

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2007 RM'000	30/06/2006 RM'000 (Restated)	30/06/2007 RM'000	30/06/2006 RM'000 (Restated)
Revenue	166,812	115,931	475,994	349,411
Operating expenses	(160,133)	(102,454)	(454,776)	(325,361)
Other operating income	2,308	(775)	9,481	2,414
Share of profit after tax of associated companies	6,758	6,177	28,581	26,933
Finance costs	(39)	(59)	(187)	(161)
Profit before taxation	15,706	18,820	59,093	53,236
Taxation	(2,411)	(3,213)	(7,444)	(6,381)
Net profit for the period	<u>13,295</u>	<u>15,607</u>	<u>51,649</u>	<u>46,855</u>
Attributable to:				
Equity holders of the parent	12,335	14,753	48,837	44,834
Minority interest	960	854	2,812	2,021
	<u>13,295</u>	<u>15,607</u>	<u>51,649</u>	<u>46,855</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>0.90</u>	<u>1.08</u>	<u>3.51</u>	<u>3.29</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>0.90</u>	<u>1.07</u>	<u>3.50</u>	<u>3.27</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.)

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	30/06/2007	30/06/2006
	RM'000	RM'000
ASSETS		(Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	108,132	76,166
Prepaid interest in lease land	15,843	11,066
Goodwill on consolidation	6,020	1,836
Intangible assets	237	–
Investment in associated companies	108,403	121,188
Other investments	1,903	190
Deferred tax assets	3,854	3,866
	244,392	214,312
CURRENT ASSETS		
Amounts due from customers for contract works	53,908	4,634
Inventories	22,670	19,977
Trade receivables	90,613	66,527
Other receivables, deposits and prepayments	8,214	5,888
Amount due from associated companies	46	7,290
Short term and portfolio investments	393	33,195
Deposits, cash and bank balances	59,989	58,888
	235,833	196,399
TOTAL ASSETS	480,225	410,711

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007
(CONT'D)**

	30/06/2007 RM'000	30/06/2006 RM'000 (Restated)
EQUITIES AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	141,321	138,519
Reserves	191,333	184,359
Treasury shares	(8,129)	(9,308)
	324,525	313,570
Minority interests	<u>16,515</u>	<u>12,819</u>
TOTAL EQUITY	<u>341,040</u>	<u>326,389</u>
NON-CURRENT LIABILITIES		
Hire purchase creditors	403	563
Deferred tax liabilities	1,312	162
	<u>1,715</u>	<u>725</u>
CURRENT LIABILITIES		
Amounts due to customers for contract works	7,394	5,250
Trade payables	98,124	59,213
Other payables and accruals	26,421	15,226
Amount due to a jointly controlled entity	757	–
Amount due to a associated company	469	–
Hire purchase creditors	312	489
Taxation	3,993	3,419
	<u>137,470</u>	<u>83,597</u>
TOTAL LIABILITIES	<u>139,185</u>	<u>84,322</u>
TOTAL EQUITY AND LIABILITIES	<u><u>480,225</u></u>	<u><u>410,711</u></u>

(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 CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007**

	Attributable To Equity Holders Of The Parent						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			
Balance as at 1 July 2006	138,519	30,622	(9,308)	194	1,313	152,231	313,571	12,819	326,390
Effects of adopting FRS				(194)	–	194	–	–	–
Balance as at 1 July 2006 (restated)	138,519	30,622	(9,308)	–	1,313	152,425	313,571	12,819	326,390
Currency translation differences	–	–	–	–	61	–	61	–	61
Net income recognised directly in equity	–	–	–	–	61	–	61	–	61
Net profit for the year	–	–	–	–	–	48,837	48,837	2,812	51,649
Total recognised income and expense for the year	–	–	–	–	61	48,837	48,898	2,812	51,710
Restatement of minority interest arising from consolidation of									
Dialog Systems (Thailand) Ltd	–	–	–	–	–	–	–	175	175
Dilution of interest in subsidiary	–	–	–	–	–	(312)	(312)	427	115
Effect of acquisition of interest in subsidiary	–	–	–	–	–	–	–	(2,652)	(2,652)
Appropriation :-									
FY2006 - final dividend of 11%, less tax	–	–	–	–	–	(11,089)	(11,089)	–	(11,089)
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	–	–	–	–	–	–
FY2007 - interim dividend of 10%, less tax	–	–	–	–	–	(10,211)	(10,211)	–	(10,211)
Option exercise	2,802	8,828	–	–	–	–	11,630	–	11,630
Issuance of shares to minority interest	–	–	–	–	–	–	–	3,061	3,061
Share issue expenses	–	(111)	–	–	–	–	(111)	–	(111)
Disposal of shares to minority interest	–	–	–	–	–	–	–	(127)	(127)
Shares repurchased	–	–	(13,013)	–	–	–	(13,013)	–	(13,013)
Balance as at 30 June 2007	141,321	25,147	(8,129)	–	1,374	164,812	324,525	16,515	341,040
Balance as at 30 June 2005	137,045	28,020	(2,176)	194	1,077	127,052	291,212	2,259	293,471
Currency translation differences	–	–	–	–	236	–	236	157	393
Net income (expense) recognised directly in equity	–	–	–	–	236	–	236	157	393
Net profit for the year	–	–	–	–	–	44,834	44,834	2,021	46,855
Total recognised income and expense for the year	–	–	–	–	236	44,834	45,070	2,178	47,248
Appropriation :-									
FY2005 - final dividend of 10%, less tax	–	–	–	–	–	(9,823)	(9,823)	–	(9,823)
FY2006 - Interim dividend of 10% less tax	–	–	–	–	–	(9,832)	(9,832)	–	(9,832)
Options exercised	1,474	2,603	–	–	–	–	4,077	–	4,077
Share issue expenses	–	(1)	–	–	–	–	(1)	–	(1)
Issuance of shares to minority interest	–	–	–	–	–	–	–	8,382	8,382
Shares repurchased	–	–	(7,132)	–	–	–	(7,132)	–	(7,132)
Balance as at 30 June 2006	138,519	30,622	(9,308)	194	1,313	152,231	313,571	12,819	326,390

(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 YEAR
ENDED 30 JUNE 2007**

	30/06/2007	30/06/2006
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	59,093	53,236
Adjustments for :		
Depreciation of property, plant and equipment	9,850	8,755
Share of result of associated companies	(28,581)	(26,933)
Other non-cash items	(9)	398
Interest, dividend income and profit from investing activities	(4,147)	(1,888)
Operating profit before working capital changes	36,206	33,568
Changes in working capital :		
Net change in current assets	(67,530)	(28,764)
Net change in current liabilities	31,350	22,813
Cash generated by operations	26	27,617
Interest received	1,554	1,240
Dividend received	25,239	21,480
Tax paid	(6,676)	(3,494)
Tax refund	206	70
Net cash generated by operating activities	20,349	46,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in associated company	–	(2,052)
Acquisition of subsidiary companies net of cash acquired	(1,491)	1,796
Investment in short term, portfolio and other investments	(10,732)	(14,394)
Proceeds from disposal of shares in subsidiary company	199	–
Proceeds from disposal of short term and portfolio investments	44,871	10,541
Net withdrawal/(placement) of deposits	9,545	39
Proceeds from redemption of preferences shares by an associated company	16,500	–
Acquisition of intangible assets	(251)	–
Proceed from disposal of property, plant and equipment	643	117
Purchase of property, plant and equipment	(33,390)	(5,168)
Net cash from /(used in) investing activities	25,894	(9,121)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)

	30/06/07	30/06/06
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–	(129)
Dividend paid	(36,138)	(19,655)
Proceeds from issue of shares	11,630	4,077
Proceeds from shares issued to minority interest	2,764	96
Repayment of hire purchase financing	(594)	(609)
Repayment of term loan	–	(255)
Share issue expenses paid	(111)	(1)
Share buy back	(13,013)	(7,132)
	<u>(35,462)</u>	<u>(23,608)</u>
Net cash used in financing activities		
Effects of exchange rate changes	<u>895</u>	<u>(637)</u>
	11,676	13,547
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	45,400	31,531
Effects of exchange rate changes on cash and cash equivalents	(1,030)	322
As restated	<u>44,370</u>	<u>31,853</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>56,046</u></u>	<u><u>45,400</u></u>

(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 Group has opted for the early adoption of 2 FRSs, i.e. FRS 117 Leases and FRS 124 Related Party Disclosures which are effective for financial period beginning 1 January 2007. However, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred. 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.

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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:

	As previously reported RM' 000	Effect RM' 000	As restated RM' 000
<u>Income Statement</u>			
<u>(01.04.06 – 30.06.06)</u>			
Share of profit of associated companies	8,861	(2,684)	6,177
Profit before taxation	21,504	(2,684)	18,820
Taxation	5,897	(2,684)	3,213
<u>(1.07.05 – 30.06.06)</u>			
Share of profit of associated companies	37,270	(10,337)	26,933
Profit before taxation	63,573	(10,337)	53,236
Taxation	16,718	(10,337)	6,381
<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</u>			
<u>(as at 1.07.06)</u>			
Retained profit	152,231	194	152,425
Reserve on consolidation	194	(194)	-

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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 year.

A7 Debt and equity securities

Changes in debt and equity securities during the current financial year 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 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) The Company distributed a total of 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 year.

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.

INTERIM FINANCIAL REPORT**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.
- (c) An interim dividend of 10% per ordinary shares of RM0.10 each, less 27% tax, amounting to RM10,211,462 in respect of the current financial year was paid on 28 June 2007.

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 12 months ended 30-06-07 RM'000	Profit before tax 12 months ended 30-06-07 RM'000
Malaysia	232,010	16,512
Asia Pacific countries	241,370	14,154
Europe	<u>2,614</u>	<u>(154)</u>
	475,994	30,512
Share of profit after tax of associated companies	<u>–</u>	<u>28,581</u>
	<u>475,994</u>	<u>59,093</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 year ended 30 June 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) On 12 April 2007, Dialog Systems (Asia) Pte Ltd ("DSA") a wholly owned subsidiary of the company incorporated a joint venture company in Hong Kong known as WD International Limited ("WDIL") pursuant to DSA's Joint Venture Agreement signed with Wasco Energy Ltd on 29 March 2007.

WDIL's current authorised share capital is USD100,000 and the paid up capital is USD2. DSA subscribed for its 50% in WDIL at par and for cash.

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

- (ii) On 3 May 2007, Dialog E&C Sdn Bhd, a wholly owned subsidiary of the company, purchased 60% equity interest in Multi-CAD Engineering Sdn Bhd. for a cash consideration of RM2,486,400.

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

	30-06-07 RM'000
Revenue	424
Operating costs	(338)
	<hr/> 86
Taxation	(17)
Share by minority interests	(28)
Increase in Group net profit	<hr/> <hr/> 41

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

	30-06-07 RM'000
Property, plant and equipment	176
Trade and other receivables	704
Cash and cash equivalents	2,050
Trade and other payables	(313)
Tax and deferred tax liabilities	(49)
Minority interests	(297)
Net asset acquired	<hr/> 2,271
Goodwill on consolidation	218
Total purchase consideration	<hr/> 2,489
Cash and cash equivalents of the subsidiary company acquired	(2,050)
Cash flow on acquisition, net of cash and cash equivalents acquired	<hr/> <hr/> 439

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

(iii) On 19 June 2007, the company acquired the entire issued and paid up capital of Dialog CTF Sdn Bhd (formerly known as Maya Sejagat Sdn Bhd) ("DCTF") comprising of 2 ordinary shares of RM1.00 each at par. The authorised share capital of DCTF is RM100,000.00.

On 19 June 2007 DCTF incorporated Langsung CTF Sdn Bhd ("LCTF") and Langsung Terminal (One) Sdn Bhd with an authorised share capital of RM100,000.00 and a paid-up capital of RM2.00 each.

The above acquisitions do not have any material impact on the net assets and earning of the Group.

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

A13 Capital commitments

	30-06-07
	RM'000
Capital expenditures in respect of property, plant and equipment :	
- contracted but not provided for	6,711
Operating lease commitments :	
- not later than one year	1,546
- later than one year and not later than five years	659
	2,205
	<u>8,916</u>

A14 Changes in contingent liabilities and contingent assets

The Company has given corporate guarantees amounting to RM158,343,025 (as at 30/06/2006: RM134,714,800) 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 RM53,084,922 as at 30 June 2007 (as at 30/06/2006: RM14,941,036).

The company has also given corporate guarantees amounting to RM42,560,000 to third parties of certain subsidiary companies for supply of goods and for warehouse licenses.

A15 Related party transactions

The following are the significant related party transactions:-

	12 months ended
	30-06-07
	RM'000
Contract revenue from an associated company	1,713
Sale of property, plant & equipment and commission received from a jointly controlled entity	755
Services rendered by a jointly controlled entity	6,192
Gross dividend received from an associated company	<u>35,000</u>

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A16 Cash and cash equivalents**

	30-06-07
	RM'000
Deposits, cash and bank balances	59,989
Less: Deposits pledged to licensed banks	<u>(3,943)</u>
	<u>56,046</u>

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1 Review of performance**

The Group posted a 36% growth in revenue to RM476.0 million for the current financial year as compared to RM349.4 million for the preceding financial year. The better revenue recorded was mainly attributable to higher revenue generated by Engineering & Construction division and the Specialist Products & Services division. All other main divisions also registered higher revenue this year.

In line with the higher revenue, profit before tax for the current financial year increased by 11% to RM59.1 million, compared to RM53.2 million registered for the preceding financial year.

Profit before tax for the current financial quarter of RM15.7 million was 17% lower when compared to RM18.8 million recorded for the same period last year. This was mainly due to the cost overrun experienced by one of the E&C project undertaken during the period. The Group's pre-investment in resources to gear up for the tank terminal business, expansion of catalyst handling business worldwide and start up cost for fabrication of process equipment business have also affected the Group's earnings this quarter.

B2 Variation of results against preceding quarter

The Group's revenue for the current financial quarter of RM166.8 million was 53% higher than RM108.7 million recorded in the preceding quarter. With higher revenue, profit before tax also grew by 11% mainly resulted from increased sales in specialist products and maintenance services.

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 and with the increase in our staff strength to 1,105 as at 30 June 2007 from 645 one year ago, the Group is in a strong position to capitalise on the tremendous business opportunities existing in this industry, both locally and overseas.

In addition, the Group is actively pursuing the development of its tank terminal business. This involves the undertaking of the development, engineering, construction, operation and maintenance of independent centralised tankage and terminal facilities, both locally and overseas. This business is expected to contribute positively to the future recurring income 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 2008.

INTERIM FINANCIAL REPORT**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****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	12 months ended
	30-06-07	30-06-07
	RM'000	RM'000
Current tax expense	960	6,754
Over provision in prior years	(20)	(164)
Deferred tax	1,471	854
	<u>2,411</u>	<u>7,444</u>

The tax charge of the Group for the year ended 30 June 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 year 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 disposals of unquoted investment and properties during the current financial quarter.

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	12 months ended
	30-06-07	30-06-07
	RM'000	RM'000
Purchase consideration	-	1,692
Sales proceeds	4,793	15,993
Gain on disposal	<u>381</u>	<u>405</u>

Investments in quoted securities as at 30 June 2007 are as follows:

	Cost	Book value	Market value
	RM'000	RM'000	RM'000
Total quoted securities	<u>403</u>	<u>393</u>	<u>393</u>

INTERIM FINANCIAL REPORT

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

B8 Status of corporate proposals

Dialog Group Berhad and Trapiura Beheer B. V., via their respective wholly-owned subsidiaries, namely Dialog CTF Sdn Bhd and Puma Energy Asia Pacific B. V. (“the Parties”), have on 21 June 2007 entered into two (2) shareholders agreements for Langsat CTF Sdn Bhd and Langsat Terminal (One) Sdn Bhd (“the JVs”).

The JVs are to undertake the development, engineering, construction, operation and maintenance on a build, own, operate and transfer basis of an independent centralized tankage facility and dedicated tank terminal facility within the Port of Tanjung Langsat.

The JVs will hold their first board meetings and the Parties will subscribe for the shares in the JVs in September 2007.

B9 Borrowings and debt securities

		30-06-07	
	Currency	FC'000	RM'000
Short term borrowing:			
Hire purchase creditors (secured)	SGD	139	312
Long term borrowing:			
Hire purchase creditors (secured)	SGD	179	403
		318	715

B10 Off balance sheet financial instruments

As at 15 August 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		Contract Type	Contract Period	Outstanding Contract	
	Amount	Contract Date			Amount	RM'000
	FC'000				FC'000	
<u>Receivables</u>						
USD	38,973	06-08-07	Optional	06-08-07 to 08-10-07	38,973	134,535
USD	285,000	07-08-07	Optional	07-08-07 to 03-09-07	285,000	987,383
USD	34,253	15-08-07	Optional	15-08-07 to 16-08-07	34,253	119,268
<u>Payables</u>						
EUR	117,806	15-11-06	Optional	15-11-06 to 28-09-07	117,806	546,325
GBP	128,063	07-03-07	Optional	07-03-07 to 16-10-07	6,384	43,185
USD	2,115,903	08-03-07	Optional	08-03-07 to 14-01-08	2,115,903	7,348,531
EUR	60,528	12-06-07	Optional	12-06-07 to 14-09-07	60,528	280,426
GBP	96,241	01-08-07	Optional	01-08-07 to 26-02-08	96,241	672,667
GBP	12,544	07-08-07	Optional	07-03-07 to 31-12-07	12,544	88,098

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

INTERIM FINANCIAL REPORT

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

B11 Material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the position or business of the Group.

B12 Dividends

- (a) The Board recommends a final dividend of 12% less 27% tax (preceding year : 11% less 28% tax) per ordinary share of RM0.10 each in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.
- (b) Total dividend for the current financial year will comprise of the following:-
 - (i) Interim dividend of 10% less 27% tax per ordinary share of RM0.10 each; and
 - (ii) Proposed final dividend of 12% less 27% tax 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 RM12,335,339 and weighted average number of ordinary shares in issue of 1,373,127,646 (previous corresponding period : RM14,752,957 and 1,366,048,131 shares).

The diluted earnings per share for the current quarter is calculated based on consolidated profit after taxation and minority interest of RM12,335,339 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,376,626,730 (previous corresponding period : RM14,752,957 and 1,374,336,191). 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 year are calculated based on the following weighted average number of ordinary shares :

	30-06-07
Weighted average number of ordinary shares in issue	1,392,845,822
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	2,999,635
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,395,845,457</u></u>

Date: 21 August 2007