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**INTERIM FINANCIAL REPORT**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010**

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
<b>Revenue</b>	263,804	308,852	263,804	308,852
Operating expenses	(233,772)	(282,370)	(233,772)	(282,370)
Other operating income	2,290	2,128	2,290	2,128
Share of results of jointly controlled entities and associates	9,867	6,216	9,867	6,216
Finance costs	(653)	(475)	(653)	(475)
<b>Profit before tax</b>	41,536	34,351	41,536	34,351
Income tax expense	(7,505)	(6,330)	(7,505)	(6,330)
<b>Profit for the period</b>	<u>34,031</u>	<u>28,021</u>	<u>34,031</u>	<u>28,021</u>
<b>Profit attributable to:</b>				
Owners of the Company	33,094	26,935	33,094	26,935
Non-controlling interests	937	1,086	937	1,086
	<u>34,031</u>	<u>28,021</u>	<u>34,031</u>	<u>28,021</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>1.69</u>	<u>1.38</u>	<u>1.69</u>	<u>1.38</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>1.68</u>	<u>1.38</u>	<u>1.68</u>	<u>1.38</u>

*(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.)*

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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 SEPTEMBER 2010**

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
<b>Profit for the period</b>	34,031	28,021	34,031	28,021
<b>Other comprehensive income:</b>				
Currency translation difference arising from consolidation	(668)	651	(668)	651
Cash flow hedge	102	–	102	–
<b>Other comprehensive income for the period</b>	(566)	651	(566)	651
<b>Total comprehensive income for the period</b>	33,465	28,672	33,465	28,672
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	32,218	27,506	32,218	27,506
Non-controlling interests	1,247	1,166	1,247	1,166
	33,465	28,672	33,465	28,672

*(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.)*

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT  
30 SEPTEMBER 2010**

	NOTE	30/09/2010 RM'000	30/06/2010 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		150,889	153,711
Intangible assets		8,451	8,436
Investment in jointly controlled entities		56,426	55,588
Investment in associates		78,851	87,541
Other investments		2,072	2,081
Other asset		330	349
Deferred tax assets		9,981	8,819
		<u>307,000</u>	<u>316,525</u>
<b>CURRENT ASSETS</b>			
Inventories		29,546	20,667
Trade and other receivables	A16	296,014	290,406
Current tax assets		4,579	5,054
Cash and cash equivalents	A17	270,239	261,062
		<u>600,378</u>	<u>577,189</u>
<b>TOTAL ASSETS</b>		<u><u>907,378</u></u>	<u><u>893,714</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		198,053	198,052
Reserves		331,549	298,599
Treasury shares		(22,488)	(19,158)
		507,114	477,493
Non-controlling interests		35,935	34,688
<b>TOTAL EQUITY</b>		<u>543,049</u>	<u>512,181</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B9	24,043	65,864
Deferred tax liabilities		4,103	6,134
		<u>28,146</u>	<u>71,998</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A18	263,175	287,077
Borrowings	B9	55,266	9,539
Current tax payable		17,742	12,919
		<u>336,183</u>	<u>309,535</u>
<b>TOTAL LIABILITIES</b>		<u>364,329</u>	<u>381,533</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>907,378</u></u>	<u><u>893,714</u></u>

*(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.)*

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
<b>Balance as at 1 July 2010</b>								
- 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	–	–	–	(876)	33,094	32,218	1,247	33,465
Share options granted under ESOS	–	–	–	753	–	753	–	753
Share options exercised	1	9	–	(3)	–	7	–	7
Shares repurchased	–	–	(3,330)	–	–	(3,330)	–	(3,330)
<b>Balance as at 30 September 2010</b>	<u>198,053</u>	<u>2,060</u>	<u>(22,488)</u>	<u>3,029</u>	<u>326,460</u>	<u>507,114</u>	<u>35,935</u>	<u>543,049</u>
<b>Balance as at 1 July 2009</b>	141,321	25,043	(9,489)	7,873	275,848	440,596	30,816	471,412
Total comprehensive income for the period	–	–	–	571	26,935	27,506	1,166	28,672
Share options granted under ESOS	–	–	–	1,045	–	1,045	–	1,045
Share option exercised	3	20	–	(6)	–	17	–	17
Share issue expense	–	(10)	–	–	–	(10)	–	(10)
Shares repurchased	–	–	(7,290)	–	–	(7,290)	–	(7,290)
Acquisition of a subsidiary	–	–	–	–	–	–	(18)	(18)
<b>Balance as at 30 September 2009</b>	<u>141,324</u>	<u>25,053</u>	<u>(16,779)</u>	<u>9,483</u>	<u>302,783</u>	<u>461,864</u>	<u>31,964</u>	<u>493,828</u>

*(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.)*

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2010**

	<b>30/09/2010</b>	<b>30/09/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	41,536	34,351
Adjustments for :		
Depreciation expenses	4,387	4,208
Share of results of jointly controlled entities and associates	(9,867)	(6,216)
Other non-cash items	539	775
Interest income and expense	(644)	69
	35,951	33,187
Operating profit before working capital changes		
Changes in working capital :		
Net change in current assets	(12,138)	(26,380)
Net change in current liabilities	(24,855)	33,108
	(1,042)	39,915
<b>Cash (used in) / generated from operations</b>		
Dividend and interest received	17,889	393
Tax paid	(5,894)	(4,936)
	10,953	35,372
<b>Net cash generated from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	–	103
Investment in jointly controlled entity	–	(9,401)
Net change in deposits with licensed banks	(60)	(163)
Proceeds from disposal of property, plant and equipment	47	53
Net purchase of property, plant and equipment	(2,837)	(2,175)
	(2,850)	(11,583)
<b>Net cash used in investing activities</b>		

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**INTERIM FINANCIAL REPORT**

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (CONT'D)**

	<b>30/09/2010</b>	<b>30/09/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(265)	(463)
Net bank borrowings	3,873	9,729
Proceeds from issuances of shares	7	17
Share issue expenses	–	(10)
Shares repurchased	(3,330)	(7,290)
	<u>285</u>	<u>1,983</u>
<b>Net cash generated from financing activities</b>	<b>285</b>	<b>1,983</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,388</b>	<b>25,772</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	258,075	174,568
Effects of exchange rate changes on cash and cash equivalents	729	335
As restated	<u>258,804</u>	<u>174,903</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> <b>(Note A17)</b>	<u>267,192</u>	<u>200,675</u>

*(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.)*

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**INTERIM FINANCIAL REPORT**

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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 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

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## INTERIM FINANCIAL REPORT

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### 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.



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**INTERIM FINANCIAL REPORT**

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**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
<b>Assets</b>			
Other investments	2,430	(349)	2,081
Other asset	–	349	349
Trade and other receivables	290,406	206	290,612
<b>Liabilities</b>			
Trade and other payables	287,077	233	287,310
<b>Equity</b>			
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.

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**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 RM198,053,107 by the allotment of 7,840 new ordinary shares of RM0.10 each pertaining to the exercise of 7,840 share options under the Employees' Share Option Scheme; and
- (ii) The Company repurchased a total of 3,100,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM3,330,255. 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 year.

**A8 Dividends paid**

No dividend has been paid by the Company for the current financial period since the end of the previous financial year.

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**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.

	<b>Malaysia RM'000</b>	<b>Asia Pacific Countries RM'000</b>	<b>Other Countries RM'000</b>	<b>Total RM'000</b>
<b>Segment profit</b>	34,442	6,494	600	41,536
Included in the measure of segment profits are:				
Revenue from external customer	141,935	110,493	11,376	263,804
Inter-segment revenue	1,043	2,663	–	3,706
Depreciation	1,490	2,696	201	4,387
Interest expenses	570	72	11	653
Interest income	1,267	29	–	1,296
Share of profits in jointly controlled entities and associates	9,861	6	–	9,867
<b>Segment assets</b>	610,559	272,928	13,910	897,397
Deferred tax assets				9,981
<b>Total assets</b>				<u>907,378</u>
Included in measure of segment assets are:				
Investment in associates	76,035	2,816	–	78,851
Investment in jointly control entities	56,254	172	–	56,426
Addition to property, plant and equipment	931	1,775	131	2,837
<b>Segment liabilities</b>	237,384	105,373	17,469	360,226
Deferred tax liabilities				4,103
<b>Total liabilities</b>				<u>364,329</u>

**A10 Property, plant and equipment**

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

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**INTERIM FINANCIAL REPORT**

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**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 30 September 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****30-09-2010  
RM'000**

## i) Capital commitments

Capital expenditure in respect of property, plant and equipment :

- approved but not contracted for	190,834
- contracted but not provided for	7,042
	<u>197,876</u>

Capital commitments of the Group to jointly control entities in respect of tank terminal business

13,800

## ii) Operating lease commitments

## a) The Group as lessee

- not later than one year	10,220
- later than one year and not later than five years	8,462
- after five years	7,981
	<u>26,663</u>

## b) The Group as lessor

- not later than one year	368
- later than one year and not later than five years	26
	<u>394</u>

**A14 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantees up to a total amount of RM354,618,000 (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 RM147,948,388 (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 RM23,290,748 (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.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A15 Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the current period ended 30 September 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 26 October 2009 for recurrent related party transactions.

	<b>3 months ended 30-09-2010 RM'000</b>
Transactions with associates:	
Subcontracts works received	177
Dividend received	16,800
Transactions with jointly controlled entities:	
Subcontract works received	14,518
Interest receivable	569
Commission received	255
Dividend received	957
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	612
Subcontracts works	1,092
Management services	455
Provision of intellectual property right	108

**A16 Trade and other receivables**

	<b>30-09-2010 RM'000</b>
Amount due from customers for contract works	51,427
Trade receivables	186,174
Other receivables, deposits and prepayments	13,199
Amount due from associates	472
Amount due from jointly controlled entities	44,300
Hedge derivative assets	442
	<u>296,014</u>

As at the date of this report, the Group has subsequently collected RM64.8 million from the trade receivables which represents 35% of its total outstanding balance.

**A17 Cash and cash equivalents**

	<b>30-09-2010 RM'000</b>
Deposits, cash and bank balances	270,239
Less: Deposits pledged to licensed banks	(3,047)
	<u>267,192</u>

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A18 Trade and other payables**

	<b>30-09-2010</b>
	<b>RM'000</b>
Amount due to customers for contract works	36,144
Trade payables	183,024
Accruals and other payables	43,069
Amount due to an associate	581
Amount due to jointly controlled entities	117
Hedge derivative liabilities	240
	<hr/>
	<b>263,175</b>

**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 RM753,300 was charged to income statements for the current financial period (FY2010 corresponding period: RM1,044,682).

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1 Review of performance**

The Group's revenue for the current quarter of RM263.8 million was down by 15% compared to the same period last year. Lower revenue was recorded for both Malaysia and Asia Pacific countries mainly due to completion of major engineering & construction projects in the last financial year.

The Group's profit after tax for the current quarter improved by 21% to RM34.0 million from RM28.0 million recorded in the same period last year. The better result was contributed mainly by the plant maintenance division which saw significant work performed and completed in current quarter both in Malaysia and Singapore. 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**

There was no material variance on the Group's result for the current financial quarter as compared to the preceding quarter.

**B3 Prospects**

Being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group will continue to grow its core businesses with recurring income, such as, its specialist products and services, and plant maintenance services. The Group plans to further expand its logistics (petroleum terminals and supply base) businesses. In addition, the Group is expanding its scope to venture into the provision of upstream oil and gas expertise services initially for the domestic market. With the forecast increase in global oil demand, particularly more from the Asian region, the Group will continue to strengthen its human capital growth and focus on attracting talents to cater for its expansion. It plans to further expand its geographic footprint and widen its presence in existing markets while penetrating new ones internationally.

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.

**B5 Taxation**

	<b>3 months ended 30-09-2010 RM'000</b>
Current tax	11,048
Deferred tax	(3,876)
Under provision in prior year	333
Total tax expense	<u>7,505</u>

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.

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**INTERIM FINANCIAL REPORT**

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

**B6 Unquoted investment and properties**

There were no 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.

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 had on 4 October 2010 received an award from PETRONAS Carigali Sdn Bhd for the provision of Engineering, Procurement, Construction and Commissioning of a new condensate tank and associated facilities at Bintulu Crude Oil Terminal with a value of RM60,663,081.

The project is currently ongoing and the formal contract is being finalised

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



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**INTERIM FINANCIAL REPORT**

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B9 Borrowings and debt securities**

As at 30 September 2010, the Group's secured borrowings are denominated in the following currencies:

	<b>FC'000</b>	<b>RM'000</b>
Short term borrowings:		
Sterling Pound	365	1,757
Singapore Dollar	724	1,701
Ringgit Malaysia	51,808	<u>51,808</u>
		<u>55,266</u>
Long term borrowings:		
Singapore Dollar	912	2,143
Ringgit Malaysia	21,900	<u>21,900</u>
		<u>24,043</u>
		<u>79,309</u>

**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 30 September 2010, the Group has the following outstanding forward foreign exchange contract with maturity less than 1 year:

	<b>Contract Value</b>		<b>Fair value – net gains or (losses)</b>
	<b>FC'000</b>	<b>RM'000</b>	<b>RM'000</b>
Forward foreign exchange contract:			
Sterling Pound	524	2,668	(58)
United States Dollar	2,314	7,380	135

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.

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

During the current financial period, the Board recommends a final single tier dividend of 18% per ordinary share of RM0.10 each in respect of the previous financial year for approval of the shareholders at the forthcoming Annual General Meeting. Subject to the approval, the entitlements of the final dividend will be determined based on the shareholders registered in the record of depositors as at 30 November 2010 and the date of payment will be on 15 December 2010.

**B13 Advances to a jointly controlled entity**

The aggregate amounts of advances and financial guarantee provided to a jointly controlled entity are as follow:

	<b>Advances RM'000</b>	<b>Financial guarantee RM'000</b>	<b>Total RM'000</b>
Balance as at 1 July 2010	52,579	37,400	89,979
Interest receivable	569	–	569
Balance as at 30 September 2010	<u>53,148</u>	<u>37,400</u>	<u>90,548</u>

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**INTERIM FINANCIAL REPORT**

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B14 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).

	<b>30-09-2010</b>	<b>30-09-2009</b>
Profit for the financial period attributable to owners of the Company (RM)	<u>33,094,242</u>	<u>26,934,536</u>
Weighted average number of ordinary shares in issue	<u>1,960,191,454</u>	<u>1,954,175,801</u>

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.

	<b>30-09-2010</b>	<b>30-09-2009</b>
Profit for the financial period attributable to owners of the Company (RM)	<u>33,094,242</u>	<u>26,934,536</u>
Weighted average number of ordinary shares in issue	1,960,191,454	1,954,175,801
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise	<u>5,584,539</u>	<u>1,546,278</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,965,775,993</u>	<u>1,955,722,079</u>

Date: 22 November 2010