

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2005

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31-03-05 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-03-04 RM'000	CURRENT YEAR TO DATE 31-03-05 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-03-04 RM'000
Revenue	67,681	36,210	181,870	126,311
Operating expenses	(64,256)	(32,628)	(171,106)	(112,472)
Depreciation	(2,017)	(1,429)	(5,881)	(4,482)
Other operating income	877	1,032	1,701	3,040
Profit from operations	2,285	3,185	6,584	12,397
Finance costs	(45)	(33)	(132)	(33)
Share of profit of associated companies	8,912	9,201	26,950	24,644
Profit before taxation	11,152	12,353	33,402	37,008
Taxation	(3,081)	(3,443)	(9,441)	(10,294)
Profit after taxation	8,071	8,910	23,961	26,714
Minority interest	113	218	191	218
Net profit for the period	<u>8,184</u>	<u>9,128</u>	<u>24,152</u>	<u>26,932</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.60</u>	<u>0.70</u>	<u>1.77</u>	<u>2.08</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.59</u>	<u>0.69</u>	<u>1.75</u>	<u>2.06</u>

The earnings per share are calculated based on weighted average number of ordinary shares of RM0.10 each in issue of 1,363,944,980 for the current financial period. The preceding period comparative figures have been adjusted accordingly.

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2004 and the accompanying explanatory notes attached to the Interim Financial Statements.)

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005**

	31-03-05 RM' 000	30-06-04 RM' 000
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	83,463	72,243
INVESTMENT IN ASSOCIATED COMPANIES	124,687	119,312
OTHER INVESTMENTS	190	190
GOODWILL ON CONSOLIDATION	1,682	1,682
DEFERRED TAX ASSETS	4,435	4,490
CURRENT ASSETS		
Amounts Due from Customers for Contract Works	467	1,853
Inventories	10,839	6,841
Trade Receivables	41,739	45,889
Other Receivables, Deposits and Prepayments	4,408	4,496
Amount Due from Associated Companies	1,834	4,186
Short Term and Portfolio Investments	29,261	28,809
Deposits, Cash and Bank Balances	35,427	37,133
	123,975	129,207
CURRENT LIABILITIES		
Amounts Due to Customers for Contract Works	2,215	71
Trade Payables	33,005	35,771
Other Payables and Accruals	5,856	9,813
Hire Purchase Creditors	601	636
Taxation	510	1,192
	42,187	47,483
NET CURRENT ASSETS	81,788	81,724
	296,245	279,641
FINANCED BY		
SHARE CAPITAL	136,728	136,041
RESERVES	156,441	139,806
SHAREHOLDERS' EQUITY	293,169	275,847
MINORITY INTEREST	2,073	2,176
NON-CURRENT AND DEFERRED LIABILITIES		
Hire Purchase Creditors	796	1,198
Deferred Tax Liabilities	207	420
	1,003	1,618
	296,245	279,641

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2004 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2005

	Share Capital RM' 000	Non- Distributable Reserves RM' 000	Distributable Retained Profits RM' 000	Total RM' 000
Balance as at 30 June 2004	136,041	26,647	113,159	275,847
Net gain not recognised in the income statement:				
Currency translation differences	-	892	-	892
Net profit for the nine-month period	-	-	24,152	24,152
Appropriation :-				
FY2004 – final dividend of 10%, less tax	-	-	(9,826)	(9,826)
Options exercised	687	1,417	-	2,104
Balance as at 31 March 2005	<u>136,728</u>	<u>28,956</u>	<u>127,485</u>	<u>293,169</u>
Balance as at 30 June 2003	106,541	4,494	112,501	223,536
Net gain not recognised in the income statement:				
Currency translation differences	-	45	-	45
Net profit for the nine-month period	-	-	26,932	26,932
Appropriation :-				
FY2003 – final dividend of 11%, less tax	-	-	(8,518)	(8,518)
Options exercised	1,051	1,942	-	2,993
Bonus issue	21,511	-	(21,511)	-
Issue of shares	6,500	18,909	-	25,409
Balance as at 31 March 2004	<u>135,603</u>	<u>25,390</u>	<u>109,404</u>	<u>270,397</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2004 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2005

	31-03-05	31-03-04
	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,402	37,008
Adjustments for :		
Depreciation of property, plant and equipment	5,881	4,482
Share of result of associated companies	(26,950)	(24,644)
Other non-cash items	798	(388)
Interest, dividend income and profit from investing activities	<u>(1,880)</u>	<u>(678)</u>
Operating profit before working capital changes	11,251	15,780
Changes in working capital :		
Net change in current assets	4,602	16,434
Net change in current liabilities	<u>(4,969)</u>	<u>(18,192)</u>
Cash generated by operations	10,884	14,022
Tax paid	(2,533)	(2,849)
Tax refund	<u>14</u>	<u>19</u>
Net cash generated by operating activities	<u>8,365</u>	<u>11,192</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary company net of cash acquired	-	(7,094)
Investment in an associated company	(4)	(630)
Investment in portfolio and other short term investments	(625)	(15,056)
Proceeds from disposal of short term investments	-	6,684
Interest and dividend income	15,199	3,367
Placement of deposits	(4,014)	(1,976)
Withdrawal of deposits	-	503
Proceeds from disposal of property, plant and equipment	26	273
Purchase of property, plant and equipment	<u>(16,915)</u>	<u>(7,732)</u>
Net cash used in investing activities	<u>(6,333)</u>	<u>(21,661)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(9,826)	(8,518)
Proceeds from issue of shares	2,104	28,402
Proceeds from shares issued to minority interest	-	2,685
Repayment of factoring financing	-	(1,335)
Repayment of hire purchase financing	<u>(512)</u>	<u>(90)</u>
Net cash (used in)/generated by financing activities	<u>(8,234)</u>	<u>21,144</u>
Effects of exchange rate changes	243	61
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,959)	10,736
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	32,729	37,130
Effects of exchange rate changes on cash and cash equivalents	238	193
As restated	<u>32,967</u>	<u>37,323</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)	<u>27,008</u>	<u>48,059</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2004 and accompanying explanatory notes attached to the Interim Financial Statements)

INTERIM FINANCIAL REPORT

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report has been prepared in compliance with Financial Reporting Standard (FRS) 134: Interim Financial.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 30 June 2004.

A2 Auditors' report of preceding annual financial statements

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

A3 Seasonal or cyclical factors

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

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

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

A5 Material changes in estimates

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

A6 Debt and equity securities

During the current nine months period, the Company increased its issued and paid-up share capital from RM136,041,419 to RM136,728,137 by the allotment of 6,867,180 new ordinary shares of RM0.10 each pertaining to the exercise of 6,867,180 shares under the Employees' Share Option Scheme.

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

A7 Dividends paid

A final dividend of 10% per ordinary share of RM0.10 each, less 28% tax, amounting to RM9,826,297 in respect of the previous financial year was paid on 30 December 2004.

INTERIM FINANCIAL REPORT

A. NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D**A8 Segment information**

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

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

	Revenue 9 months ended 31-03-05 RM'000	Profit before tax 9 months ended 31-03-05 RM'000
Malaysia	129,227	5,685
Singapore	24,601	166
Other countries	<u>28,042</u>	<u>601</u>
	181,870	6,452
Share of profit of associated companies	<u>-</u>	<u>26,950</u>
	<u>181,870</u>	<u>33,402</u>

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31 March 2005 up to the date of this report which, is likely to substantially affect the results of the operations of the Group.

A11 Changes in the composition of the Group

There were no material changes in the composition of the Group during the current financial quarter.

A12 Contingent liabilities

The Company has given corporate guarantees amounting to RM143,158,145 (As at 30/06/2004: RM108,807,250) to licensed banks for banking facilities granted to certain subsidiary companies. Consequently, the Company is contingently liable for the amount of banking facilities utilised by these subsidiary companies totalling RM13,131,316 as at 31 March 2005 (As at 30/06/2004: RM3,978,392).

DIALOG GROUP BERHAD

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INTERIM FINANCIAL REPORT**A. NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D****A13 Capital commitments**

	31-03-05
	RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	1,912
Approved but not contracted for	3,642
	5,554
Operating lease commitments :	
- not later than one year	393
- later than one year and not later than five years	32
	425
	<u>5,979</u>

A14 Related party transactions

	31-03-05
	RM'000
Rental of premises paid and payable to companies which are owned by a director of the Company, Ngau Boon Keat and his spouse and children	
- GMC Sdn Bhd	43
- GMC Pte Ltd	36
- Wide Synergy Sdn Bhd	63
Subcontract from a company in which certain directors of a subsidiary company have substantial financial interest, Logic Construction Pte Ltd	520
Subcontracts from an associated company, Kertih Terminals Sdn Bhd	552
Subcontracts from an associated company, Dialog Systems (Thailand) Ltd	362
Gross dividend received from an associated company, Kertih Terminals Sdn Bhd	<u>19,250</u>

The terms, conditions and prices of the above transactions are not materially different from those obtainable in transactions with unrelated parties.

A15 Cash and cash equivalents

	31-03-05
	RM'000
Deposits, cash and bank balances	35,427
Less: Deposits pledged to licensed banks	<u>(8,419)</u>
	<u>27,008</u>

INTERIM FINANCIAL REPORT

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

The Group posted a revenue of RM67.7 million for the current financial quarter ended 31 March 2005, which is 87% higher compared to RM36.2 million reported in the corresponding quarter last year. This was due to increased activity level in all divisions, particularly in the Marketing & Technical Services and Engineering & Construction divisions.

Profit before taxation for the current financial quarter registered at RM11.2 million, which is 10% lower compared to RM12.4 million recorded in the corresponding quarter last year. This was mainly due to lower margin on Engineering & Construction projects undertaken during the financial quarter, higher business development costs in bidding for international projects and losses at the Petroleum Retail division. The Group also made a provision for diminution in value of its portfolio investment.

B2 Variation of results against preceding quarter

The Group's revenue for the current financial quarter of RM67.7 million, is 22% higher than the RM55.3 million achieved in the preceding financial quarter. This is due to higher sales by the Marketing & Technical Services division.

There was no significant variance on the Group's profit before tax for the current financial quarter as compared to the preceding financial quarter.

B3 Prospects

The Group is actively bidding for new projects in the region. With its in-house expertise and support from its technology partners, the Group is confident to benefit from the increased activities in the oil, gas and petrochemical industry for the next few years.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2005.

B4 Profit forecast and profit guarantee

The Group does not announce any profit forecast nor profit guarantee during the current financial quarter.

B5 Taxation

	9 months ended 31-03-05 RM' 000
Current taxation	1,880
Under provision in prior years	7
Deferred tax	<u>(164)</u>
	1,723
Share of taxation in associated companies	<u>7,718</u>
	<u><u>9,441</u></u>

The tax charge of the Group for the period ended 31 March 2005 reflects an effective tax rate which is higher than the statutory tax rate of 28% due mainly to certain expenses which are not allowable for tax purposes.

INTERIM FINANCIAL REPORT

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 disposal of unquoted investments and properties during the financial quarter.

B7 Quoted securities

The Group's investment in quoted securities are managed by professional fund managers. Purchase or disposal of quoted securities for the current financial period are as follows:

	9 months ended
	31-03-05
	RM' 000
Purchase consideration	6,093
Sales proceeds	3,672
Gain on disposal	<u>529</u>

Investments in quoted securities as at 31 March 2005 are as follows:

	Cost	Book value	Market value
	RM' 000	RM' 000	RM' 000
Total quoted securities	<u>13,861</u>	<u>13,067</u>	<u>13,067</u>

B8 Status of corporate proposalsMemorandum of Understanding between Dialog Systems (Asia) Pte Ltd and Jennika Pty Ltd

Dialog Systems (Asia) Pte Ltd and Jennika Pty Ltd have mutually agreed to allow the MOU to lapse and not to pursue further the proposed joint venture between them.

DIALOG will however continue its existing agency relationship with Apex Process Systems Pty Ltd ("APS"), a wholly owned subsidiary of JENNIKA, in the marketing of APS's specialised range of equipment, including the Cyclonixx® range of Desander & Deoiler Hydrocyclones, to treat sandy fines, solids and produced water in the oil and gas industry worldwide.

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

INTERIM FINANCIAL REPORT

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

B9 Borrowings and debt securities

	31-03-05	
	FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	262	601
Long term borrowing:		
Hire purchase creditors (secured)	346	796
	608	1,397

The above hire purchase creditors are denominated in Singapore Dollars ("SGD").

B10 Off balance sheet financial instruments

As at 13 May 2005, the forward foreign exchange contract which has been entered into by the Group to hedge its foreign currency payable is as follows:

Currency	Contract	Contract	Contract	Contract	Outstanding Contract	
	Amount				Date	Type
	FC' 000				FC' 000	RM' 000
GBP	17	22-03-05	Optional	22-03-05 to 25-07-05	17	122

The Group does not foresee any significant credit and market risks associated with the above forward exchange contract as it is entered into with an approved financial institution in line with the Group's policy.

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

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the closing rates of exchange on that date. Gains or losses on foreign exchange are taken up in the income statement.

B11 Material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the position or business of the Group, except for claims against the Group's wholly owned subsidiaries by former employees for reinstatement, wages and benefits together with certain arrears of salary.

B12 Dividends

- (a) The Board of Directors declared an interim dividend of 9% less 28% tax (previous corresponding period : 7% less 28% tax) per ordinary shares of RM0.10 each of the Company in respect of current financial year ending 30 June 2005. The entitlement to the interim dividend will be determined based on shareholders registered in the record of depositors as at 10 June 2005 and the date of payment will be on 23 June 2005.
- (b) The total dividend for the current financial period to date is 9% less 28% tax per ordinary shares of RM0.10 each.

INTERIM FINANCIAL REPORT

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 quarter is calculated based on consolidated profit after taxation and minority interest of RM8,184,130 and weighted average number of ordinary shares in issue of 1,364,624,266 (previous corresponding period : RM9,127,712 and 1,299,623,700 shares adjusted for the effect of the share split of one (1) to ten (10) in April 2004).

The diluted earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM8,184,130 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,378,894,773 (previous corresponding period : RM9,127,712 and 1,313,898,290 shares adjusted for the effect of the share split of one (1) to ten (10) in April 2004). The adjusted weighted average number of ordinary shares issued and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year or the date of ESOS granted and the ordinary shares to be issued under ESOS are deemed to have been issued for no consideration.

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

	31-03-05
Weighted average number of ordinary shares in issue	1,363,944,980
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	<u>14,189,292</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,378,134,272</u></u>

BY ORDER OF THE BOARD

ZAINAB HJ MOHD SALLEH
COMPANY SECRETARY

Date : 19 May 2005