
INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30-09-05 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-09-04 RM'000	CURRENT YEAR TO DATE 30-09-05 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-09-04 RM'000
Revenue	78,162	58,849	78,162	58,849
Operating expenses	(74,468)	(55,356)	(74,468)	(55,356)
Depreciation	(2,194)	(1,923)	(2,194)	(1,923)
Other operating income	986	461	986	461
Profit from operations	2,486	2,031	2,486	2,031
Finance costs	(30)	(34)	(30)	(34)
Share of profit of associated companies	9,510	8,913	9,510	8,913
Profit before taxation	11,966	10,910	11,966	10,910
Taxation	(3,246)	(3,113)	(3,246)	(3,113)
Profit after taxation	8,720	7,797	8,720	7,797
Minority interest	(556)	(239)	(556)	(239)
Net profit for the period	<u>8,164</u>	<u>7,558</u>	<u>8,164</u>	<u>7,558</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.60</u>	<u>0.55</u>	<u>0.60</u>	<u>0.55</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.60</u>	<u>0.54</u>	<u>0.60</u>	<u>0.54</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2005 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 30 SEPTEMBER 2005**

	30-09-05 RM' 000	30-06-05 RM' 000
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	83,274	84,003
INVESTMENT IN ASSOCIATED COMPANIES	108,256	113,682
OTHER INVESTMENTS	190	190
GOODWILL ON CONSOLIDATION	1,682	1,682
DEFERRED TAX ASSETS	3,554	3,223
CURRENT ASSETS		
Amounts Due from Customers for Contract Works	187	3,337
Inventories	12,662	11,358
Trade Receivables	44,418	42,864
Other Receivables, Deposits and Prepayments	4,611	4,629
Amount Due from Associated Companies	2,213	1,582
Short Term and Portfolio Investments	37,973	28,626
Deposits, Cash and Bank Balances	38,417	38,189
	<u>140,481</u>	<u>130,585</u>
CURRENT LIABILITIES		
Amounts Due to Customers for Contract Works	79	671
Trade Payables	27,058	29,491
Other Payables and Accruals	7,965	7,938
Hire Purchase Creditors	533	565
Taxation	980	520
	<u>36,615</u>	<u>39,185</u>
NET CURRENT ASSETS	<u>103,866</u>	<u>91,400</u>
	<u>300,822</u>	<u>294,180</u>
FINANCED BY		
SHARE CAPITAL	137,178	137,045
RESERVES	164,389	156,343
TREASURY SHARES	<u>(4,412)</u>	<u>(2,176)</u>
SHAREHOLDERS' EQUITY	297,155	291,212
MINORITY INTEREST	2,888	2,259
NON-CURRENT AND DEFERRED LIABILITIES		
Hire Purchase Creditors	525	655
Deferred Tax Liabilities	254	54
	<u>779</u>	<u>709</u>
	<u>300,822</u>	<u>294,180</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2005 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	Share Capital RM' 000	Treasury Shares RM' 000	Non- Distributable Reserves RM' 000	Distributable Retained Profits RM' 000	Total RM' 000
Balance as at 30 June 2005	137,045	(2,176)	29,291	127,052	291,212
Net loss not recognised in the income statement:					
Currency translation differences	-	-	(324)	-	(324)
Net profit for the three-month period	-	-	-	8,164	8,164
Option exercised	133	-	206	-	339
Share repurchased	-	(2,236)	-	-	(2,236)
Balance as at 30 September 2005	<u>137,178</u>	<u>(4,412)</u>	<u>29,173</u>	<u>135,216</u>	<u>297,155</u>
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	-	-	282	-	282
Net profit for the three-month period	-	-	-	7,558	7,558
Options exercised	210	-	383	-	593
Balance as at 30 September 2004	<u>136,251</u>	<u>-</u>	<u>27,312</u>	<u>120,717</u>	<u>284,280</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 2005 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	30-09-05 RM' 000	30-09-04 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,966	10,910
Adjustments for :		
Depreciation of property, plant and equipment	2,194	1,923
Share of result of associated companies	(9,510)	(8,913)
Other non-cash items	(550)	(37)
Interest, dividend income and profit from investing activities	91	(515)
Operating profit before working capital changes	4,191	3,368
Changes in working capital :		
Net change in current assets	(390)	6,406
Net change in current liabilities	(2,867)	(6,578)
Cash generated by operations	934	3,196
Tax paid	(462)	(398)
Tax refund	44	-
Net cash generated by operating activities	516	2,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in an associated company	-	(4)
Investment in portfolio and other short term investments	(9,175)	-
Interest and dividend income	12,547	7,989
Placement of deposits	(888)	(92)
Withdrawal of deposits	1,244	-
Proceeds from disposal of property, plant and equipment	33	23
Purchase of property, plant and equipment	(1,562)	(5,311)
Net cash generated by investing activities	2,199	2,605
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	339	593
Proceeds from shares issued to minority interest	96	-
Repayment of hire purchase financing	(152)	(182)
Shares repurchased	(2,236)	-
Net cash (used in)/generated by financing activities	(1,953)	411
Effects of exchange rate changes	(90)	19
NET INCREASE IN CASH AND CASH EQUIVALENTS	672	5,833
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	31,531	32,729
Effects of exchange rate changes on cash and cash equivalents	(88)	106
As restated	31,443	32,835
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)	32,115	38,668

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2005 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 Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2005.

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 2005.

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

(i) During the current three months period, the Company increased its issued and paid-up share capital from RM137,045,429 to RM137,178,109 by the allotment of 1,326,800 new ordinary shares of RM0.10 each pertaining to the exercise of 1,326,800 shares under the Employees' Share Option Scheme.

(ii) During the current financial quarter, the Company repurchased 5,422,600 of its own ordinary shares of RM0.10 each from the open market for a total consideration of RM2,236,420 at an average cost of RM0.41 per share. 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 quarter.

A7 Dividends paid

There were no dividend paid in the current financial quarter.

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 3 months ended 30-09-05 RM'000	Profit before tax 3 months ended 30-09-05 RM'000
Malaysia	54,833	950
Singapore	10,818	302
Other countries	<u>12,511</u>	<u>1,204</u>
	78,162	2,456
Share of profit of associated companies	<u>-</u>	<u>9,510</u>
	<u><u>78,162</u></u>	<u><u>11,966</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 quarter ended 30 September 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 RM127,581,150 (As at 30/06/2005: RM128,070,640) 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 RM14,142,765 as at 30 September 2005 (As at 30/06/2005: RM14,941,036).

During the current financial quarter, the Company has given corporate guarantees amounting to USD8,000,000 to supplier of certain subsidiary companies for supply of goods.

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

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

	30-09-05
	RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	249
Approved but not contracted for	295
	544
Operating lease commitments :	
- not later than one year	390
- later than one year and not later than five years	50
	440
	<u>984</u>

A14 Related party transactions

	30-09-05
	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	14
- Wide Synergy Sdn Bhd	21
Subcontracts from an associated company, Kertih Terminals Sdn Bhd	461
Commission received from an associated company, Helix RDS Sdn Bhd	64
Gross dividend received from an associated company, Kertih Terminals Sdn Bhd	<u>17,083</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

	30-09-05
	RM'000
Deposits, cash and bank balances	38,417
Less: Deposits pledged to licensed banks	<u>(6,302)</u>
	<u>32,115</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 RM78.2 million for the current financial quarter ended 30 September 2005, which is 33% higher compared to RM58.8 million reported in the preceding year corresponding quarter. The increase was mainly due to higher product sales to regional countries.

Profit before taxation for the current financial quarter closed by 10% higher compared to the preceding year corresponding quarter. The better result was mainly contributed by profit generated from the increased product sales and specialist services.

B2 Variation of results against preceding quarter

The Group's revenue for the current financial quarter of RM78.2 million, is 9% higher compared to the preceding financial quarter, mainly due to higher product sales to regional countries.

Profit before tax was however affected by higher losses experienced by the Petroleum Retail division and closed at 4% lower compared to the preceding 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 of benefiting 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 did not announce any profit forecast nor profit guarantee during the current financial quarter.

B5 Taxation

	3 months ended
	30-09-05
	RM' 000
Current taxation	763
Over provision in prior years	(21)
Deferred tax	(130)
	<hr/>
	612
Share of taxation in associated companies	2,634
	<hr/>
	3,246
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The tax charge of the Group for the period ended 30 September 2005 reflects an effective tax rate which is lower than the statutory tax rate of 28% due to lower tax rate applicable to small and medium size subsidiary companies and a lower tax rate in foreign jurisdiction.

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 mainly managed by professional fund managers. Purchase or disposal of quoted securities for the current financial quarter are as follows:

	3 months ended
	30-09-05
	RM' 000
Purchase consideration	4,898
Sales proceeds	2,345
Loss on disposal	(573)
	<u> </u>

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

	Cost	Book value	Market value
	RM' 000	RM' 000	RM' 000
Total quoted securities	<u>16,786</u>	<u>15,618</u>	<u>15,618</u>

B8 Status of corporate proposalsMemorandum of Understanding between Dialog Group Berhad and PT Pertamina (Persero)

On 22 September 2005, the Company entered into a Memorandum of Understanding ("MOU") with PT Pertamina (Persero) ("PERTAMINA"), an Indonesian state owned enterprise. The MOU seeks co-operation from both parties for the development of projects in Indonesia and other countries, mainly in the areas of improving hydrocarbon recovery from matured oil and gas fields of PERTAMINA and development of petroleum terminals.

Discussion on the co-operation is in progress.

Proposed Renewal of Share Buy-Back Authority

On 23 September 2005, the Company announced a proposal to obtain a renewal of the share buy-back authority from its shareholders, to enable it to continue to purchase and/or hold up to ten percent (10%) of its own issued and paid-up share capital.

The proposal is now conditional upon approval from shareholders of the Company at the Company's forthcoming Annual General Meeting.

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

	30-09-05	
	FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	239	533
Long term borrowing:		
Hire purchase creditors (secured)	235	525
	474	1,058

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

B10 Off balance sheet financial instruments

As at 17 November 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	Contract	Contract	Outstanding Contract	
	Amount				Date	Type
	FC' 000				FC' 000	RM' 000
<u>Receivables</u>						
USD	108	27-05-05	Optional	27-05-05 to 30-11-05	98	370
USD	26	12-10-05	Optional	12-10-05 to 14-12-05	2	7
<u>Payables</u>						
GBP	7	17-06-05	Optional	30-01-06 to 03-02-06	7	50
USD	392	15-11-05	Optional	15-11-05 to 17-02-06	392	1,485

The Group does not foresee any significant credit and market risks associated with the above forward foreign 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 contracts.

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.

INTERIM FINANCIAL REPORT

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 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

The Board recommended a final dividend of 10% less 28% tax (preceding period : 10% less 28% tax) 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. If approved, the entitlement to the final dividend will be determined based on shareholders registered in the record of depositors as at 13 December 2005 and the date of payment will be on 28 December 2005.

Together with the interim dividend of 9% less 28% tax (preceding period : 7% less 28% tax) per share paid in June 2005, the total dividend payment for the Financial Year 2005 will amount to 19% less 28% tax (preceding year : 17% less 28% tax) per share.

B13 Earnings per share

The basic earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM8,163,897 and weighted average number of ordinary shares in issue of 1,363,680,777 (previous corresponding period : RM7,557,513 and 1,361,752,075 shares).

The diluted earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM8,163,897 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,369,865,926 (previous corresponding period : RM7,557,513 and 1,394,775,351). 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 period are calculated based on the following weighted average number of ordinary shares :

	30-09-05
Weighted average number of ordinary shares in issue	1,363,680,777
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	<u>6,185,149</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,369,865,926</u></u>

Date : 21 November 2005