

THIS SHARE BUY-BACK STATEMENT (“STATEMENT”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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DIALOG GROUP BERHAD

(Company Number: 178694-V)
(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT

IN RELATION TO THE

PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIALOG OF ITS OWN ORDINARY SHARES

The Notice of the 20th Annual General Meeting of Dialog Group Berhad to be held at Eastin Hotel, 13, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 November 2008 at 10.00 a.m. together with a Form of Proxy are enclosed in the Annual Report of Dialog Group Berhad for the financial year ended 30 June 2008. The Form of Proxy should be lodged at the registered office of Dialog Group Berhad at 109, Block G, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof, for it to be valid. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Statement is dated 24 October 2008

PROPOSED RENEWAL OF THE AUTHORITY TO ENABLE DIALOG GROUP BERHAD (“DIALOG” OR “THE COMPANY”) TO PURCHASE UP TO 10% OF THE ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF THE COMPANY (“PROPOSED RENEWAL”)

1. INTRODUCTION

The shareholders of Dialog had, at the 19th Annual General Meeting (“AGM”) of the Company held on 21 November 2007, approved the renewal of the authority to enable the Company to purchase and/or hold up to ten percent (10%) of its own issued and paid-up ordinary share capital. The said renewal became effective immediately upon its approval by shareholders at the last AGM of the Company and shall expire at the conclusion of the forthcoming 20th AGM of the Company, unless renewed by shareholders.

On 18 September 2008, the Company announced that it proposes to seek its shareholders’ approval for the Proposed Renewal at the 20th AGM to be convened on 19 November 2008.

The purpose of this Statement is to provide you with the relevant information on the Proposed Renewal and to seek your approval for the ordinary resolution pertaining to the Proposed Renewal to be tabled as a Special Business at the forthcoming AGM of the Company to be convened on 19 November 2008.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL.

2. DETAILS OF THE PROPOSED RENEWAL

- 2.1 The Company proposes to seek from its shareholders a renewal of the authority to purchase and/or hold up to ten percent (10%) of its own issued and paid-up ordinary shares (“Dialog Shares” or “Shares”) on Bursa Malaysia Securities Berhad (“Bursa Malaysia”), through up to two stockbrokers, at any point in time during the authorised period (as explained below).

The authority from shareholders for the Proposed Renewal will be effective immediately upon the passing of the ordinary resolution pertaining to the Proposed Renewal at the forthcoming AGM until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting.

- 2.2 Paragraph 12.10(1) of the Listing Requirements of Bursa Malaysia (“Listing Requirements”) stipulates that purchases of own shares must be made out of retained profits and/or share premium account of the listed company. The Board of Directors of Dialog (“Board”) proposes to allocate an amount of up to the retained profits and share premium account of the Company for the purchase of its own ordinary shares, subject to compliance with Section 67A of the Companies Act, 1965 (“Act”) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase (“Prevailing Laws”), including compliance with the twenty-five percent (25%) public shareholding spread as required by the Listing Requirements. The retained profits and share premium account of the Company were RM36,554,834 and RM25,043,198 respectively based on the latest audited financial statements as at 30 June 2008.

- 2.3 Section 67A of the Act allows the Company to cancel the purchased Shares or to hold the purchased Shares as treasury shares or a combination of both. The purchased Shares held as treasury shares may either be distributed to the shareholders of the Company as share dividends, resold on Bursa Malaysia in accordance with the relevant rules of Bursa Malaysia, or subsequently cancelled. The decision whether to retain the purchased Shares and/or to resell the treasury shares and/or to distribute them as share dividends and/or to cancel them will be made by the Board at the appropriate time. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits and/or share premium account of the Company subject to applicable Prevailing Laws.

While the purchased Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number of percentage of shares or of a

class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

- 2.4 Pursuant to the provisions of Paragraph 12.18 of the Listing Requirements, the Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above the weighted average market price (“WAMP”) of Dialog Shares for the past five (5) market days immediately preceding the date of the purchase.

Pursuant to the provisions of Paragraph 12.19 of the Listing Requirements, the Company may only resell the purchased Shares held as treasury shares at a price which is:-

- a) not less than the WAMP of Dialog Shares for the past five (5) market days immediately preceding the date of resale; or
 - b) not less than five percent (5%) below the WAMP of Dialog Shares for the past five (5) market days immediately prior to the resale provided that:-
 - (i) the resale takes place no earlier than 30 days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the Shares being sold.
- 2.5 The Proposed Renewal will allow the Board to exercise the power of the Company to purchase its own Shares at any time within the above-mentioned time period using the internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the availability of funds, actual number of Dialog Shares to be purchased and other cost factors. The actual number of Dialog Shares to be purchased depends upon the market conditions and sentiments on Bursa Malaysia as well as the retained profits and share premium account and financial resources available to the Company. The treatment of the purchased Shares held as treasury shares, either distributed as share dividends or resold by the Company on Bursa Malaysia, or both, will in turn depend on the availability of, amongst others, retained profits, share premium account and tax credit (in relation to Section 108 tax credit of the Income Tax Act, 1967) of the Company.

In the event the Company purchases and holds its own Shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of Dialog Group.

3. RATIONALE FOR THE PROPOSED RENEWAL

The Proposed Renewal, if implemented, is expected to benefit Dialog and its shareholders as follows:-

- (i) The Group is able to utilise its surplus financial resources which is not immediately required for other uses to purchase its own Shares from the market. This may stabilise the supply and demand of Dialog Shares traded on Bursa Malaysia and thereby support the fundamental value of Dialog Shares;
- (ii) Irrespective of whether Dialog Shares purchased are retained as treasury shares or are subsequently cancelled, the earnings per share of Dialog may be strengthened, and if so, shareholders of Dialog may enjoy an increase in the value of their investment in Dialog; and
- (iii) The Dialog Shares purchased can be kept as treasury shares and resold on Bursa Malaysia at a higher price with the intention of realising potential capital gains without affecting the total issued and paid-up ordinary share capital. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

The Company has implemented a share buy-back scheme since 2005. Under the share buy-back scheme, Dialog has distributed treasury shares to shareholders as share dividends for the financial year ended 30 June 2006 and intends to continue to distribute share dividends to its shareholders in the future.

5.2 Directors' and Substantial Shareholders' Shareholdings

The effects of the full implementation of the Proposed Renewal on the directors' and substantial shareholders' shareholdings based on the Registers of Director's Shareholdings and Substantial Shareholders' Shareholdings, respectively as at 30 September 2008 are as follows:

Directors' Shareholdings	Number of Dialog Shares Held											
	Before the Proposed Renewal						After the Proposed Renewal					
	Direct	% ^(a)	Indirect	% ^(a)	Indirect	% ^(a)	Direct	%	Indirect	%	Direct	%
Ngau Boon Keat	12,657,524 ^(a)	0.91	366,203,176 ^(b)	26.19	13,232,524 ^(a)	1.03	366,210,176 ^(b)	28.63	12,657,524 ^(a)	1.00	366,203,176 ^(b)	28.79
Chan Yew Kai	2,781,243 ^(a)	0.20	-	-	3,119,243 ^(a)	0.24	-	-	2,781,243 ^(a)	0.22	-	-
Dato' Mohamed Zakri Bin Abdul Rashid	908,467 ^(a)	0.06	185,068 ^(c)	0.01	908,467 ^(a)	0.07	185,068 ^(c)	0.01	908,467 ^(a)	0.07	185,068 ^(c)	0.01
Dr Junid Bin Abu Saham	2,199,273 ^(a)	0.16	55,000 ^(d)	0.00	2,199,273 ^(a)	0.17	55,000 ^(d)	0.00	2,199,273 ^(a)	0.17	55,000 ^(d)	0.00
Tan Sri Dato' Seri Megat Najmuddin Bin Datuk Seri Dr Haji Megat Khas	-	-	-	-	-	-	-	-	-	-	-	-
Chew Eng Kar	725,000 ^(a)	0.05	2,528,722 ^(e)	0.18	1,008,000 ^(a)	0.08	2,528,722 ^(e)	0.20	725,000 ^(a)	0.06	2,528,722 ^(e)	0.20
Siti Khairon Bt Shariff	-	-	-	-	-	-	-	-	-	-	-	-
Zainab Binti Mohd Salleh	761,120 ^(a)	0.05	-	-	972,120 ^(a)	0.08	-	-	761,120 ^(a)	0.06	-	-
Ho Kam Yong	1,057,996 ^(a)	0.08	5,674,278 ^(f)	0.41	1,265,996 ^(a)	0.10	5,681,278 ^(f)	0.44	1,057,996 ^(a)	0.08	5,674,278 ^(f)	0.45

Substantial Shareholders' Shareholdings	Number of Dialog Shares Held											
	Before the Proposed Renewal					After the Proposed Renewal						
	Scenario 1			Scenario 2			Scenario 1			Scenario 2		
	Direct	% ^(e)	Indirect	% ^(e)	Direct	%	Indirect	%	Direct	%	Indirect	%
Employees Provident Fund Board	212,131,256 ^(a)	15.17	-	-	212,131,256 ^(a)	16.58	-	-	212,131,256 ^(a)	16.68	-	-
Wide Synergy Sdn Bhd	161,950,704 ^(b)	11.58	-	-	161,950,704 ^(b)	12.66	-	-	161,950,704 ^(b)	12.73	-	-
Azam Utama Sdn Bhd	137,217,028 ^(a)	9.81	-	-	137,217,028 ^(a)	10.73	-	-	137,217,028 ^(a)	10.79	-	-
Ngau Boon Keat	12,657,524 ^(b)	0.91	366,203,176 ^(b)	26.19	13,232,524 ^(a)	1.03	366,210,176 ^(b)	28.63	12,657,524 ^(a)	1.00	366,203,176 ^(b)	28.79

Notes:

- (a) Shares are held in own name and/or nominee account(s).
- (b) Deemed interested by virtue of his interest in Wide Synergy Sdn Bhd, Azam Utama Sdn Bhd, GMC Sdn Bhd and Dialog Holdings Pte Ltd and interest held by his spouse and children.
- (c) Deemed interested by virtue of his spouse's interest.
- (d) Deemed interested by virtue of his son's interest.
- (e) Deemed interested by virtue of his interest in CEKinyst Sdn Bhd.
- (f) Deemed interested by virtue of her interest in Original Creations Sdn Bhd and interest held by her spouse.
- (g) Excluding a total of 14,739,593 Dialog Shares purchased and retained as treasury shares as at 30 September 2008.

5.3 Net Assets

The effects of the Proposed Renewal on the net assets (“NA”) per share of Dialog Group is dependent on the number of Shares purchased and the purchase price of these Shares.

The Proposed Renewal will reduce the NA per share of Dialog Group when the purchase price exceeds the NA per share of Dialog Group at the relevant point in time. On the contrary, the NA per share of Dialog Group will increase when the purchase price is less than the NA per share of Dialog Group at the relevant point in time.

In the case where the purchased Shares are treated as treasury shares and subsequently resold on Bursa Malaysia, the NA per share of Dialog Group will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as share dividends, the NA of Dialog Group will decrease by the cost of the treasury shares.

5.4 Working Capital

The implementation of the Proposed Renewal will reduce the working capital of Dialog Group, the quantum of which depends on, amongst others, the number of Shares eventually purchased and the purchase price of these Shares.

For Dialog Shares so purchased which are retained as treasury shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in working capital depends upon the actual selling price of the treasury shares and the number of treasury shares sold.

5.5 Earnings

The effects of the Proposed Renewal on the earnings per share of the Group are dependent on the purchase price of Dialog Shares and the effective funding cost or loss in interest income to the Group, whilst the purchase of Dialog Shares will result in a lower number of shares being taken into account for purposes of earnings per share computation.

5.6 Public Shareholding Spread

The existing public shareholding spread of the Company as at 30 September 2008 and the resulting public shareholding spread of the Company assuming the Company purchases ten percent (10%) of its own issued and paid-up ordinary share capital are as follows:

	As at 30 September 2008	After the Proposed Renewal	
		Scenario 1	Scenario 2
Public Shareholding Spread	54.35%	45.43%	45.39%

The Board is mindful of the requirement to maintain the public shareholding spread of at least twenty-five percent (25%) and will continue to be mindful of the requirement when making purchases of any Dialog Shares pursuant to the Proposed Renewal.

5.7 Dividends

Assuming the Proposed Renewal is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Renewal will have the effect of increasing the dividend rate of the Company as a result of the suspension of the rights of treasury shares to dividend entitlement or the reduction in the issued and paid-up ordinary share capital of the Company in the event of the treasury shares being cancelled.

For the financial year ended 30 June 2008, the Company paid an interim dividend of 11% (less income tax), and recommended a final dividend of 20% (less income tax) as announced on 21 August 2008. The recommended final dividend is subject to shareholders’ approval at the Company’s forthcoming AGM.

6. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998 (“THE CODE”)

The Proposed Renewal is not expected to trigger any obligation to undertake a mandatory general offer under the Code as a result of its full implementation.

7. APPROVALS REQUIRED

The Proposed Renewal is conditional upon the approval from the shareholders of Dialog at the forthcoming AGM.

8. PURCHASE, RESALE AND CANCELLATION OF DIALOG SHARES MADE IN THE FINANCIAL YEAR ENDED 30 JUNE 2008

For the financial year ended 30 June 2008, the Company purchased a total of 280,000 of its own Shares from the open market. The number of Shares purchased and retained as treasury shares as at 30 June 2008 was 14,659,593.

There were neither any resale nor any cancellation of treasury shares by the Company in the financial year ended 30 June 2008. Further information on the purchase of Dialog Shares by the Company is set out in the “Schedule of Share Buy-Back” on page 33 of Annual Report 2008.

9. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Save for the inadvertent increase in percentage of shareholding and/or voting rights of shareholders of the Company as a result of the Proposed Renewal, none of the directors, substantial shareholders of Dialog and/or persons connected to them have any interest, direct or indirect, in the Proposed Renewal or the resale of treasury shares.

10. DIRECTORS’ RECOMMENDATION

After careful consideration, your Board is of the opinion that the Proposed Renewal is in the best interest of the Company. Accordingly, your Board recommends that you vote in favour of the ordinary resolution for the Proposed Renewal to be tabled at the forthcoming AGM.