
INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	INDIVIDUAL QUARTER 3 MONTHS ENDED 30 SEPTEMBER		CUMULATIVE QUARTER 3 MONTHS ENDED 30 SEPTEMBER	
	30-09-06 RM'000	30-09-05 RM'000 (restated)	30-09-06 RM'000	30-09-05 RM'000 (restated)
	Revenue	100,930	78,162	100,930
Operating expenses	(94,130)	(76,662)	(94,130)	(76,662)
Other operating income	1,624	986	1,624	986
Share of profit after tax of associates	6,696	6,876	6,696	6,876
Finance costs	(35)	(30)	(35)	(30)
Profit before taxation	15,085	9,332	15,085	9,332
Taxation	(1,976)	(612)	(1,976)	(612)
Net Profit for the period	13,109	8,720	13,109	8,720
Attributable to :				
Equity holders of the parent	12,791	8,164	12,791	8,164
Minority interests	318	556	318	556
Profit for the period	13,109	8,720	13,109	8,720
Basic earnings per ordinary share of RM0.10 each (sen)	0.93	0.60	0.93	0.60
Diluted earnings per ordinary share of RM0.10 each (sen)	0.93	0.60	0.93	0.60

Note :

Profit before taxation in the prior year has been restated to reflect the effect after the adoption of FRS 101 which requires share of the results of associates to be stated at share of profit after tax.

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	30-09-06 RM' 000	30-06-06 RM' 000 (restated)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	78,305	76,166
Prepaid interest in lease land	11,035	11,066
Goodwill on consolidation	1,836	1,836
Intangible assets	281	-
Investment in associated companies	98,476	121,188
Other investment	190	190
Deferred tax assets	4,013	3,866
	194,136	214,312
CURRENT ASSETS		
Amounts due from customers for contract works	7,891	4,634
Inventories	28,155	19,977
Trade receivables	89,759	66,527
Other receivables, deposits and prepayments	8,543	5,888
Amount due from associated companies	1,403	7,290
Short term and portfolio investments	33,848	33,195
Deposits, cash and bank balances	45,220	58,888
	214,819	196,399
TOTAL ASSETS	408,955	410,711
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent		
Share capital	141,321	138,519
Reserves	177,173	184,359
Treasury shares	(6,751)	(9,308)
	311,743	313,570
Minority interests	15,086	12,819
Total equity	326,829	326,389
NON-CURRENT LIABILITIES		
Hire-purchase creditors	627	563
Deferred tax liabilities	505	162
	1,132	725
CURRENT LIABILITIES		
Amounts due to customers for contract works	1,333	5,250
Trade payables	63,030	59,213
Other payables and accruals	11,448	15,226
Hire-purchase creditors	409	489
Taxation	4,774	3,419
	80,994	83,597
Total liabilities	82,126	84,322
TOTAL EQUITY AND LIABILITIES	408,955	410,711

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2006 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 PERIOD ENDED 30 SEPTEMBER 2006**

	Attributable to Equity Holders of the Parent						Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares	Reserve on Consolidation	Other Reserves	Retained Profits			
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Balance as at 1 July 2006	138,519	30,622	(9,308)	193	1,313	152,231	313,570	12,819	326,389
Effects of adopting FRS 3	-	-	-	(193)	-	193	-	-	-
Balance as at 1 July 2006 (restated)	138,519	30,622	(9,308)	-	1,313	152,424	313,570	12,819	326,389
Currency translation differences	-	-	-	-	282	-	282	51	333
Net income recognised directly in the equity	-	-	-	-	282	-	282	51	333
Net profit for the three-month period	-	-	-	-	-	12,791	12,791	318	13,109
Total recognised income and expense for the period	138,519	30,622	(9,308)	-	1,595	165,215	326,643	13,188	339,831
Restatement of minority interests arising from consolidation of Dialog Systems (Thailand) Ltd	-	-	-	-	-	-	-	175	175
Appropriation :-									
FY2006 – special cash dividend of 15% less tax	-	-	-	-	-	(14,838)	(14,838)	-	(14,838)
FY2006 – tax exempt share dividend of one treasury share for every fifty existing ordinary shares held	-	(14,192)	14,192	-	-	-	-	-	-
Options exercised	2,802	8,828	-	-	-	-	11,630	-	11,630
Shares issue expenses	-	(57)	-	-	-	-	(57)	-	(57)
Issuance of shares to minority interest	-	-	-	-	-	-	-	1,723	1,723
Shares repurchased	-	-	(11,635)	-	-	-	(11,635)	-	(11,635)
Balance as at 30 September 2006	141,321	25,201	(6,751)	-	1,595	150,377	311,743	15,086	326,829
Balance as at 30 June 2005	137,045	28,019	(2,176)	193	1,079	127,052	291,212	2,259	293,471
Currency translation differences	-	-	-	-	(324)	-	(324)	73	(251)
Net income/(expense) recognised directly in the equity	-	-	-	-	(324)	-	(324)	73	(251)
Net profit for the three-month period	-	-	-	-	-	8,164	8,164	556	8,720
Total recognised income and expense for the period	137,045	28,019	(2,176)	193	755	135,216	299,052	2,888	301,940
Options exercised	133	206	-	-	-	-	339	-	339
Shares repurchased	-	-	(2,236)	-	-	-	(2,236)	-	(2,236)
Balance as at 30 September 2005	137,178	28,225	(4,412)	193	755	135,216	297,155	2,888	300,043

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2006 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 CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

	30-09-06 RM' 000	30-09-05 RM' 000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,085	9,332
Adjustments for :		
Depreciation of property, plant and equipment	2,246	2,194
Share of profit after tax of associates	(6,696)	(6,876)
Other non-cash items	(476)	(550)
Interest, dividend income and profit from investing activities	(467)	91
Operating profit before working capital changes	9,692	4,191
Changes in working capital :		
Net change in current assets	(27,749)	(390)
Net change in current liabilities	(12,866)	(2,867)
Cash generated by operations	(30,923)	934
Tax paid	(1,137)	(462)
Tax refund	52	44
Net cash (used in)/generated by operating activities	(32,008)	516
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary company, net of cash acquired	5,722	-
Investment in portfolio and other short term investments	(168)	(9,175)
Proceeds from redemption of preference shares by an associated company	16,500	-
Interest and dividend income	13,325	12,547
Net withdrawal of deposits	6,250	356
Acquisition of intangible assets	(281)	-
Net purchase of property, plant and equipment	(3,826)	(1,529)
Net cash generated by investing activities	37,522	2,199
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(14,838)	-
Proceeds from issue of shares	11,630	435
Proceeds from shares issued to minority interests	1,723	-
Repayment of hire purchase financing	(19)	(152)
Share issue expenses paid	(57)	-
Shares repurchased	(11,635)	(2,236)
Net cash used in financing activities	(13,196)	(1,953)
Effects of exchange rate changes	92	(90)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,590)	672
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	45,400	31,531
Effects of exchange rate changes on cash and cash equivalents	171	(88)
As restated	45,571	31,443
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A16)	37,981	32,115

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa”) Listing Requirements and should be read in conjunction with the Group’s annual audited financial report for the year ended 30 June 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2006.

A2 Changes in Accounting Policies

The MASB issued a total of 21 new and amended FRSs and other interpretations (herein thereafter referred as FRSs) effective for financial statements commencing 1 January 2006 for 18 FRSs and later dates for 3 other FRSs. The Group has opted for the early adoption of 2 FRSs, i.e. FRS 117 Leases and FRS 124 Related Party Disclosures which are effective at later dates. However, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as the FRS is not yet effective. Other than as explained in the foregoing paragraph and those as disclosed below, the same accounting policies and methods of computation are followed in the interim financial statements as compared with the audited financial statements for the year ended 30 June 2006.

Up to 30 June 2006, the Group’s consolidated financial statements were prepared in accordance with MASB standards with effective dates before 1 January 2006. The comparative figures in respect of financial year 2006 have therefore been restated to reflect the relevant adjustments.

With the exception of those as discussed below, the adoption of the other new and revised FRSs does not have significant financial impact on the Group.

(a) FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3 Business Combinations and the consequential changes to FRS 136 Impairment of Assets and FRS 138 Intangible Assets, has resulted in a change in the accounting policy relating to purchased goodwill.

Goodwill acquired in a business combination is carried at cost less any accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed. Prior to 1 July 2006, goodwill was stated at cost and was written down only when the directors are of the opinion that there was an impairment loss.

Negative goodwill, which represents the excess in fair value of the net identifiable assets over cost of acquisition is now recognised immediately to the income statement. Prior to 1 July 2006, the Group’s negative goodwill amounting to RM 193,512 was presented as a separate item in the balance sheet and stated at cost. The transitional provisions of FRS 3, however, have required the Group to recognise this negative goodwill to the opening retained profits as disclosed in the Condensed Consolidated Statement of Changes in Equity.

INTERIM FINANCIAL REPORT**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A2 Changes in Accounting Policies (Cont'd)****(b) FRS 101 : Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity where it requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

Share of results in associates is now disclosed net of tax and minority interests in the consolidated income statements.

(c) FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid interest in lease land and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative cost of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 July 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

(d) The presentation of the Group's financial statements for the current period is based on the above revised requirements, with the comparatives restated to conform with the current period's presentation. The following comparative figures are restated to conform with new presentation are summarised as follows:

	As previously reported RM' 000	Effect RM' 000	As restated RM' 000
<u>Income Statement (1.07.05-30.09.05)</u>			
Share of profit of associated companies	9,510	(2,634)	6,876
Profit before taxation	11,966	(2,634)	9,332
Taxation	3,246	(2,634)	612
<u>Balance Sheet (as at 30.06.06)</u>			
Property, plant and equipment	87,232	(11,066)	76,166
Prepaid interest in lease land	-	11,066	11,066
<u>Statement of Changes in Equity (as at 1.07.06)</u>			
Retained profit	152,231	193	152,424
Reserve on consolidation	193	(193)	-

A3 Auditors' report of preceding annual audited financial statements

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

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A4 Seasonal or cyclical factors

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

A5 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.

A6 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.

A7 Debt and equity securities

Changes in debt and equity securities during the current financial period were as follows :-

- (i) The Company increased its issued and paid-up share capital from RM138,518,952 to RM141,321,004 by the allotment of 28,020,520 new ordinary shares of RM0.10 each pertaining to the exercise of 28,020,520 shares under the Employees' Share Option Scheme.
- (ii) The Company repurchased a total of 20,563,200 ordinary shares of RM0.10 each from the open market for a total consideration of RM11,635,062 at average cost of RM0.57 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.
- (iii) The Company distributed 27,476,907 of its treasury shares to entitled shareholders as share dividends on 26 September 2006 in pursuant to the tax exempt Special Share Dividend declared on 22 August 2006.

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

A8 Dividends paid

On 22 August 2006, the Company declared the following special dividends for the previous financial year ended 30 June 2006:-

- (i) Tax exempt share dividend of one treasury share for every fifty existing ordinary shares of RM0.10 each held. A total of 27,476,907 share dividends amounting to RM14,191,822 (determined based on weighted average costs of the treasury shares) was distributed to entitled shareholders on 26 September 2006; and
- (ii) Cash dividend of 15% per ordinary share of RM0.10 each, less 28% tax, amounting to RM14,837,708 was paid on 29 September 2006.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A9 Segment information**

The Group operates principally in the oil, gas and petrochemical industry in Malaysia and other areas of the world.

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

	Revenue 3 months ended 30-09-06 RM'000	Profit before tax 3 months ended 30-09-06 RM'000
Malaysia	43,770	3,676
Asia Pacific countries	57,160	4,713
Other countries	-	-
	<hr/>	<hr/>
	100,930	8,389
Share of profit after tax of associates	-	6,696
	<hr/>	<hr/>
	<u>100,930</u>	<u>15,085</u>

A10 Property, plant and equipment

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

A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 30 September 2006 up to the date of this report which, is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

- (i) In July 2006, Dialog System Sdn. Bhd., a wholly owned subsidiary company of the Group, acquired 1,500,001 ordinary shares of RM 1.00 each in a jointly controlled entity, Tracerco Asia Sdn. Bhd., representing 50% equity interest, for a total consideration of RM2,091,591, settled by way of RM1,500,000 in cash and RM591,591 in kind.
- (ii) In July 2006, Dialog (Labuan) Ltd. ("DLL"), a wholly owned subsidiary company of the Group, has subscribed for 570,000 ordinary shares of USD1.00 each at par for cash out of 999,999 ordinary shares issued by its subsidiary company, GNT International Limited ("GNT"). Subsequent to the subscription by DLL and the minority shareholder, DLL's equity interest is reduced to 57%.
- (iii) In July 2006, Dialog Catalyst Services Sdn. Bhd. has subscribed for 51,000 fully paid-up ordinary shares in Dialog Services Pty. Ltd., representing 51% of the equity interest, for a total subscription consideration of AUD51,000.
- (iv) In August 2006, Dialog Petroleum Sdn. Bhd. disposed off its entire equity interest in its subsidiary company, Dialog OTEC Sdn. Bhd. ("DOSB", formerly known as Tema Tinggi Sdn. Bhd.) for cash consideration of RM2.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A12 Changes in the composition of the Group (Cont'd)**

- (v) In August 2006, Dialog Fabricators Sdn. Bhd. (“DFSB”), a wholly owned subsidiary company of the Group, and OTEC Holdings Pte. Ltd. (“OTEC”), a 60% owned subsidiary of the Group, each acquired 1 ordinary share of RM1.00 in DOSB, representing the entire equity interest, at par for cash. Subsequently, on 18 August 2006, DFSB and OTEC each subscribed for 999,999 ordinary shares of RM1.00 each at par for cash in DOSB. Subsequent to the acquisition and subscription, DFSB and OTEC each owns 50% of the equity interest in DOSB.
- (vi) In August 2006, DLL entered into a Joint Venture Agreement with M/s Sedres Maritime (“Sedres”) for the establishment of Dialog Services Saudi Arabia Company Limited (“Dialog SA”). The joint venture company was registered in the Kingdom of Saudi Arabia on 12 November 2006 under the approved name of Dialog SA. Dialog SA has a share capital of SAR 2,000,000 with the agreed shareholding proportion of DLL (60%) and Sedres (40%).
- (vii) Previously the investment in Dialog Systems (Thailand) Ltd (“DSTL”) amounting to 49% of its equity interest was accounted for under the equity accounting method as an associated company. During the period, due to recent appointments, the majority of the Board members are those nominated by the Group’s Board of Directors. Management concluded that it is now more appropriate to deem DSTL to be a subsidiary. Accordingly, the financial statements of DSTL are now consolidated together with the Group.
- (a) The effects of the acquisition on the financial results of the Group during the financial period are as follows:

	3 months ended 30-09-06 RM'000
Revenue	2,386
Operating costs	(2,664)
	<u>(278)</u>
Share by minority interest	142
Decrease in Group net profit	<u>(136)</u>

- (b) The effects of the acquisition on the financial position of the Group at the end of the financial period are as follows:

	30-09-06 RM'000
Property, plant and equipment	530
Current assets	5,067
Current liabilities	(5,434)
Non current liabilities	<u>(97)</u>
	66
Share by minority interest	<u>(33)</u>
Increase in Group net assets	<u>33</u>

The above acquisition does not have any material impact on the net assets and earnings of the Group.

Other than the above, there were no other material changes in the composition of the Group during the current financial period.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A13 Capital commitments

	30-09-06 RM'000
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	3,966
Approved but not contracted for	675
	4,641
Operating lease commitments :	
- not later than one year	381
- later than one year and not later than five years	607
	988
	5,629

A14 Changes in contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets of the Group since the last annual balance sheet as at 30 June 2006.

A15 Related party transactions

	3 months ended 30-09-06 RM'000
Rental of premises paid and payable to a member of key management staff and his close family members	35
Subcontracts from an associated company	1,311
Sales of assets and commission received from a joint venture company	572
Services rendered by a joint venture company	290
Gross dividend received from an associated company	17,917

A16 Cash and cash equivalents

	30-09-06 RM'000
Deposits, cash and bank balances	45,220
Less: Deposits pledged to licensed banks	(7,239)
	37,981

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 registered a revenue of RM100.9 million in the current quarter compared to RM78.2 million in the preceding year's corresponding quarter, which was an increase of 29%. The higher volume of business to regional countries recorded under Specialist Technical Services and Products was the major factor contributing to the increased Group's revenue.

In addition, the new subsidiaries in Singapore, i.e. OTEC group which was acquired in April 2006, also contributed to the higher revenue recorded from the Engineering, Construction and Maintenance division.

The Group's profit before tax for the current quarter was RM15.1 million, an increase of 62% compared to the preceding year's corresponding quarter of RM9.3 million. This was mainly attributable to higher profits recorded by the two divisions mentioned above in line with their higher revenue.

B2 Variation of results against preceding quarter

Revenue for the current quarter of RM100.9 million was 13% lower compared to RM115.9 million registered in the preceding quarter. In line with the lower revenue, profit before tax recorded by the Group in the current quarter of RM15.1 million was also lower compared to RM18.8 million recorded in the preceding quarter.

B3 Prospects

The prospect of the Group is very positive as it has built a solid foundation and reputation as an integrated specialist technical services, as well as engineering & construction 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.

It is now clear that our strategy to focus on integrated specialist technical services has begun to bear fruits. We are very confident our new operations in Australia, Saudi Arabia and other countries will contribute positively to the earnings of Dialog in the future.

Barring any unforeseen circumstances, the Group is very optimistic that its performance will be favourable for the financial year ending 30 June 2007.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	3 months ended
	30-09-06
	RM' 000
Current taxation	1,966
Under provision in prior years	33
Deferred tax	(23)
	<u>1,976</u>

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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 period ended 30 September 2006 took into consideration an effective tax rate which incorporates the gradual reduction for the changes of local statutory tax rate from 28% to 26%. Overall effective tax rate is still lower than the statutory tax rate of 26%, due to lower tax rate applicable to small and medium size subsidiary companies, changes in local tax rates and lower tax rates in foreign jurisdictions.

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

	3 months ended 30-09-06 RM' 000
Purchase consideration	1,569
Sales proceeds	853
Loss on disposal	<u>(138)</u>

Investments in quoted securities as at 30 September 2006 are as follows:

	Cost RM' 000	Book value RM' 000	Market value RM' 000
Total quoted securities	<u>17,918</u>	<u>16,521</u>	<u>16,521</u>

B8 Status of corporate proposals

Memorandum of Understanding between Dialog Group Berhad and PT Pertamina (Persero)
DIALOG and PT. Pertamina (Persero) has mutually agreed to allow the Memorandum of Understanding ("MOU") to lapse on 21 September 2006.

Proposed Renewal of Share Buy-Back Authority

On 19 September 2006, 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.

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

B9 Borrowings and debt securities

	30-09-06	
	FC' 000	RM' 000
Short term borrowing:		
Hire purchase creditors (secured)	176	409
Long term borrowing:		
Hire purchase creditors (secured)	270	627
	446	1,036

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

B10 Off balance sheet financial instruments

As at 15 November 2006, 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 Type	Contract Period	Outstanding Contract	
	Amount	Date			Amount	Amount
	FC' 000				FC' 000	RM' 000
<u>Receivables</u>						
USD	21	15-11-06	Optional	15-11-06 to 17-01-07	21	77
<u>Payables</u>						
EUR	35	30-08-06	Optional	05-09-06 to 05-12-06	35	166
EUR	52	12-09-06	Optional	14-09-06 to 14-12-06	52	245
EUR	20	25-09-06	Optional	27-09-06 to 27-12-06	20	93
EUR	15	02-10-06	Optional	04-10-06 to 04-01-07	15	69
EUR	118	15-11-06	Optional	27-12-06 to 31-01-07	118	551
USD	69	15-11-06	Optional	15-11-06 to 17-11-06	69	251
GBP	14	15-11-06	Optional	15-11-06 to 16-11-06	14	99
USD	25	15-11-06	Optional	05-12-06 to 31-05-07	25	92

There is no cash requirement for the above forward foreign exchange contract. These contracts are registered in the financial statements upon settlement.

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.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B12 Dividends**

The Board recommended a final dividend of 11% less 28% tax (preceding year : 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 depositors as at 13 December 2006 and the date of payment will be on 28 December 2006.

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

B13 Earnings per share

The basic earnings per share for the period is calculated based on consolidated profit after taxation and minority interest of RM12,790,991 and weighted average number of ordinary shares in issue of 1,373,127,646 (previous corresponding period : RM8,163,897 and 1,363,680,777 shares).

The diluted earnings per share for the period is calculated based on consolidated profit after taxation and minority interest of RM12,790,991 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,373,751,731 (previous corresponding period : RM8,163,897 and 1,369,865,926). 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 to the expiry of the ESOS on 31 August 2006. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between share price and exercise price.

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

	30-09-06
Weighted average number of ordinary shares in issue	1,373,127,646
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	624,085
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,373,751,731</u></u>

Date : 21 November 2006