

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31-12-05 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-04 RM'000	CURRENT YEAR TO DATE 31-12-05 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-12-04 RM'000
Revenue	66,602	55,340	144,764	114,189
Operating expenses	(61,896)	(51,494)	(136,364)	(106,850)
Depreciation	(2,220)	(1,941)	(4,414)	(3,864)
Other operating income	485	363	1,471	824
Profit from operations	2,971	2,268	5,457	4,299
Finance costs	(38)	(53)	(68)	(87)
Share of profit of associated companies	9,499	9,125	19,009	18,038
Profit before taxation	12,432	11,340	24,398	22,250
Taxation	(3,255)	(3,247)	(6,501)	(6,360)
Profit after taxation	9,177	8,093	17,897	15,890
Minority interest	(281)	317	(837)	78
Net profit for the period	<u>8,896</u>	<u>8,410</u>	<u>17,060</u>	<u>15,968</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.65</u>	<u>0.62</u>	<u>1.25</u>	<u>1.17</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.65</u>	<u>0.61</u>	<u>1.25</u>	<u>1.16</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 31 DECEMBER 2005**

	31-12-05 RM' 000	30-06-05 RM' 000
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	82,272	84,003
INVESTMENT IN ASSOCIATED COMPANIES	105,933	113,682
OTHER INVESTMENTS	190	190
GOODWILL ON CONSOLIDATION	1,682	1,682
DEFERRED TAX ASSETS	4,238	3,223
CURRENT ASSETS		
Amounts Due from Customers for Contract Works	967	3,337
Inventories	13,841	11,358
Trade Receivables	45,597	42,864
Other Receivables, Deposits and Prepayments	4,301	4,629
Amount Due from Associated Companies	2,116	1,582
Short Term and Portfolio Investments	37,104	28,626
Deposits, Cash and Bank Balances	39,057	38,189
	<u>142,983</u>	<u>130,585</u>
CURRENT LIABILITIES		
Amounts Due to Customers for Contract Works	436	671
Trade Payables	26,638	29,491
Other Payables and Accruals	7,261	7,938
Hire Purchase Creditors	480	565
Taxation	1,380	520
	<u>36,195</u>	<u>39,185</u>
NET CURRENT ASSETS	<u>106,788</u>	<u>91,400</u>
	<u>301,103</u>	<u>294,180</u>
FINANCED BY		
SHARE CAPITAL	137,619	137,045
RESERVES	164,681	156,343
TREASURY SHARES	<u>(5,144)</u>	<u>(2,176)</u>
SHAREHOLDERS' EQUITY	297,156	291,212
MINORITY INTEREST	3,220	2,259
NON-CURRENT AND DEFERRED LIABILITIES		
Hire Purchase Creditors	442	655
Deferred Tax Liabilities	285	54
	<u>727</u>	<u>709</u>
	<u>301,103</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.)

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 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	-	-	283	-	283
Net profit for the six-month period	-	-	-	17,060	17,060
Appropriation :-					
FY2005 – final dividend of 10%, less tax	-	-	-	(9,823)	(9,823)
Option exercised	574	-	818	-	1,392
Share repurchased	-	(2,968)	-	-	(2,968)
Balance as at 31 December 2005	<u>137,619</u>	<u>(5,144)</u>	<u>30,392</u>	<u>134,289</u>	<u>297,156</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	-	-	1,024	-	1,024
Net profit for the six-month period	-	-	-	15,968	15,968
Appropriation :-					
FY2004 – final dividend of 10%, less tax	-	-	-	(9,826)	(9,826)
Options exercised	435	-	853	-	1,288
Balance as at 31 December 2004	<u>136,476</u>	<u>-</u>	<u>28,524</u>	<u>119,301</u>	<u>284,301</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 SIX MONTHS ENDED 31 DECEMBER 2005

	31-12-05 RM' 000	31-12-04 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	24,398	22,250
Adjustments for :		
Depreciation of property, plant and equipment	4,414	3,864
Share of result of associated companies	(19,009)	(18,038)
Other non-cash items	702	33
Interest, dividend income and profit from investing activities	(347)	(1,108)
Operating profit before working capital changes	10,158	7,001
Changes in working capital :		
Net change in current assets	(2,865)	8,270
Net change in current liabilities	(3,896)	(10,460)
Cash generated by operations	3,397	4,811
Tax paid	(1,122)	(1,465)
Tax refund	44	-
Net cash generated by operating activities	2,319	3,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in an associated company	-	(4)
Investment in portfolio and other short term investments	(14,387)	-
Proceeds from disposal of short term investment	5,000	-
Interest and dividend income	22,007	14,380
Placement of deposits	(965)	(211)
Withdrawal of deposits	1,302	-
Proceeds from disposal of property, plant and equipment	54	26
Purchase of property, plant and equipment	(2,657)	(13,202)
Net cash generated by investing activities	10,354	989
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(9,823)	(9,826)
Proceeds from issue of shares	1,392	1,288
Proceeds from shares issued to minority interest	96	-
Repayment of hire purchase financing	(308)	(367)
Shares repurchased	(2,968)	-
Net cash used in financing activities	(11,611)	(8,905)
Effects of exchange rate changes	57	256
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,119	(4,314)
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	87	291
As restated	31,618	33,020
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)	32,737	28,706

(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 six months period, the Company increased its issued and paid-up share capital from RM137,045,429 to RM137,618,871 by the allotment of 5,734,420 new ordinary shares of RM0.10 each pertaining to the exercise of 5,734,420 shares under the Employees' Share Option Scheme.

(ii) During the current six months period, the Company repurchased 7,183,300 of its own ordinary shares of RM0.10 each from the open market for a total consideration of RM2,968,357 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

A final dividend of 10% per ordinary share of RM0.10 each, less 28% tax, amounting to RM9,823,288 in respect of the previous financial year was paid on 28 December 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 6 months ended 31-12-05 RM'000	Profit before tax 6 months ended 31-12-05 RM'000
Malaysia	88,755	294
Singapore	18,979	1,199
Other countries	<u>37,030</u>	<u>3,896</u>
	144,764	5,389
Share of profit of associated companies	<u>-</u>	<u>19,009</u>
	<u>144,764</u>	<u>24,398</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 December 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 RM127,647,975 (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 RM13,359,030 as at 31 December 2005 (As at 30/06/2005: RM14,941,036).

The Company has also given corporate guarantees amounting to USD8,000,000 to a supplier of certain subsidiary companies for supply of goods.

DIALOG GROUP BERHAD

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INTERIM FINANCIAL REPORT

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

	31-12-05 RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	235
Approved but not contracted for	295
	530
Operating lease commitments :	
- not later than one year	322
	<u>852</u>

A14 Related party transactions

	31-12-05 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	29
- Wide Synergy Sdn Bhd	42
Subcontracts from an associated company, Kertih Terminals Sdn Bhd	237
Commission received from an associated company, Helix RDS Sdn Bhd	64
Gross dividend received from an associated company, Kertih Terminals Sdn Bhd	<u>29,833</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

	31-12-05 RM'000
Deposits, cash and bank balances	39,057
Less: Deposits pledged to licensed banks	<u>(6,320)</u>
	<u>32,737</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 recorded a revenue of RM66.6 million for the current financial quarter ended 31 December 2005, which is 20% higher compared to RM55.3 million reported in the preceding year corresponding quarter. The increase was mainly due to higher product sales and technical services 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 profit before tax for the current financial quarter of RM12.4 million increased by 4% when compared to RM12.0 million registered in the preceding financial quarter. The better performance was mainly contributed by profit generated from increased product sales and technical services.

B3 Prospects

The Group is actively seeking for more businesses in the oil and gas industry. With its in-house expertise and support from its technology partners, the Group is confident of benefiting from the increased activities in this industry.

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

	6 months ended
	31-12-05
	RM' 000
Current taxation	2,027
Over provision in prior years	(22)
Deferred tax	(784)
	<hr/>
	1,221
Share of taxation in associated companies	5,280
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	6,501
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The tax charge of the Group for the period ended 31 December 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 period.

B7 Quoted securities

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

	6 months ended 31-12-05 RM' 000
Purchase consideration	5,555
Sales proceeds	3,125
Loss on disposal	<u>(640)</u>

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

	Cost RM' 000	Book value RM' 000	Market value RM' 000
Total quoted securities	<u>17,049</u>	<u>14,634</u>	<u>14,634</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.

B9 Borrowings and debt securities

	31-12-05 FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	211	480
Long term borrowing:		
Hire purchase creditors (secured)	<u>195</u>	<u>442</u>
	<u>406</u>	<u>922</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 9 February 2006, the forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivable/payables are as follows:

Currency	Contract	Contract	Contract	Contract	Outstanding Contract	
	Amount				Date	Type
	FC' 000				FC' 000	RM' 000
<u>Receivable</u>						
USD	23	14-12-05	Optional	14-12-05 to 16-02-06	3	11
<u>Payables</u>						
GBP	429	25-11-05	Multi - optional	25-11-05 to 28-02-06	429	2,799
GBP	21	20-12-05	Multi - optional	20-12-05 to 28-02-06	21	142
USD	15	16-12-05	Optional	16-12-05 to 20-03-06	15	58
USD	24	09-02-06	Multi - optional	14-04-06 to 15-05-06	24	88

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.

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 a claim against the Group's wholly owned subsidiary by a former employee for reinstatement, wages and benefits together with certain arrears of salary.

B12 Dividends

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

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 RM8,896,018 and weighted average number of ordinary shares in issue of 1,364,774,577 (previous corresponding period : RM8,410,264 and 1,362,559,940 shares).

The diluted earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM8,896,018 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,369,247,832 (previous corresponding period : RM8,410,264 and 1,377,625,214). 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 :

	31-12-05
Weighted average number of ordinary shares in issue	1,363,039,284
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	<u>4,359,024</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,367,398,308</u></u>

Date : 16 February 2006