

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED
30 JUNE 2005**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30-06-05 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-06-04 RM'000	CURRENT YEAR TO DATE 30-06-05 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-06-04 RM'000
Revenue	72,269	58,957	254,139	185,268
Operating expenses	(66,518)	(53,337)	(237,624)	(165,809)
Depreciation	(2,237)	(1,842)	(8,118)	(6,324)
Other operating income	980	1,045	2,681	4,085
Profit from operations	4,494	4,823	11,078	17,220
Finance costs	(38)	(28)	(170)	(61)
Share of profit of associated companies	8,181	8,298	35,131	32,942
Profit before taxation	12,637	13,093	46,039	50,101
Taxation	(3,705)	(2,485)	(13,146)	(12,779)
Profit after taxation	8,932	10,608	32,893	37,322
Minority interest	(385)	3	(194)	221
Net profit for the period	<u>8,547</u>	<u>10,611</u>	<u>32,699</u>	<u>37,543</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.63</u>	<u>0.82</u>	<u>2.40</u>	<u>2.87</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.62</u>	<u>0.80</u>	<u>2.38</u>	<u>2.84</u>

(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

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005**

	30-06-05 RM' 000	30-06-04 RM' 000
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	84,136	72,243
INVESTMENT IN ASSOCIATED COMPANIES	113,683	119,312
OTHER INVESTMENTS	190	190
GOODWILL ON CONSOLIDATION	1,682	1,682
DEFERRED TAX ASSETS	3,737	4,490
CURRENT ASSETS		
Amounts Due from Customers for Contract Works	3,337	1,853
Inventories	11,361	6,841
Trade Receivables	43,059	45,889
Other Receivables, Deposits and Prepayments	4,423	4,496
Amount Due from Associated Companies	1,068	4,186
Short Term and Portfolio Investments	28,626	28,809
Deposits, Cash and Bank Balances	38,224	37,133
	<u>130,098</u>	<u>129,207</u>
CURRENT LIABILITIES		
Amounts Due to Customers for Contract Works	671	71
Trade Payables	29,939	35,771
Other Payables and Accruals	7,649	9,813
Hire Purchase Creditors	565	636
Taxation	571	1,192
	<u>39,395</u>	<u>47,483</u>
NET CURRENT ASSETS	<u>90,703</u>	<u>81,724</u>
	<u>294,131</u>	<u>279,641</u>
FINANCED BY		
SHARE CAPITAL	137,045	136,041
RESERVES	156,107	139,806
TREASURY SHARES, AT COST	<u>(2,176)</u>	<u>-</u>
SHAREHOLDERS' EQUITY	290,976	275,847
MINORITY INTEREST	2,410	2,176
NON-CURRENT AND DEFERRED LIABILITIES		
Hire Purchase Creditors	655	1,198
Deferred Tax Liabilities	90	420
	<u>745</u>	<u>1,618</u>
	<u>294,131</u>	<u>279,641</u>

(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 YEAR ENDED 30 JUNE 2005

	Share Capital RM' 000	Treasury Shares RM' 000	Non- Distributable Reserves RM' 000	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	-	-	266	-	266
Net profit for the financial year	-	-	-	32,699	32,699
Appropriation :-					
FY2004 – final dividend of 10%, less tax	-	-	-	(9,826)	(9,826)
FY2005 – interim dividend of 9%, less tax	-	-	-	(8,851)	(8,851)
Treasury shares	-	(2,176)	-	-	(2,176)
Options exercised	1,004	-	2,013	-	3,017
Balance as at 30 June 2005	<u>137,045</u>	<u>(2,176)</u>	<u>28,926</u>	<u>127,181</u>	<u>290,976</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	-	-	164	-	164
Reserve on consolidation	-	-	194	-	194
Net profit for the financial year	-	-	-	37,543	37,543
Appropriation :-					
FY2003 – final dividend of 11%, less tax	-	-	-	(8,518)	(8,518)
FY2004 – interim dividend of 7%, less tax	-	-	-	(6,856)	(6,856)
Options exercised	1,489	-	2,942	-	4,431
Share issue expenses	-	-	(647)	-	(647)
Bonus issue	21,511	-	-	(21,511)	-
Issue of shares	6,500	-	19,500	-	26,000
Balance as at 30 June 2004	<u>136,041</u>	<u>-</u>	<u>26,647</u>	<u>113,159</u>	<u>275,847</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.)

DIALOG GROUP BERHAD

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INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

	30-06-05	30-06-04
	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	46,039	50,101
Adjustments for :		
Depreciation of property, plant and equipment	8,118	6,324
Share of result of associated companies	(35,131)	(32,942)
Other non-cash items	1,716	(2,227)
Interest, dividend income and profit from investing activities	(2,741)	(1,704)
Operating profit before working capital changes	18,001	19,552
Changes in working capital :		
Net change in current assets	198	3,772
Net change in current liabilities	(7,569)	(16,651)
Cash generated by operations	10,630	6,673
Tax paid	(3,001)	(2,856)
Tax refund	201	27
Net cash generated by operating activities	7,830	3,844
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	(6,814)	(13,668)
Proceeds from redemption of preference shares by an associated company	16,500	-
Proceeds from disposal of short term investments	6,103	6,684
Interest and dividend income	15,814	4,264
Placement of deposits	(2,253)	(1,976)
Withdrawal of deposits	-	674
Proceeds from disposal of property, plant and equipment	26	397
Purchase of property, plant and equipment	(20,022)	(12,468)
Net cash generated by/(used in) investing activities	9,350	(23,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(144)	(56)
Dividend paid	(18,677)	(15,374)
Proceeds from issue of shares	3,017	30,431
Proceeds from shares issued to minority interest	-	2,685
Repayment of factoring financing	-	(1,335)
Repayment of hire purchase financing	(510)	(306)
Share issue expenses paid	-	(646)
Purchase of own shares	(2,176)	-
Net cash (used in)/generated by financing activities	(18,490)	15,399
Effects of exchange rate changes	41	(20)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,269)	(4,594)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	32,729	37,130
Effects of exchange rate changes on cash and cash equivalents	106	193
As restated	32,835	37,323
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A15)	31,566	32,729

(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 year.

A6 Debt and equity securities

- (i) During the current financial year, the Company increased its issued and paid-up share capital from RM136,041,419 to RM137,045,429 by the allotment of 10,040,100 new ordinary shares of RM0.10 each pertaining to the exercise of 10,040,100 shares under the Employees' Share Option Scheme.
- (ii) During the current financial quarter, the Company repurchased a total of 5,054,500 ordinary shares of RM0.10 each from the open market for a total consideration of RM2,175,734 at average cost of RM0.43 per share during the current financial quarter. The repurchase 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.

A7 Dividends paid

The dividends paid during the financial year were as follows :-

- i) 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.
- ii) An interim dividend of 9% per ordinary share of RM0.10 each, less 28% tax, amounting to RM8,850,486 in respect of the current financial year was paid on 23 June 2005.

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 12 months ended 30-06-05 RM'000	Profit before tax 12 months ended 30-06-05 RM'000
Malaysia	173,904	8,717
Singapore	31,620	889
Other countries	<u>48,615</u>	<u>1,302</u>
	254,139	10,908
Share of profit of associated companies	<u>-</u>	<u>35,131</u>
	<u><u>254,139</u></u>	<u><u>46,039</u></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 year ended 30 June 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 RM128,070,640 (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 RM14,941,036 as at 30 June 2005 (As at 30/06/2004: RM3,978,392).

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INTERIM FINANCIAL REPORT

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

	30-06-05
	RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	826
Approved but not contracted for	3,360
	4,186
Operating lease commitments :	
- not later than one year	266
- later than one year and not later than five years	19
	285
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	4,471

A14 Related party transactions

	30-06-05
	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	58
- GMC Pte Ltd	36
- Wide Synergy Sdn Bhd	84
Subcontract from a company in which certain directors of a subsidiary company have substantial financial interest, Logic Construction Pte Ltd	509
Subcontracts from an associated company, Kertih Terminals Sdn Bhd	837
Subcontracts from an associated company, Dialog Systems (Thailand) Ltd	362
Services rendered by an associated company, Helix RDS Sdn Bhd	540
Commission received from an associated company, Helix RDS Sdn Bhd	45
Gross dividend received from an associated company, Kertih Terminals Sdn Bhd	19,250

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

	30-06-05
	RM'000
Deposits, cash and bank balances	38,224
Less: Deposits pledged to licensed banks	(6,658)
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	31,566

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 RM254.1 million for the current financial year ended 30 June 2005, which is 37% higher compared to RM185.3 million reported in the corresponding last financial year. This was due to better performance from all divisions, particularly in the Marketing & Technical Services and Engineering & Construction divisions.

Profit before taxation for the current financial year closed at RM46.0 million compared to RM50.1 million last year. For the current financial quarter, profit before taxation registered at RM12.6 million, which is 3% lower compared to RM13.1 million recorded in the corresponding quarter last year.

The lower profit contribution was mainly due to higher business development costs in bidding for international projects and continued losses incurred by 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 RM72.3 million, is 7% higher than the RM67.7 million achieved in the preceding financial quarter. This is due to higher sales by the Marketing & Technical Services division.

The Group's profit before taxation for the current financial quarter increased by 13% from RM11.2 million to RM12.6 million this quarter as compared to the preceding financial quarter. The better performance was mainly resulted from increased contribution from Specialist Services division.

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 resulting from higher oil and gas prices 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 2006.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	12 months ended
	30-06-05
	RM' 000
Current taxation	2,304
Under provision in prior years	9
Deferred tax	429
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	2,742
Share of taxation in associated companies	10,404
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	13,146
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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

B5 Taxation (Cont'd)

The tax charge of the Group for the year ended 30 June 2005 reflects an effective tax rate which is higher than the statutory tax rate of 28% mainly due to certain expenses which are not allowable for tax purposes.

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 year are as follows:

	12 months ended 30-06-05 RM' 000
Purchase consideration	9,137
Sales proceeds	4,891
Gain on disposal	<u>698</u>

Investments in quoted securities as at 30 June 2005 are as follows:

	Cost RM' 000	Book value RM' 000	Market value RM' 000
Total quoted securities	<u>14,128</u>	<u>12,422</u>	<u>12,422</u>

B8 Status of corporate proposals

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

B9 Borrowings and debt securities

	30-06-05 FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	251	565
Long term borrowing:		
Hire purchase creditors (secured)	<u>291</u>	<u>655</u>
	<u>542</u>	<u>1,220</u>

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

INTERIM FINANCIAL REPORT**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B10 Off balance sheet financial instruments**

As at 12 August 2005, the forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivables/payables are as follows:

Currency	Contract	Contract Date	Contract Type	Contract Period	Outstanding Contract	
	Amount FC' 000				Amount FC' 000	RM' 000
<u>Receivables</u>						
USD	108	27-05-05	Optional	27-05-05 to 30-11-05	108	408
USD	178	26-07-05	Optional	26-07-05 to 31-08-05	12	45
USD	169	26-07-05	Optional	26-07-05 to 30-09-05	169	629
USD	174	26-07-05	Optional	26-07-05 to 31-10-05	174	648
USD	20	03-08-05	Optional	03-08-05 to 07-10-05	20	74
<u>Payables</u>						
GBP	66	17-06-05	Optional	25-10-05 to 28-10-05	66	453
GBP	7	17-06-05	Optional	30-01-06 to 03-02-06	7	50

The Group does not foresee any significant credit and market risks associated with the above forward exchange contracts as they are entered into with approved financial institutions 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 certain former employees for reinstatement, wages and benefits together with certain arrears of salary.

B12 Dividends

(a) An interim dividend of 9% less 28% tax (previous corresponding period : 7% less 28% tax) per ordinary share of RM0.10 each in respect of current financial year was paid on 23 June 2005.

The Board recommends a final dividend of 10% less 28% tax (preceding year : 10% less 28% tax) per ordinary share of RM0.10 each in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.

(b) The total dividend for the current financial year is 19% less 28% tax per ordinary share 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 RM8,546,181 and weighted average number of ordinary shares in issue of 1,364,312,425 (previous corresponding period : RM10,610,998 and 1,301,934,826 shares).

The diluted earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM8,546,181 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,371,934,742 (previous corresponding period : RM10,610,998 and 1,318,959,772). 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 financial year are calculated based on the following weighted average number of ordinary shares :

	30-06-05
Weighted average number of ordinary shares in issue	1,364,699,046
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	<u>11,478,141</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,376,177,187</u></u>

Date : 15 August 2005