

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007**

	INDIVIDUAL QUARTER 3 MONTHS ENDED 31 MARCH		CUMULATIVE QUARTER 9 MONTHS ENDED 31 MARCH	
	31-03-07 RM'000	31-03-06 RM'000 (restated)	31-03-07 RM'000	31-03-06 RM'000 (restated)
<b>Revenue</b>	108,745	88,716	309,181	233,480
Operating expenses	(105,409)	(83,043)	(294,643)	(223,821)
Other operating income	2,647	2,632	7,173	4,103
Share of profit after tax of associates	8,270	7,026	21,823	20,756
Finance costs	(53)	(34)	(148)	(102)
<b>Profit before taxation</b>	14,200	15,297	43,386	34,416
Taxation	(1,396)	(1,946)	(5,032)	(3,168)
<b>Net Profit for the period</b>	<u>12,804</u>	<u>13,351</u>	<u>38,354</u>	<u>31,248</u>
<b>Attributable to :</b>				
Equity holders of the parent	12,537	13,021	36,502	30,081
Minority interests	267	330	1,852	1,167
<b>Profit for the period</b>	<u>12,804</u>	<u>13,351</u>	<u>38,354</u>	<u>31,248</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.91</u>	<u>0.95</u>	<u>2.62</u>	<u>2.21</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.91</u>	<u>0.95</u>	<u>2.62</u>	<u>2.20</u>

**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 31 MARCH 2007**

	31-03-07 RM' 000	30-06-06 RM' 000 (restated)
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	86,910	76,166
Prepaid interest in lease land	10,911	11,066
Goodwill on consolidation	5,177	1,836
Intangible asset	251	-
Investment in associated companies	101,312	121,188
Other investment	363	190
Deferred tax assets	4,994	3,866
	209,918	214,312
<b>CURRENT ASSETS</b>		
Amounts due from customers for contract works	18,676	4,634
Inventories	30,347	19,977
Trade receivables	85,229	66,527
Other receivables, deposits and prepayments	9,133	5,888
Amount due from associated companies	389	7,290
Short term and portfolio investments	10,547	33,195
Deposits, cash and bank balances	57,940	58,888
	212,261	196,399
<b>TOTAL ASSETS</b>	422,179	410,711
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	141,321	138,519
Reserves	188,928	184,359
Treasury shares	(8,129)	(9,308)
	322,120	313,570
<b>Minority interests</b>	15,062	12,819
<b>Total equity</b>	337,182	326,389
<b>NON-CURRENT LIABILITIES</b>		
Hire-purchase creditors	451	563
Deferred tax liabilities	816	162
	1,267	725
<b>CURRENT LIABILITIES</b>		
Amounts due to customers for contract works	10,671	5,250
Trade payables	60,515	59,213
Other payables and accruals	7,957	15,226
Amount due to an associated company	183	-
Hire-purchase creditors	606	489
Taxation	3,798	3,419
	83,730	83,597
<b>Total liabilities</b>	84,997	84,322
<b>TOTAL EQUITY AND LIABILITIES</b>	422,179	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 31 MARCH 2007**

	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	-	-	-	-	(113)	-	(113)	(521)	(634)
Net income recognised directly in the equity	-	-	-	-	(113)	-	(113)	(521)	(634)
Net profit for the nine-month period	-	-	-	-	-	36,502	36,502	1,852	38,354
Total recognised income and expense for the period	138,519	30,622	(9,308)	-	1,200	188,926	349,959	14,150	364,109
Restatement of minority interests arising from consolidation of Dialog Systems (Thailand) Ltd	-	-	-	-	-	-	-	175	175
Dilution of interest in subsidiaries	-	-	-	-	-	(427)	(427)	427	-
Effect of acquisition of interest in subsidiary	-	-	-	-	-	-	-	(2,652)	(2,652)
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	-	-	-	-	-	-
FY2006 – final dividend of 11% less tax	-	-	-	-	-	(11,089)	(11,089)	-	(11,089)
Options exercised	2,802	8,828	-	-	-	-	11,630	-	11,630
Shares issue expenses	-	(102)	-	-	-	-	(102)	-	(102)
Issuance of shares to minority interest	-	-	-	-	-	-	-	2,764	2,764
Disposal of shares to minority interest	-	-	-	-	-	-	-	198	198
Shares repurchased	-	-	(13,013)	-	-	-	(13,013)	-	(13,013)
Balance as at 31 March 2007	141,321	25,156	(8,129)	-	1,200	162,572	322,120	15,062	337,182
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	-	-	-	-	82	-	82	40	122
Net income/(expense) recognised directly in the equity	-	-	-	-	82	-	82	40	122
Net profit for nine-month period	-	-	-	-	-	30,081	30,081	1,167	31,248
Total recognised income and expense for the period	137,045	28,019	(2,176)	193	1,161	157,133	321,375	3,466	324,841
Appropriation :-									
FY2005 – final dividend of 10% less tax	-	-	-	-	-	(9,823)	(9,823)	-	(9,823)
Options exercised	656	970	-	-	-	-	1,626	-	1,626
Issuance of shares to minority interest	-	-	-	-	-	-	-	96	96
Shares repurchased	-	-	(2,996)	-	-	-	(2,996)	-	(2,996)
Balance as at 31 March 2006	137,701	28,989	(5,172)	193	1,161	147,310	310,182	3,562	313,744

(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.)

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2007**

	<b>31-03-07</b>	<b>31-03-06</b>
	<b>RM' 000</b>	<b>RM' 000</b>
		(restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	43,386	34,416
Adjustments for :		
Depreciation of property, plant and equipment	7,198	6,555
Share of profit after tax of associates	(21,823)	(20,756)
Other non-cash items	(2,662)	(250)
Interest, dividend income and profit from investing activities	(1,891)	(907)
Operating profit before working capital changes	24,208	19,058
Changes in working capital :		
Net change in current assets	(36,062)	(6,509)
Net change in current liabilities	(9,299)	3,375
Cash (used)/generated by operations	(21,153)	15,924
Tax paid	(5,999)	(1,713)
Tax refund	59	44
<b>Net cash (used in)/generated by operating activities</b>	<b>(27,093)</b>	<b>14,255</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary companies, net of cash acquired	(1,052)	-
Investment in an associated company	-	(2,052)
Net investment in portfolio and other short term investments	(9,341)	(14,389)
Proceeds from disposal of shares in subsidiary company	198	-
Proceeds from disposal of portfolio and short term investments	35,501	5,000
Proceeds from redemption of preference shares by an associated company	16,500	-
Interest and dividend income	26,392	22,295
Net withdrawal of deposits	6,083	168
Acquisition of intangible assets	(251)	-
Net purchase of property, plant and equipment	(16,511)	(3,029)
<b>Net cash generated by investing activities</b>	<b>57,519</b>	<b>7,993</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest and dividend paid	(25,927)	(9,823)
Proceeds from issue of shares	11,630	1,626
Proceeds from shares issued to minority interests	2,764	96
Repayment of hire purchase financing	(251)	(458)
Share issue expenses paid	(102)	-
Share repurchased	(13,013)	(2,996)
<b>Net cash used in financing activities</b>	<b>(24,899)</b>	<b>(11,555)</b>
Effects of exchange rate changes	124	(323)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,651</b>	<b>10,370</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	45,400	31,531
Effects of exchange rate changes on cash and cash equivalents	(516)	131
As restated	44,884	31,662
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A16)</b>	<b>50,535</b>	<b>42,032</b>

*(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.)*

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## INTERIM FINANCIAL REPORT

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### 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 on consolidation 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 below:

	<b>As previously reported RM' 000</b>	<b>Effect RM' 000</b>	<b>As restated RM' 000</b>
<b><u>Income Statement</u></b>			
<b><u>(1.01.06 – 31.03.06)</u></b>			
Share of profit of associated companies	9,402	(2,376)	7,026
Profit before taxation	17,673	(2,376)	15,297
Taxation	4,322	(2,376)	1,946
<b><u>(1.07.05 – 31.03.06)</u></b>			
Share of profit of associated companies	28,411	(7,655)	20,756
Profit before taxation	42,071	(7,655)	34,416
Taxation	10,823	(7,655)	3,168
<b><u>Balance Sheet (as at 30.06.06)</u></b>			
Property, plant and equipment	87,232	(11,066)	76,166
Prepaid interest in lease land	-	11,066	11,066
<b><u>Statement of Changes in Equity</u></b>			
<b><u>(as at 1.07.06)</u></b>			
Retained profit	152,231	193	152,424
Reserve on consolidation	193	(193)	-

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

**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.

**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) During the current nine months period, 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) During the current nine months period, the Company repurchased a total of 21,871,500 ordinary shares of RM0.10 each from the open market for a total consideration of RM13,012,940 at average cost of RM0.59 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) During the current nine months period, 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**

- (a) On 22 August 2006, the Company declared the following special dividends for the 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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**INTERIM FINANCIAL REPORT**

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

**A8 Dividends paid (Cont'd)**

- (b) A final dividend of 11% per ordinary share of RM0.10 each, less 28% tax, amounting to RM11,088,838 in respect of the financial year ended 30 June 2006 was paid on 28 December 2006.

**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 :-

	<b>Revenue 9 months ended 31-03-07 RM'000</b>	<b>Profit before tax 9 months ended 31-03-07 RM'000</b>
Malaysia	142,527	8,612
Asia Pacific countries	165,262	12,645
Europe	<u>1,392</u>	<u>306</u>
	309,181	21,563
Share of profit after tax of associates	<u>-</u>	<u>21,823</u>
	<u><u>309,181</u></u>	<u><u>43,386</u></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 31 March 2007 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 January 2007, the Group carried out an Internal Reorganisation Exercise to consolidate its engineering, construction, maintenance and fabrication business in Singapore under Dialog Engineering Pte Ltd ("DEPL"). The reorganisation involved:
- (a) transfer of 479,500 ordinary shares and 708,975 redeemable non-convertible preference shares ("RNCPS") in OTEC Holdings Pte Ltd ("OHPL"), representing 13.70% of OHPL's share capital from Star Specialist Engineering Pte Ltd to DEPL in return for 1,188,300 new ordinary shares in DEPL; and
  - (b) transfer of 2,100,000 ordinary shares and 3,105,000 RNCPS in OHPL, representing 60% of OHPL's share capital from Dialog Systems (Asia) Pte Ltd, a wholly owned subsidiary of the Group, to DEPL in return for 5,205,000 new ordinary shares in DEPL; and
- (ii) In March 2007, DEPL disposed of 4.0% interest in Toh Teck Seng Engineering & Construction Pte Ltd for a total cash consideration of S\$93,200.



**DIALOG GROUP BERHAD**

Company No. 178694 – V

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

(iii) On 31 January 2007, Dialog Catalyst Services Sdn Bhd ('DCSSB'), a 51% owned subsidiary of the Group, subscribed for 51% equity interest in Dialog Services Europe Limited. Subsequently on 19 February 2007, Dialog Services Europe Limited acquired 100% equity interest in Technivac Limited for a cash consideration of GBP1,250,000.

(a) The effect of the acquisition on the financial results of the Group during the financial quarter are as follows:

	31-03-07 RM'000
Revenue	1,290
Operating costs	<u>(1,034)</u>
	256
Taxation	(48)
Share by minority interests	<u>(92)</u>
Increase in Group net profit	<u><u>116</u></u>

(b) The effect of the acquisition on the financial position of the Group at the end of the financial quarter are as follows:

	31-03-07 RM'000
Property, plant and equipment	1,026
Inventories	390
Trade and other receivables	534
Cash and cash equivalents	1,786
Trade and other payables	(1,094)
Tax and deferred tax liabilities	(56)
Minority interests	<u>2,652</u>
Net asset acquired	5,238
Goodwill on consolidation	<u>3,322</u>
Total purchase consideration	8,560
Cash and cash equivalents of the subsidiary companies acquired	<u>(1,786)</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u><u>6,774</u></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 quarter.

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT****A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A13 Capital commitments**

	<b>31-03-07 RM'000</b>
Capital expenditures in respect of property, plant and equipment :	
Contracted but not provided for	26,462
Approved but not contracted for	46
	26,508
Operating lease commitments :	
- not later than one year	857
- later than one year and not later than five years	684
	1,541
	<u>28,049</u>

**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 31 March 2007.

**A15 Related party transactions**

	<b>9 months ended 31-03-07 RM'000</b>
Rental of premises paid and payable to a member of key management staff and his close family members	106
Subcontracts from an associated company	1,679
Sale of property, plant & equipment and commission received from a joint venture company	687
Services rendered by a joint venture company	4,115
Services rendered to a joint venture company	77
Gross dividend received from an associated company	<u>35,000</u>

**A16 Cash and cash equivalents**

	<b>31-03-07 RM'000</b>
Deposits, cash and bank balances	57,940
Less: Deposits pledged to licensed banks	<u>(7,405)</u>
	<u>50,535</u>

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## INTERIM FINANCIAL REPORT

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### **B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

#### **B1 Review of performance**

The Group recorded a 23% growth in revenue to RM108.7 million for the current financial quarter, compared to RM88.7 million in the corresponding financial quarter last year. The higher revenue was mainly attributable to the Engineering & Construction Division resulted from the increase in the number of projects undertaken during the quarter.

Profit after tax for the current financial quarter of RM12.8 million was however lower by 4% compared to RM13.4 million recorded for the same financial quarter last year. This was mainly due to the initial business development expenses incurred for Tanjung Langsat CTF Project, new venture in Middle East and the acquisition of Technivac Ltd, UK, and the higher staff costs arising from the recruitment of many senior executives including expatriates to support the current projects secured and the expansion of catalyst handling business worldwide.

#### **B2 Variation of results against preceding quarter**

There was no significant variance on the Group's result for the current financial quarter as compared to 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. Furthermore, with the recent recruitment of many senior staff, we have increased our capacity to handle more projects and services.

The Group has secured from Tanjung Langsat Port Sdn Bhd the rights to develop an independent centralised tankage facilities and dedicated tank terminal within the Port of Tanjung Langsat. This project is expected to contribute positively to the future earnings of the Group.

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**

	<b>3 months ended</b>	<b>9 months ended</b>
	<b>31-03-07</b>	<b>31-03-07</b>
	<b>RM' 000</b>	<b>RM' 000</b>
Current taxation	1,351	5,843
Over provision in prior years	(122)	(145)
Deferred tax	167	(666)
	<u>1,396</u>	<u>5,032</u>

**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 period ended 31 March 2007 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 rates of the current quarter and the financial period to date are still lower than the statutory tax rate of 27%, due to lower tax rate applicable to small and medium size subsidiary companies 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:

	<b>3 months ended</b>	<b>9 months ended</b>
	<b>31-03-07</b>	<b>31-03-07</b>
	<b>RM' 000</b>	<b>RM' 000</b>
Purchase consideration	-	1,699
Sales proceeds	7,919	11,604
Gain on disposal	<u>379</u>	<u>24</u>

Investments in quoted securities as at 31 March 2007 are as follows:

	<b>Cost</b>	<b>Book value</b>	<b>Market value</b>
	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>
Total quoted securities	<u>9,258</u>	<u>10,547</u>	<u>10,547</u>

**B8 Status of corporate proposals**Memorandum of Understanding with Trafigura

On 12 April 2007, Dialog Equity Sdn Bhd, a subsidiary of Dialog Group Berhad, entered into a Memorandum of Understanding ("MOU") with Trafigura Beheer B.V. ("Trafigura"). The MOU seeks the cooperation of both parties to develop an independent centralised tankage facilities ("CTF") and a dedicated tank terminal ("Tank Terminal") at the Port of Tanjung Langsat ("the Port") through special purpose joint venture companies ("Newcos"); and that the Tank Terminal shall be leased to Trafigura for its sole and exclusive use on a fixed monthly rental.

The parties are negotiating on the terms and conditions of the definitive agreement(s) including the shareholders' agreement as contemplated under the MOU and the parties are expected to execute the aforesaid agreements within 60 days from 12 April 2007.

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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****B9 Borrowings and debt securities**

		31-03-07	
	Currency	FC' 000	RM' 000
Short term borrowing:			
Hire purchase creditors (secured)	SGD	154	351
Hire purchase creditors (secured)	GBP	38	255
Long term borrowing:			
Hire purchase creditors (secured)	SGD	198	451
		390	1,057
		390	1,057

**B10 Off balance sheet financial instruments**

As at 8 May 2007, 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 Amount FC' 000	Contract Date	Contract Type	Contract Period	Outstanding Contract Amount	
					FC' 000	RM' 000
<b><u>Receivables</u></b>						
GBP	268	29-12-06	Optional	04-01-07 to 05-07-07	268	1,820
USD	285	28-02-07	Multi-Optional	28-02-07 to 02-07-07	285	996
USD	185	03-04-07	Forward	03-04-07 to 20-09-07	185	639
USD	24	03-04-07	Forward	03-04-07 to 28-09-07	24	84
USD	61	16-04-07	Optional	16-04-07 to 18-06-07	61	208
USD	45	20-04-07	Optional	20-04-07 to 25-06-07	45	153
<b><u>Payables</u></b>						
EUR	35	30-08-06	Optional	05-09-06 to 05-06-07	35	166
USD	25	15-11-06	Optional	15-12-06 to 31-05-07	2	9
EUR	118	15-11-06	Optional	27-12-06 to 29-06-07	118	535
GBP	441	27-12-06	Multi - Optional	27-12-07 to 29-06-07	112	779
GBP	43	03-01-07	Multi - Optional	03-01-07 to 08-05-07	26	183
USD	46	05-02-07	Optional	30-04-07 to 01-06-07	46	162
GBP	128	07-03-07	Optional	15-05-07 to 16-07-07	128	866

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

**B10 Off balance sheet financial instruments (Cont'd)**

Currency	Contract	Contract Date	Contract Type	Contract Period	Outstanding Contract	
	Amount				Amount	
	FC' 000				FC' 000	RM' 000
<b><u>Payables</u></b>						
USD	2,116	08-03-07	Optional	08-03-07 to 14-01-08	2,116	7,402

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.

**B12 Dividends**

- (a) The Board of Directors declared an interim dividend of 10% less 27% tax (previous corresponding period : 10% less 28% tax) per ordinary share of RM0.10 each of the Company in respect of the current financial year ending 30 June 2007. The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 13 June 2007 and the date of payment will be on 28 June 2007.
- (b) The total dividend for the current financial period to date is 10% less 27% per ordinary share of RM0.10 each.

**B13 Earnings per share**

The basic earnings per share for the current quarter is calculated based on consolidated profit after taxation and minority interest of RM12,536,841 and weighted average number of ordinary shares in issue of 1,372,739,868 (previous corresponding period : RM13,020,612 and 1,365,081,132 shares).

The diluted earnings per share for the current quarter is calculated based on consolidated profit after taxation and minority interest of RM12,536,841 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,375,465,322 (previous corresponding period : RM13,020,612 and 1,371,924,857). 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.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B13 Earnings per share (Cont'd)**

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 :

	<b>31-03-07</b>
Weighted average number of ordinary shares in issue	1,390,858,228
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	2,462,852
Weighted average number of ordinary shares for diluted earnings per share	<u>1,393,321,080</u>

Date : 15 May 2007