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**INTERIM FINANCIAL REPORT**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	358,620	268,532	713,858	532,336
Operating expenses	(322,138)	(233,700)	(639,690)	(467,472)
Other operating income	3,093	3,228	6,406	5,518
Share of results of jointly controlled entities and associates	13,122	9,616	26,501	19,483
Finance costs	(1,021)	(691)	(1,993)	(1,344)
<b>Profit before tax</b>	51,676	46,985	105,082	88,521
Income tax expense	(9,662)	(9,239)	(19,600)	(16,744)
<b>Profit for the period</b>	42,014	37,746	85,482	71,777
<b>Profit attributable to:</b>				
Owners of the Company	41,452	35,995	85,994	69,089
Non-controlling interests	562	1,751	(512)	2,688
	42,014	37,746	85,482	71,777
Basic earnings per ordinary share of RM0.10 each (sen)	2.10	1.84	4.35	3.52
Diluted earnings per ordinary share of RM0.10 each (sen)	2.08	1.83	4.31	3.50

*(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 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 31 DECEMBER 2011**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period (Note B16)</b>	42,014	37,746	85,482	71,777
<b>Other comprehensive income:</b>				
Foreign currency translations	(2,635)	2,477	5,339	1,809
Cash flow hedge	(45)	(204)	(76)	(102)
Fair value of other investments	(239)	–	(239)	–
<b>Other comprehensive income for the period</b>	(2,919)	2,273	5,024	1,707
<b>Total comprehensive income for the period</b>	<u>39,095</u>	<u>40,019</u>	<u>90,506</u>	<u>73,484</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	38,936	37,845	91,527	70,063
Non-controlling interests	159	2,174	(1,021)	3,421
	<u>39,095</u>	<u>40,019</u>	<u>90,506</u>	<u>73,484</u>

*(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT  
31 DECEMBER 2011**

	NOTE	31/12/2011 RM'000	30/06/2011 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		270,635	223,718
Intangible assets		36,227	33,631
Interest in jointly controlled entities	B11	147,549	66,870
Investment in associates		77,623	81,092
Other investments		5,447	2,414
Deferred tax assets		13,368	13,887
		550,849	421,612
<b>CURRENT ASSETS</b>			
Inventories		36,485	65,091
Trade and other receivables	A16	378,861	313,080
Current tax assets		4,818	3,258
Cash and cash equivalents	A17	280,461	278,463
		700,625	659,892
<b>TOTAL ASSETS</b>		<u>1,251,474</u>	<u>1,081,504</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		200,612	199,582
Treasury shares		(24,819)	(24,589)
Reserves		477,945	408,119
		653,738	583,112
Non-controlling interests		39,648	36,800
<b>TOTAL EQUITY</b>		<u>693,386</u>	<u>619,912</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B7	174,107	58,421
Deferred tax liabilities		3,373	3,931
		177,480	62,352
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A18	308,306	327,842
Borrowings	B7	55,013	51,629
Current tax payable		17,289	19,769
		380,608	399,240
<b>TOTAL LIABILITIES</b>		<u>558,088</u>	<u>461,592</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,251,474</u>	<u>1,081,504</u>

*(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2011 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 31 DECEMBER 2011**

	← Attributable to owners of the Company →							
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<b>Balance as at 1 July 2011</b>	199,582	(24,589)	21,503	5,829	380,787	583,112	36,800	619,912
Total comprehensive income for the period	–	–	–	5,533	85,994	91,527	(1,021)	90,506
Appropriation :								
Final dividend for FY2011	–	–	–	–	(35,691)	(35,691)	–	(35,691)
Share options granted under ESOS	–	–	–	5,812	–	5,812	388	6,200
Share options exercised	1,030	–	11,283	(2,786)	–	9,527	(221)	9,306
Share issue expenses	–	–	(319)	–	–	(319)	–	(319)
Shares repurchased	–	(230)	–	–	–	(230)	–	(230)
Ordinary shares contributed by non-controlling interests of a subsidiary	–	–	–	–	–	–	68	68
Acquisition of a subsidiary	–	–	–	–	–	–	3,634	3,634
<b>Balance as at 31 December 2011</b>	<u>200,612</u>	<u>(24,819)</u>	<u>32,467</u>	<u>14,388</u>	<u>431,090</u>	<u>653,738</u>	<u>39,648</u>	<u>693,386</u>
<b>Balance as at 1 July 2010</b>	198,052	(19,158)	2,051	3,155	293,393	477,493	34,688	512,181
Effect of adoption of FRS 139	–	–	–	–	(27)	(27)	–	(27)
Restated balance as at 1 July 2010	198,052	(19,158)	2,051	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)
<b>Balance as at 31 December 2010</b>	<u>198,852</u>	<u>(24,484)</u>	<u>11,830</u>	<u>2,249</u>	<u>327,057</u>	<u>515,504</u>	<u>37,934</u>	<u>553,438</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 2011 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 31 DECEMBER 2011**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	105,082	88,521
Adjustments for :		
Depreciation and amortisation expenses	13,514	8,994
Interest income and expense	(875)	(1,889)
Share of results of jointly controlled entities and associates	(26,501)	(19,483)
Share options granted under ESOS	6,200	1,507
Other non-cash items	<u>(1,116)</u>	<u>(528)</u>
Operating profit before working capital changes	96,304	77,122
Changes in working capital :		
Net change in inventories and receivables	(27,354)	(5,310)
Net change in payables	<u>(22,201)</u>	<u>(14,930)</u>
<b>Cash generated from operations</b>	46,749	56,882
Dividend and interest received	25,842	19,608
Interest paid	(990)	(791)
Tax paid	(24,825)	(15,106)
Tax refund	<u>434</u>	<u>–</u>
<b>Net cash generated from operating activities</b>	<u>47,210</u>	<u>60,593</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary	(2,832)	–
Investment in jointly controlled entities	(74,156)	–
Net change in deposits with licensed banks	281	333
Proceeds from disposal of property, plant and equipment	618	5,264
Purchase of property, plant and equipment	(57,004)	(8,896)
Purchase of other investment	<u>(3,156)</u>	<u>–</u>
<b>Net cash used in investing activities</b>	<u>(136,249)</u>	<u>(3,299)</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2011 (CONT'D)**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(917)	(516)
Dividend paid	(35,691)	(35,398)
Ordinary shares contributed by non-controlling interests of a subsidiary	68	–
Net drawdown/(repayment) of bank borrowings	117,339	(5,395)
Proceeds from issuances of shares	9,306	7,074
Share issue expenses	(319)	(57)
Shares repurchased	(230)	(5,326)
<b>Net cash generated from/(used in) financing activities</b>	<b>89,556</b>	<b>(39,618)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>517</b>	<b>17,676</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	274,326	258,075
Effects of exchange rate changes on cash and cash equivalents	(54)	2,185
As restated	274,272	260,260
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A17)</b>	<b>274,789</b>	<b>277,936</b>

*(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2011 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 2011. 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 2011.

##### 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 2011 except for the adoption of the following IC Interpretations and Amendments to FRSs issued by the MASB that are effective for the Group’s financial statements commencing 1 July 2011:-

##### FRSs/Interpretations

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 13	Customer Loyalty Programmes
Improvements to FRSs (2010)	Amendments to FRS 1,3,7,101,121, 128,131,132,134,139 & IC Interpretation 13
Amendments to IC Interpretation 14	FRS 119 - The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above 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**

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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 for the current financial period ended 31 December 2011.

#### **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 RM199,581,543 to RM200,612,047 by the allotment of 10,305,040 new ordinary shares of RM0.10 each pertaining to the exercise of 10,305,040 share options under the Employees' Share Option Scheme; and
- (ii) The Company repurchased a total of 90,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM229,669. 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 RM35,691,654 in respect of financial year ended 30 June 2011 was paid on 15 December 2011.



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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.

The Group's operating segments for the financial period ended 31 December 2011 is as follows:

	Malaysia RM'000	Singapore RM'000	Australia & New Zealand RM'000	Other Asia RM'000	Other Countries RM'000	Total RM'000
<b>Segment profits/(losses)</b>	90,191	11,297	5,487	2,368	(4,261)	105,082
<i>Included in the measure of segment profits/(losses) are:</i>						
<i>Revenue from external customer</i>	316,918	57,236	142,210	193,669	3,825	713,858
<i>Inter-segment revenue</i>	1,344	49,301	172	556	–	51,373
<i>Depreciation and amortisation</i>	3,949	3,567	3,336	2,254	408	13,514
<i>Interest expenses</i>	1,293	347	234	24	9	1,907
<i>Interest income</i>	2,573	91	30	88	–	2,782
<i>Share of results in jointly controlled entities and associates</i>	26,326	(25)	200	–	–	26,501
<b>Segment assets</b>	707,130	240,943	110,144	166,864	13,025	1,238,106
Deferred tax assets						13,368
<b>Total assets</b>						<u>1,251,474</u>
<i>Included in measure of segment assets are:</i>						
<i>Investment in associates</i>	74,622	3,001	–	–	–	77,623
<i>Investment in jointly control entities</i>	143,752	–	3,797	–	–	147,549
<i>Addition to property, plant and equipment</i>	14,377	1,322	9,012	32,132	161	57,004
<b>Segment liabilities</b>	291,993	47,604	47,746	150,808	16,564	554,715
Deferred tax liabilities						3,373
<b>Total liabilities</b>						<u>558,088</u>

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

**A10 Property, plant and equipment**

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

**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 2011 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**

i) In July 2011, the Group through its wholly owned subsidiary, Corak Merah Sdn Bhd ("CMSB"), incorporated Dialog Atlas Global Sdn Bhd ("DAG") with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

ii) In July 2011, Pengerang Terminal Sdn Bhd ("PTSB"), a 51% owned jointly controlled entity, entered into a shareholders' agreement with the State Secretary, Johor (Incorporated) ("SSI") to invest in Pengerang Independent Terminals Sdn. Bhd. ("PITSB"). PTSB holds 90% equity stake in PITSB and the balance 10% equity stake is held by SSI.

PITSB shall undertake the first phase of the design and development of an independent deepwater petroleum terminal at Pengerang, Johor.

iii) In August 2011, Dialog D & P Sdn Bhd ("Dialog D & P"), together with Roc Oil Malaysia (Holdings) Sdn Bhd ("Roc Oil") and PETRONAS Carigali Sdn Bhd ("PCSB"), signed a Small Field Risk Service Contract ("SFRSC") with Petroliam Nasional Berhad ("PETRONAS").

Subsequently, in September 2011, Dialog D & P entered into a shareholder agreement with Roc Oil and PCSB to invest in BC Petroleum Sdn Bhd ("BCP"). The participating interests in BCP are Dialog D & P 32%, Roc Oil 48% and PCSB 20%.

The SFRSC has been novated to BCP to carry out the management, operation and development of the SFRSC including the funding for the cost of development and production of petroleum from Balai Cluster Fields, located offshore in Bintulu, Sarawak.

iv) In September 2011, Dialog Systems (Asia) Pte Ltd ("DSAPL"), a wholly-owned subsidiary of the Company, completed its acquisition of 51% equity interest in Anewa Engineering Private Limited ("Anewa"), India, for a total cash consideration of Rs 117,145,000 (equivalent to RM7,685,000).

Anewa provides engineering design to multinational companies in India, Middle East and South East Asia in the oil, gas and petrochemical industry.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A12 Changes in the composition of the Group (Cont'd)**

The fair value of the net assets acquired and cash flow arising from the acquisition are as follows:

	<b>RM'000</b>
Property, plant and equipment	1,082
Trade and other receivables	2,973
Cash and cash equivalents	4,853
Trade and other payables	(1,284)
Borrowings	(115)
Deferred tax liabilities	(93)
	<hr/>
Total identified net assets	7,416
Non-controlling interests	(3,634)
Goodwill arising from acquisition	3,903
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Total purchase consideration	7,685
Cash and cash equivalents on the subsidiary acquired	(4,853)
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Net cash outflow of the Group on acquisition	<u>2,832</u>

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

If the acquisition had occurred on 1 July 2011, the Group's revenue and profit after tax for the financial period ended 31 December 2011 would have been RM714,383,000 and RM85,494,000 respectively.

- v) In September 2011, a subsidiary, PT. Dialog Sistemindo, Indonesia ("PTDS"), has increased its issued and paid up share capital to USD400,000 from USD340,000 by way of issuing 60 new shares of USD1,000 each at par for cash. The Group's equity interest in PTDS has also changed from 95% to 90%.
- vi) In October 2011, DSAPL incorporated Dialog Services (Vietnam) Company Limited ("Dialog Vietnam"), in Ho Chi Minh City, Vietnam with an initial registered capital of USD100,000 (equivalent to RM318,000). Dialog Vietnam shall provide technical services in the oil, gas and petrochemical industry.
- vii) In October 2011, Centralised Terminals Sdn Bhd ("CTSB"), a 55% owned jointly control entity, incorporated Langsat Terminal (Three) Sdn Bhd ("LgT-3") with an initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. See also Note B6 (ii) for the status and intended activities of LgT-3.
- viii) In October 2011, DSAPL incorporated Dialog Systems (Labuan) Ltd. ("DSL") in the Federal Territory of Labuan, Malaysia with an issued and paid-up capital of USD2.00 (equivalent to RM6) comprising of 2 ordinary shares. DSL shall be involved in the provision of specialist products and services in the oil, gas and petrochemical industry.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A12 Changes in the composition of the Group (Cont'd)**

- ix) In December 2011, Dialog (Labuan) Ltd, a wholly-owned subsidiary company, together with M/s Sedres Maritime Co. Ltd incorporated Dialog Jubail Supply Base Company Ltd ("DJSB"), in Jubail, the Kingdom of Saudi Arabia.

DJSB has a capital of SAR2,000,000 with shareholding proportion of Dialog (Labuan) Ltd (60%) and M/s Sedres Maritime Co. Ltd (40%).

DJSB has been incorporated specifically to take over the development of Jubail Supply Base in Jubail Commercial Port, Kingdom of Saudi Arabia which was announced in August 2009.

The construction of Jubail Supply Base is progressing and expected to be completed in Q3 FY2012. This base will serve as a one-stop integrated offshore logistic hub and resources centre for oilfield services, equipment and supplies, supporting the active and growing offshore oil and gas activities in the Arabian Gulf.

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

**A13 Commitments**

	<b>31/12/2011</b>
	<b>RM'000</b>
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	115,555
- contracted but not provided for	77,984
	<u>193,539</u>
Equity commitments of the Group to jointly control entities in respect of tank terminal business	<u>288,947</u>
Equity commitment in respect of investment in a subsidiary	<u>2,544</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	11,119
- later than one year and not later than five years	6,557
- after five years	7,494
	<u>25,170</u>
b) The Group as lessor	
- not later than one year	111
- later than one year and not later than five years	105
	<u>216</u>

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**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 RM520,303,000 (as at 30.06.2011: RM491,223,000) 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 RM118,169,000 (as at 30.06.2011: RM106,078,000).

The Company has also given corporate guarantees amounting to RM55,160,000 (as at 30.06.2011: RM52,610,000) 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 RM30,442,000 (as at 30.06.2011: RM32,686,000).

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 30.06.2011: 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 2011 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2011 and the approved shareholders' mandate in the circular dated 28 October 2011 for recurrent related party transactions.

	<b>6 months ended 31/12/2011 RM'000</b>
Transactions with associates:	
Subcontracts works provided	334
Dividend received	24,000
Transactions with jointly controlled entities:	
Subcontract works provided	9,941
Interest receivable	1,253
Commission received	279
Retainer fees received	364
Purchases and services received	(838)
Tank rental expenses	(915)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	2,954
Subcontracts works	1,880
Management services	520
Provision of intellectual property right	563

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A16 Trade and other receivables**

	<b>31/12/2011</b>
	<b>RM'000</b>
Amount due from customers for contract works	110,258
Trade receivables	178,240
Other receivables, deposits and prepayments	17,122
Amount due from associates	161
Amount due from jointly controlled entities	73,039
Hedge derivative assets	41
	<hr/>
	378,861

As at the date of this report, the Group has subsequently collected RM88.1 million from the trade receivables which represents 49% of its total outstanding balance.

**A17 Cash and cash equivalents**

	<b>31/12/2011</b>
	<b>RM'000</b>
Deposits, cash and bank balances	280,461
Bank overdraft included in borrowings	(4,525)
Deposits pledged to licensed banks	(1,147)
	<hr/>
	274,789

**A18 Trade and other payables**

	<b>31/12/2011</b>
	<b>RM'000</b>
Amount due to customers for contract works	47,744
Trade payables	202,749
Accruals and other payables	55,693
Amount due to associates	804
Amount due to jointly controlled entities	1,156
Hedge derivative liabilities	160
	<hr/>
	308,306

**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 RM6,200,000 was charged to income statements for the current financial period (FY2011: RM1,507,000).

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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**

**B1 Performance analysis**

The Group's revenue for the current quarter and financial year-to-date grew by 34% when compared to the same periods last financial year. The consolidation of the revenue of the newly acquired fabrication and multi-disciplined engineering company, Fitzroy Engineering Group Limited, based in New Zealand was the main contributor to this significant increase.

In addition, contribution from Malaysia and Asia operation such as Brunei, Thailand, Oman and China, also increased significantly mainly due to higher revenue of Specialist Products & Services recorded.

Singapore operation had however registered lower revenue mainly affected by lesser works undertaken for its engineering & construction and plant maintenance activities. Revenue from other countries also decreased due to lower sales generated by specialist products and technical services.

In line with the higher revenue, the Group's net profit for the current financial quarter and year-to-date was up by 11% and 19% to RM42.0 million and RM85.5 million, respectively when compared to last year same periods.

**B2 Variation of results against preceding quarter**

Against the preceding quarter, there were no significant variation of the Group's revenue and profit before tax.

**B3 Prospects**

The development under Economic Transformation Programme in both upstream and downstream sectors will generate tremendous opportunities for the local oil and gas players. In this connection, being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group will benefit from such opportunities.

The on-going expansion of tank terminals in Tanjung Langsat and the development of an Independent Deepwater Terminal in Pengerang will not only bring in short to medium term contribution from engineering and construction activities in Malaysia, but also long term recurring income when the tank facilities are operational. In addition, the Group is investing in the upstream oil and gas opportunities, including the development and production of petroleum under the Small Field Risk Service Contract.

The Group continues to grow its technical services, such as, its specialist products & services, engineering, procurement, commissioning & construction and plant maintenance services.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2012.

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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 year.

**B5 Taxation**

	<b>3 months ended 31/12/2011 RM'000</b>	<b>6 months ended 31/12/2011 RM'000</b>
Current tax	10,175	21,656
Deferred tax	(513)	(1,067)
Over provision in prior year	–	(989)
Total tax expense	<u>9,662</u>	<u>19,600</u>
Effective tax rates (excluding share of results of jointly controlled entities and associates)	25.1%	24.9%

**B6 Status of corporate proposals**

- i) In August 2011, the Company proposed to undertake the following:-
- (a) a renounceable rights issue of up to 398,736,680 new ordinary shares of RM0.10 each in the Company (“Rights Shares”) together with up to 199,368,340 free detachable warrants (“Warrants”) at a price to be determined later on the basis of two Rights Shares together with one free Warrant for every ten existing ordinary shares of RM0.10 each (“Shares”) held in the Company at an entitlement date to be determined later, based on a minimum subscription level of 280,000,000 Rights Shares together with 140,000,000 free Warrants (“Proposed Rights Issue with Warrants”); and
  - (b) increase in the authorised share capital of the Company from RM250,000,000 comprising 2,500,000,000 Shares to RM500,000,000 comprising 5,000,000,000 Shares and in consequence thereof, the Company’s Memorandum of Association be amended accordingly (“Proposed Increase in the Authorised Share Capital”).

In October 2011, Bursa Malaysia Securities Berhad had approved the Company’s listing application in respect of the Proposed Rights Issue with Warrants subject to compliance with certain conditions. Bank Negara Malaysia had also approved the issuance of Warrants under the Proposed Rights Issue with Warrants to non-resident shareholders of the Company. In November 2011, the shareholders of the Company have approved the Proposed Rights Issue with Warrants.



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

**B6 Status of corporate proposals (Cont'd)**

In December 2011, the board of Directors had fixed the issue price of the Rights shares and exercise price of the Warrants at RM1.20 each and RM2.40 each, respectively.

The abridged prospectus was issued to shareholders on 9 January 2012. Subscription was closed on 27 January 2012 with a subscription rate for acceptance of 99.21%. Together with the total valid excess applications, there was an over-subscription of 65.01%.

The 396,873,868 Rights shares and 198,436,934 Warrants are now pending for listing on 15 February 2012.

- ii) In October 2011, Centralised Terminals Sdn Bhd ("CTSB"), a 55% owned jointly controlled entity of the Group, entered into a Shareholders' Agreement ("SHA") with China Aviation Oil (Singapore) Corporation Ltd ("CAO") to establish a joint venture company known as Langsat Terminal (Three) Sdn Bhd ("LgT-3") to undertake the proposed design, development, operation, management and maintenance of an oil storage tank terminal facility with a storage capacity of 380,000 m<sup>3</sup> within the vicinity of Tanjung Langsat Port, Johor. The project is expected to commence by early 2012 and is expected to complete by end 2013. The total development cost of the project is estimated at RM371 million.

CTSB will hold 74% equity stake in LgT-3 and the balance 26% equity stake will be held by CAO.

LgT-3 has an initial issued and paid-up share capital of RM2. The completion of the SHA is pending satisfaction of the condition precedents as set out in the SHA. The period for the conditions precedent to be fulfilled has been extended to 5 April 2012.

- iii) In February 2012, Corak Merah Sdn Bhd ("CMSB") entered into a shareholders' agreement with Atlas Global Oil and Gas Services Limited ("ATG") to subscribe for shares in Dialog Atlas Global Sdn Bhd ("DAG") which will result in the issued share capital of DAG being held by CMSB (55%) and ATG (45%). DAG will be a jointly controlled entity which will market, promote and supply seismic technology and services for upstream oil and gas activities in Malaysia and certain other countries. The completion of the shareholders' agreement is pending for the parties to subscribe for the ordinary shares in DAG.

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

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**INTERIM FINANCIAL REPORT****B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B7 Borrowings and debt securities**

As at 31 December 2011, the Group's borrowings were denominated in the following currencies:

	<b>FC'000</b>	<b>RM'000</b>
Short term borrowings:		
Secured:		
Indian Rupees	461	29
Sterling Pound	133	652
New Zealand Dollars	1,844	4,647
Singapore Dollars	510	1,249
United States Dollars	6,000	19,110
Ringgit Malaysia		4,826
Unsecured:		
Singapore Dollars	10,000	<u>24,500</u>
		<u>55,013</u>
Long term borrowings:		
Secured:		
Indian Rupee	1,044	66
Sterling Pound	21	104
New Zealand Dollars	34	84
Singapore Dollars	218	534
Saudi Riyal	70,000	60,196
Ringgit Malaysia		28,123
Unsecured:		
Ringgit Malaysia		<u>85,000</u>
		<u>174,107</u>
		<u>229,120</u>

**B8 Derivative financial instruments**

As at 31 December 2011, the Group has the following outstanding forward foreign exchange contracts 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 contracts:			
United States Dollar	971	3,044	28
New Zealand Dollar	1,005	2,469	(44)
Japanese Yen	40,000	1,648	(15)
Singapore Dollar	66	162	(1)
Euro	414	1,750	(44)
Australian Dollar	337	1,062	(41)
Sterling Pound	<u>63</u>	<u>310</u>	<u>(3)</u>

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

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

**B8 Derivative financial instruments (Cont'd)**

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 30 June 2011:

- a) the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- b) the cash requirement of the financial derivatives; and
- c) the policy in place for mitigating or controlling the risk associated with these financial derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted the Group recorded a gain when the rates moved favourable against the Group or recorded a loss when the rates moved unfavourable against the Group.

**B9 Material litigation**

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

**B10 Dividends**

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

**B11 Advances to a jointly controlled entity**

Included in the interest in jointly controlled entities was unsecured advances amounted to RM56.8 million given to a jointly controlled entity. The advances bear interest at rates ranging from 3.94% to 4.5% per annum and are not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM62.8 million as at 31 December 2011.

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

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

**B12 Retained Profits**

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

	<b>As at 31/12/2011 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
Total retained profits of the Company & its subsidiaries		
- Realised	452,654	400,528
- Unrealised	2,285	297
	<u>454,939</u>	<u>400,825</u>
Total share of retained profits from associates		
- Realised	82,302	86,631
- Unrealised	(19,650)	(20,520)
Total share of retained profits from jointly controlled entities		
- Realised	12,539	7,472
- Unrealised	(38)	(680)
<b>Total before consolidation adjustments</b>		
- Realised	547,495	494,631
- Unrealised	(17,403)	(20,903)
	530,092	473,728
Less: Consolidation adjustments	(99,002)	(92,941)
<b>Total retained profits as per consolidated accounts</b>	<u><u>431,090</u></u>	<u><u>380,787</u></u>

The above consolidation adjustments have 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.

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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 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 after deducting treasury shares.

	<b>31/12/2011</b>	<b>31/12/2010</b>
Profit for the financial period attributable to owners of the Company (RM'000)	<u>85,994</u>	<u>69,089</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,975,853</u>	<u>1,960,131</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 outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS 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 financial period and exercise price.

	<b>31/12/2011</b>	<b>31/12/2010</b>
Profit for the financial period attributable to owners of the Company (RM'000)	<u>85,994</u>	<u>69,089</u>
Weighted average number of ordinary shares in issue ('000)	1,975,853	1,960,131
Effect of dilution due to ESOS	<u>17,702</u>	<u>11,162</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>1,993,555</u>	<u>1,971,293</u>

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

	<b>3 months ended 31/12/2011 RM'000</b>	<b>6 months ended 31/12/2011 RM'000</b>
This is arrived at after (charging)/crediting:		
Interest income	1,181	2,782
Interest expense	(983)	(1,907)
Depreciation and amortisation	(6,821)	(13,514)
Foreign exchange gain	588	834
Loss on forward exchange contract	(76)	(18)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

Date: 14 February 2012