

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31-03-06 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-03-05 RM'000	CURRENT YEAR TO DATE 31-03-06 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-03-05 RM'000
Revenue	88,716	67,681	233,480	181,870
Operating expenses	(80,902)	(64,256)	(217,266)	(171,106)
Depreciation	(2,141)	(2,017)	(6,555)	(5,881)
Other operating income	2,632	877	4,103	1,701
Profit from operations	8,305	2,285	13,762	6,584
Finance costs	(34)	(45)	(102)	(132)
Share of profit of associated companies	9,402	8,912	28,411	26,950
Profit before taxation	17,673	11,152	42,071	33,402
Taxation	(4,322)	(3,081)	(10,823)	(9,441)
Profit after taxation	13,351	8,071	31,248	23,961
Minority interest	(330)	113	(1,167)	191
Net profit for the period	13,021	8,184	30,081	24,152
Basic earnings per ordinary share of RM0.10 each (sen)	0.95	0.60	2.21	1.77
Diluted earnings per ordinary share of RM0.10 each (sen)	0.95	0.59	2.20	1.75

(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 MARCH 2006**

	31-03-06 RM' 000	30-06-05 RM' 000
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	80,621	84,003
INVESTMENT IN ASSOCIATED COMPANIES	115,010	113,682
OTHER INVESTMENTS	190	190
GOODWILL ON CONSOLIDATION	1,682	1,682
DEFERRED TAX ASSETS	4,380	3,223
CURRENT ASSETS		
Amounts Due from Customers for Contract Works	2,826	3,337
Inventories	15,454	11,358
Trade Receivables	43,346	42,864
Other Receivables, Deposits and Prepayments	5,405	4,629
Amount Due from Associated Companies	3,563	1,582
Short Term and Portfolio Investments	38,272	28,626
Deposits, Cash and Bank Balances	48,522	38,189
	<u>157,388</u>	<u>130,585</u>
CURRENT LIABILITIES		
Amounts Due to Customers for Contract Works	310	671
Trade Payables	32,537	29,491
Other Payables and Accruals	8,841	7,938
Hire Purchase Creditors	396	565
Taxation	2,850	520
	<u>44,934</u>	<u>39,185</u>
NET CURRENT ASSETS	<u>112,454</u>	<u>91,400</u>
	<u>314,337</u>	<u>294,180</u>
FINANCED BY		
SHARE CAPITAL	137,701	137,045
RESERVES	177,653	156,343
TREASURY SHARES	<u>(5,172)</u>	<u>(2,176)</u>
SHAREHOLDERS' EQUITY	310,182	291,212
MINORITY INTEREST	3,562	2,259
NON-CURRENT AND DEFERRED LIABILITIES		
Hire Purchase Creditors	382	655
Deferred Tax Liabilities	211	54
	<u>593</u>	<u>709</u>
	<u>314,337</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 NINE MONTHS ENDED 31 MARCH 2006**

	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 gain not recognised in the income statement:					
Currency translation differences	-	-	82	-	82
Net profit for the nine-month period	-	-	-	30,081	30,081
Appropriation :-					
FY2005 – final dividend of 10%, less tax	-	-	-	(9,823)	(9,823)
Options exercised	656	-	970	-	1,626
Shares repurchased	-	(2,996)	-	-	(2,996)
Balance as at 31 March 2006	<u>137,701</u>	<u>(5,172)</u>	<u>30,343</u>	<u>147,310</u>	<u>310,182</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	-	-	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>-</u>	<u>28,956</u>	<u>127,485</u>	<u>293,169</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 NINE MONTHS ENDED 31 MARCH 2006

	31-03-06	31-03-05
	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	42,071	33,402
Adjustments for :		
Depreciation of property, plant and equipment	6,555	5,881
Share of result of associated companies	(28,411)	(26,950)
Other non-cash items	(250)	798
Interest, dividend income and profit from investing activities	(907)	(1,880)
Operating profit before working capital changes	19,058	11,251
Changes in working capital :		
Net change in current assets	(6,509)	4,602
Net change in current liabilities	3,375	(4,969)
Cash generated by operations	15,924	10,884
Tax paid	(1,713)	(2,533)
Tax refund	44	14
Net cash generated by operating activities	14,255	8,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in an associated company	(2,052)	(4)
Investment in portfolio and other short term investments	(14,389)	(625)
Proceeds from disposal of short term investment	5,000	-
Interest and dividend income	22,295	15,199
Placement of deposits	(1,134)	(4,014)
Withdrawal of deposits	1,302	-
Proceeds from disposal of property, plant and equipment	90	26
Purchase of property, plant and equipment	(3,119)	(16,915)
Net cash generated by/(used in) investing activities	7,993	(6,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(9,823)	(9,826)
Proceeds from issue of shares	1,626	2,104
Proceeds from shares issued to minority interest	96	-
Repayment of hire purchase financing	(458)	(512)
Shares repurchased	(2,996)	-
Net cash used in financing activities	(11,555)	(8,234)
Effects of exchange rate changes	(323)	243
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,370	(5,959)
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	131	238
As restated	31,662	32,967
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)	42,032	27,008

(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 nine months period, the Company increased its issued and paid-up share capital from RM137,045,429 to RM137,700,956 by the allotment of 6,555,270 new ordinary shares of RM0.10 each pertaining to the exercise of 6,555,270 shares under the Employees' Share Option Scheme.

(ii) During the current nine months period, the Company repurchased 7,243,600 of its own ordinary shares of RM0.10 each from the open market for a total consideration of RM2,995,694 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 9 months ended 31-03-06 RM'000	Profit before tax 9 months ended 31-03-06 RM'000
Malaysia	139,305	4,994
Singapore	27,404	2,724
Other countries	<u>66,771</u>	<u>5,942</u>
	233,480	13,660
Share of profit of associated companies	<u>-</u>	<u>28,411</u>
	<u><u>233,480</u></u>	<u><u>42,071</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 31 March 2006 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 RM127,665,300 (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 RM7,588,843 as at 31 March 2006 (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.

INTERIM FINANCIAL REPORT

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

	31-03-06
	RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	515
Approved but not contracted for	50
	565
Operating lease commitments :	
- not later than one year	357
- later than one year and not later that five years	254
	611
	<u>1,176</u>

A14 Related party transactions

	31-03-06
	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
- Wide Synergy Sdn Bhd	63
Subcontracts from an associated company, Kertih Terminals Sdn Bhd	285
Commission received from an associated company, Helix RDS Sdn Bhd	80
Gross dividend received from an associated company, Kertih Terminals Sdn Bhd	29,833
	<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

	31-03-06
	RM'000
Deposits, cash and bank balances	48,522
Less: Deposits pledged to licensed banks	(6,490)
	<u>42,032</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 31% rise in revenue to RM88.7 million for the current financial quarter ended 31 March 2006, compared with RM67.7 million in the same period for FY2005. Profit before taxation jumped 58% to RM17.7 million, from RM11.2 million recorded in the corresponding financial quarter last year. The better revenue and profit for the current financial quarter were mainly contributed by more products and technical services sales to regional countries.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM17.7 million increased by 42% when compared to RM12.4 million registered in the preceding financial quarter. The better performance was mainly contributed by profit generated from increased products and technical services sales.

B3 Prospects

The prospect of the Group is very positive as it has built a solid foundation and reputation as an engineering & construction, as well as integrated specialist technical services provider to the oil, gas and petrochemical industry. Supported by our global technology partners, the Group is in a strong position to capitalise on the tremendous business opportunities existing in this industry, both locally and overseas.

In addition to its extensive presence in Asia, the Group continues to seek out alliance partners to expand its worldwide reach in line with its global aspirations. These partnerships are expected to contribute positively to the earnings of Dialog Group in the future.

Barring any unforeseen circumstances, the Group is confident 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

	9 months ended
	31-03-06
	RM' 000
Current taxation	4,165
Under provision in prior years	5
Deferred taxation	(1,002)
	<hr/>
	3,168
Share of taxation in associated companies	7,655
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	10,823
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The tax charge of the Group for the period ended 31 March 2006 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:

	9 months ended
	31-03-06
	RM' 000
Purchase consideration	6,777
Sales proceeds	3,196
Loss on disposal	<u>(620)</u>

Investments in quoted securities as at 31 March 2006 are as follows:

	Cost	Book value	Market value
	RM' 000	RM' 000	RM' 000
Total quoted securities	<u>17,151</u>	<u>15,660</u>	<u>15,706</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

	31-03-06	
	FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	174	396
Long term borrowing:		
Hire purchase creditors (secured)	<u>167</u>	<u>382</u>
	<u>341</u>	<u>778</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 15 May 2006, the forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivables / payable are as follows:

Currency	Contract Amount FC' 000	Contract Date	Contract Type	Contract Period	Outstanding Contract Amount	
					FC' 000	RM' 000
<u>Receivables</u>						
USD	90	23-03-06	Optional	30-05-06	86	317
USD	75	03-04-06	Optional	05-06-06	75	276
USD	37	03-04-06	Optional	05-06-06	12	42
<u>Payable</u>						
GBP	447	30-03-06	Optional	03-08-06	447	2,883

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

- (a) The Board of Directors declared an interim dividend of 10% less 28% tax (previous corresponding period : 9% less 28% tax) per ordinary share of RM0.10 each of the Company in respect of the current financial year ending 30 June 2006. The entitlement to the interim dividend will be determined based on shareholders registered in the record of depositors as at 16 June 2006 and the date of payment will be on 29 June 2006.
- (b) The total dividend for the current financial period to date is 10% 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 RM13,020,612 and weighted average number of ordinary shares in issue of 1,365,081,132 (previous corresponding period : RM8,184,130 and 1,364,624,266 shares).

The diluted earnings per share for the quarter is calculated based on consolidated profit after taxation and minority interest of RM13,020,612 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,371,924,857 (previous corresponding period : RM8,184,130 and 1,378,894,773). 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 :

	31-03-06
Weighted average number of ordinary shares in issue	1,363,439,416
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	<u>5,362,979</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,368,802,395</u></u>

Date : 18 May 2006