those risks associated with the above mentioned derivatives.

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

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

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

B13 Advances to a jointly controlled entity

Included in the interest in jointly controlled entities was unsecured advances amounted to RM50.2 million given to a jointly controlled entity. The advances bear interest at rate of 4.5% per annum and not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM53.7 million as at 31 December 2010.

The Company also provided a financial guarantee amounted to RM37.4 million as disclosed in A14.

B14 Retained Profits

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised is as follow:

	As at 31/12/2010 RM'000	**As at 30/09/2010 RM'000**
Total retained profits of the Company & its subsidiaries		
- Realised	322,136	329,760
- Unrealised	5,062	2,676
Total share of retained profits from associates		
- Realised	94,535	86,285
- Unrealised	(22,163)	(22,285)
Total share of retained profits from jointly controlled entities		
- Realised	4,314	3,076
- Unrealised	(1,847)	(1,854)
Total before consolidation adjustments		
- Realised	420,985	419,121
- Unrealised	(18,948)	(21,463)
	402,037	397,658
Less: Consolidation adjustments	(74,980)	(71,198)
Total retained profits as per consolidated accounts	327,057	326,460

The above consolidation adjustments arisen mainly from issuance of bonus shares in FY2010, share of results by non-controlling interests and unrealised profits from E&C works provided to jointly controlled entities.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

INTERIM FINANCIAL REPORT

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

B15 Earnings per share

The basic earnings per share for the current period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares (adjusted for bonus issue for previous corresponding period).

	31-12-2010	**31-12-2009**
Profit for the financial period attributable to owners of the Company (RM)	69,088,981	55,562,211
Weighted average number of ordinary shares in issue	1,960,130,905	1,949,932,618

Diluted earnings per share for the current financial period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue and issuable (adjusted for bonus issue for previous corresponding period). The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial period. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the period and exercise price.

	31-12-2010	**31-12-2009**
Profit for the financial period attributable to owners of the Company (RM)	69,088,981	55,562,211
Weighted average number of ordinary shares in issue	1,960,130,905	1,949,932,618
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise	11,161,669	1,632,998
Weighted average number of ordinary shares for diluted earnings per share	1,971,292,574	1,951,565,616

Date: 16 February 2011