
INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 6 MONTHS ENDED	
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Revenue	212,364	99,506	395,773	200,436
Operating expenses	(194,360)	(95,104)	(363,626)	(189,234)
Other operating income	1,367	2,902	2,804	4,526
Share of post-tax profit in associated companies	7,208	6,857	14,193	13,553
Finance costs	(70)	(60)	(154)	(95)
Profit before tax	26,509	14,101	48,990	29,186
Tax expense	(4,466)	(1,659)	(7,929)	(3,636)
Profit for the period	<u>22,043</u>	<u>12,442</u>	<u>41,061</u>	<u>25,550</u>
Attributable to:				
Equity holders of the parent	20,012	11,174	36,960	23,965
Minority interest	2,031	1,268	4,101	1,585
	<u>22,043</u>	<u>12,442</u>	<u>41,061</u>	<u>25,550</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>1.43</u>	<u>0.81</u>	<u>2.64</u>	<u>1.73</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>1.43</u>	<u>0.81</u>	<u>2.64</u>	<u>1.73</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2007 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 31 DECEMBER 2007

	31/12/2007 RM'000	30/06/2007 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	122,874	108,043
Prepaid lease payments for land	32,500	15,805
Intangible assets	6,278	6,443
Investment in associated companies	95,656	108,408
Other investments	1,938	1,902
Deferred tax assets	5,647	3,546
	264,893	244,147
CURRENT ASSETS		
Amounts due from customers for contract works	76,339	53,864
Inventories	20,181	22,670
Trade receivables	140,228	90,228
Other receivables, deposits and prepayments	9,716	8,370
Amount due from jointly controlled entities	17,489	–
Amount due from associated companies	466	131
Short term and portfolio investments	–	393
Deposits, cash and bank balances	57,150	59,995
	321,569	235,651
TOTAL ASSETS	586,462	479,798

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007
(CONT'D)**

	31/12/2007	30/06/2007
	RM'000	RM'000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	141,321	141,321
Reserves	216,288	191,327
Treasury shares	(8,409)	(8,129)
	349,200	324,519
Minority interest	20,017	15,931
TOTAL EQUITY	<u>369,217</u>	<u>340,450</u>
NON-CURRENT LIABILITIES		
Hire purchase creditors	806	364
Term loans	14,302	–
Deferred tax liabilities	2,703	1,601
	<u>17,811</u>	<u>1,965</u>
CURRENT LIABILITIES		
Amounts due to customers for contract works	26,272	7,394
Trade payables	119,313	98,045
Other payables and accruals	21,216	26,962
Amount due to a jointly controlled entity	421	757
Amount due to associated companies	680	554
Term loans	20,679	–
Hire purchase creditors	659	352
Tax payables	10,194	3,319
	<u>199,434</u>	<u>137,383</u>
TOTAL LIABILITIES	<u>217,245</u>	<u>139,348</u>
TOTAL EQUITY AND LIABILITIES	<u><u>586,462</u></u>	<u><u>479,798</u></u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2007

	Attributable To Equity Holders Of The Parent							Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	
	Balance as at 1 July 2007	141,321	25,147	(8,129)	926	165,254	324,519	
Currency translation differences	–	–	–	(327)	–	(327)	–	(327)
Expenses recognised directly in equity	–	–	–	(327)	–	(327)	–	(327)
Profit for the period	–	–	–	–	36,960	36,960	4,101	41,061
Total recognised income for the period	–	–	–	(327)	36,960	36,633	4,101	40,734
Appropriation :-								
Final dividend of 12% less tax for the previous financial year	–	–	–	–	(12,252)	(12,252)	–	(12,252)
Fair value of ESOS recognised	–	–	–	686	–	686	–	686
Share issue expenses	–	(106)	–	–	–	(106)	–	(106)
Shares repurchased	–	–	(280)	–	–	(280)	–	(280)
Acquisition of shares from minority shareholders	–	–	–	–	–	–	(15)	(15)
Balance as at 31 December 2007	141,321	25,041	(8,409)	1,285	189,962	349,200	20,017	369,217
Balance as at 1 July 2006	138,519	30,622	(9,308)	1,313	152,424	313,570	12,819	326,389
Currency translation differences	–	–	–	(54)	–	(54)	(96)	(150)
Expenses recognised directly in equity	–	–	–	(54)	–	(54)	(96)	(150)
Profit for the period	–	–	–	–	23,965	23,965	1,585	25,550
Total recognised income for the period	–	–	–	(54)	23,965	23,911	1,489	25,400
Appropriation :-								
Final dividend of 11% less tax for the previous financial year	–	–	–	–	(11,089)	(11,089)	–	(11,089)
Special cash dividend for the previous financial year	–	–	–	–	(14,838)	(14,838)	–	(14,838)
Special share dividend for the previous financial year	–	(14,192)	14,192	–	–	–	–	–
Reinstatement of minority interest	–	–	–	–	–	–	175	175
Options exercised	2,802	8,828	–	–	–	11,630	–	11,630
Share issue expenses	–	(102)	–	–	–	(102)	–	(102)
Issuance of shares to minority shareholders	–	–	–	–	–	–	2,415	2,415
Shares repurchased	–	–	(11,792)	–	–	(11,792)	–	(11,792)
Balance as at 31 December 2006	141,321	25,156	(6,908)	1,259	150,462	311,290	16,898	328,188

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

	31/12/2007	31/12/2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	48,990	29,186
Adjustments for :		
Depreciation and amortisation expenses	5,390	4,653
Share of result of associated companies	(14,193)	(13,553)
Other non-cash items	1,374	(1,772)
Interest, dividend income and profit from investing activities	<u>(285)</u>	<u>(1,106)</u>
Operating profit before working capital changes	41,276	17,408
Changes in working capital :		
Net change in current assets	(88,785)	(26,281)
Net change in current liabilities	<u>33,389</u>	<u>(9,488)</u>
Cash used in operations	(14,120)	(18,361)
Interest and dividend received	27,455	26,075
Tax paid	(2,578)	(2,946)
Tax refund	<u>693</u>	<u>59</u>
Net cash generated from operating activities	<u>11,450</u>	<u>4,827</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment in a subsidiary company	(4)	–
Acquisition of a subsidiary company, net of cash acquired	–	5,709
Investment in short term, portfolio and other investments	–	(2,168)
Proceeds from disposal portfolio investments	370	8,863
Net change in fixed deposits with licensed bank	270	6,630
Proceeds from redemption of preferences shares by an associated company	–	16,500
Payments of prepaid lease for land	(16,666)	–
Net purchase of property, plant and equipment	<u>(18,672)</u>	<u>(8,992)</u>
Net cash (used in) / generated from investing activities	<u>(34,702)</u>	<u>26,542</u>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
ENDED 31 DECEMBER 2007 (CONT'D)**

	31/12/2007	31/12/2006
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and dividend paid	(12,391)	(25,927)
Proceeds from issue of shares	–	11,630
Proceeds from shares issued to minority shareholders	–	2,415
Repayment of hire purchase financing	(354)	(148)
Net proceeds from term loans drawdown	34,981	–
Share issue expenses	(106)	(102)
Share repurchased	(280)	(11,792)
	<hr/>	<hr/>
Net cash generated from / (used in) financing activities	21,850	(23,924)
Effects of exchange rate changes	(1,949)	148
	<hr/>	<hr/>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(3,351)	7,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
As previously reported	56,051	45,400
Effects of exchange rate changes on cash and cash equivalents	777	(172)
As restated	<hr/>	<hr/>
	56,828	45,228
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	53,477	52,821
	<hr/> <hr/>	<hr/> <hr/>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2007 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 financial year ended 30 June 2007. 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 2007.

A2 Auditors’ report of preceding annual audited financial statements

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

A3 Seasonal or cyclical factors

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

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial period.

A6 Debt and equity securities

During the current six months period, the Company repurchased a total of 160,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM279,818. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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

A7 Dividends paid

A final dividend of 12% per ordinary shares of RM0.10 each, less 27% tax, amounting to RM12,252,356 in respect of financial year ended 30 June 2007 was paid on 28 December 2007.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A8 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 6 months ended 31-12-07 RM'000	Profit before tax 6 months ended 31-12-07 RM'000
Malaysia	242,011	25,764
Asia Pacific and other countries	<u>153,762</u>	<u>9,033</u>
	<u>395,773</u>	<u>34,797</u>
Share of profit after tax of associated companies		<u>14,193</u>
Profit before tax for the period		<u><u>48,990</u></u>

A9 Property, plant and equipment

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial period ended 31 December 2007 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

A11 Changes in the composition of the Group

- i) On 4 October 2007, the Company entered into a shareholders' agreement with MISC Berhad ("MISC") to joint venture in the development of independent centralised tankage facilities and tank terminals at the Port of Tanjung Langsat and other locations.

On 2 November 2007, the Company subscribed for new ordinary shares representing 55% of the enlarged issued and paid-up share capital of Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd) ("CTSB"). The remaining 45% of the new ordinary shares was subscribed by MISC. After the subscription, the Company's interest in CTSB has reduced from 100% to 55%.

Subsequently, CTSB subscribed for new ordinary shares representing 80% of the enlarged issued and paid-up share capital of Langsat CTF Sdn Bhd and Langsat Terminal (One) Sdn Bhd. The remaining 20% of the new ordinary shares were subscribed by Puma Energy Asia Pacific B.V., a wholly-owned subsidiary of Trafigura Beheer B.V.

- ii) On 31 October 2007, Dialog Systems (Asia) Pte Ltd, a wholly owned subsidiary of the Company, subscribed for 50% of the newly issued share capital of WD International Limited for a total consideration of USD49,999. After the subscription, the Group's shareholding in WD International remain at 50%.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A11 Changes in the composition of the Group (Cont'd)**

- iii) On 19 November 2007, the Company acquired 40% of the issued and paid-up share capital of Dialog Energy Sdn Bhd ("DESB") from a minority shareholder for a total consideration of RM4,000. After the acquisition, DESB is now 100% owned by the Company.

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

A12 Capital commitments

	31-12-07
	RM'000
Capital expenditures in respect of property, plant and equipment :	
- contracted but not provided for	6,387
- approved but not contracted for	176,806
Operating lease commitments :	
- not later than one year	2,673
- later than one year and not later than five years	467
	3,140
	<u>186,333</u>

A13 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantee up to a total amount of RM372,824,540 (as at 30.06.07: RM158,343,025) 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 totaling RM134,891,233 (as at 30.06.07: RM53,084,922).

The Company has also given corporate guarantees amounting to RM40,796,000 (as at 30.06.07: RM42,560,000) to third parties for supply of goods and warehouse licenses for certain subsidiary companies.

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A14 Significant related party transactions**

	6 months ended
	31-12-07
	RM'000
Contract revenue from jointly controlled entities	12,685
Services rendered by a jointly controlled entity	1,908
Gross dividend received from an associated company	<u>36,986</u>

A15 Cash and cash equivalents

	31-12-07
	RM'000
Deposits, cash and bank balances	57,150
Less: Deposits with licensed banks restricted in use	<u>(3,673)</u>
	<u>53,477</u>

A16 Trade receivables

	31-12-07
	RM'000
Trade receivables	<u>140,228</u>

As at the date of this report, the Group has subsequently collected RM102 million from the trade receivables which representing 73% of the total outstanding balance.

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

The Group posted a 113% growth in revenue to RM212.4 million for the current financial quarter as compared to RM99.5 million in the corresponding financial quarter last year. The better performance was mainly contributed by the EPCC and Fabrication activities, Specialist Products and Services, and Plant Maintenance activities, which continue to see sustained expansion, both in Malaysia and overseas.

In line with the growth in revenue recorded, profit after tax for the current financial quarter increased by 77% to RM22.0 million from RM12.4 million recorded for the same financial quarter last year.

B2 Variation of results against preceding quarter

The Group's profit before tax for the current financial quarter of RM26.5 million was 18% higher compared to RM22.5 million achieved in the preceding financial quarter. The better results was in line with the higher revenue recorded in the current financial quarter.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B3 Prospects**

The Group will continue to grow businesses with long term recurring income through its investments in centralised tankage facilities both locally and overseas, expansion of catalyst handling services worldwide and expansion of plant maintenance services regionally. The Group's presence in overseas market as an integrated specialist technical services provider will facilitate the Group to achieve this strategy.

In addition, the Group shall continue to strengthen the engineering capability in order to support the growing demand for EPCC, fabrication and plant maintenance activities.

Barring any unforeseen circumstances, the Group is very optimistic that its performance will be favourable for the financial year ending 30 June 2008.

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	6 months ended
	31-12-07	31-12-07
	RM'000	RM'000
Current tax expense	(5,025)	(9,073)
Deferred tax income	624	1,211
Under provision in prior years	(65)	(67)
Total tax expense	<u>(4,466)</u>	<u>(7,929)</u>

The tax charge of the Group for the period ended 31 December 2007 took into consideration an effective tax rate which incorporates the gradual reduction for the changes of local statutory tax rate from 27% to 26%. Overall effective tax rates of the current quarter and the financial year are still lower than the statutory tax rate of 26%, due to lower tax rate applicable to small and medium size subsidiary companies and lower tax rate in certain foreign jurisdictions.

B6 Unquoted investment and properties

There were no disposals of unquoted investment and properties during the current financial period.

B7 Quoted securities

There were no purchase or disposal of quoted securities for the current financial quarter. In the preceding quarter, the Group disposed of all its investments in quoted securities. The sales proceed from the disposal was RM370,000 and the loss arising from the disposal was RM30,703.

DIALOG GROUP BERHAD

Company No. 178694 – V

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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****B8 Status of corporate proposals**

There were no corporate proposals announced but not completed as at the date of this announcement.

B9 Borrowings and debt securities

As at 31 December 2007, the Group's secured borrowings are as follows:

	Currency	FC'000	RM'000
Short term borrowing:			
Hire purchase creditors	SGD	197	454
Hire purchase creditors	GBP	31	205
Term loan	SGD	408	938
Term loan	RM	19,741	19,741
Long term borrowing:			
Hire purchase creditors	SGD	313	720
Hire purchase creditors	GBP	13	86
Term loan	SGD	740	1,702
Term loan	RM	12,600	12,600
			<u>36,446</u>

B10 Off balance sheet financial instruments

As at 12 February 2008, 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
<u>Receivables</u>						
USD	5	21-11-07	Optional	21-11-07 to 23-04-08	5	18
USD	42	28-12-07	Optional	28-12-07 to 02-04-08	42	140
USD	1,624	14-01-08	Multi-optional	14-01-08 to 16-07-08	1,624	5,284
USD	345	14-01-08	Multi-optional	14-01-08 to 16-07-08	345	1,110
USD	26	15-01-08	Optional	15-01-08 to 17-03-08	26	86
GBP	42	25-01-08	Optional	25-01-08 to 29-02-08	42	270
USD	272	30-01-08	Optional	30-01-08 to 01-08-08	272	880
GBP	31	28-01-08	Optional	28-01-08 to 31-03-08	31	195
USD	168	31-01-08	Optional	31-01-08 to 05-08-08	168	544
<u>Payables</u>						
USD	124	05-09-07	Optional	05-09-07 to 30-04-08	124	433
GBP	15	13-12-07	Optional	13-12-07 to 31-03-08	15	103
USD	19	24-01-08	Optional	24-01-08 to 15-04-08	19	63
USD	38	12-02-08	Optional	12-02-08 to 20-02-08	38	122
SGD	22	12-02-08	Value tomorrow	13-02-08	22	50

There is no cash requirement for the above forward foreign exchange contract. These contracts are recognised in the accounts upon settlement.

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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

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

B13 Earnings per share

The basic earnings per share for the current quarter is calculated based on profit attributable to the equity holders of the parent of RM20,011,760 and weighted average number of ordinary shares in issue of 1,398,755,719 (previous corresponding period : RM11,173,605 and 1,373,082,060 shares).

The diluted earnings per share for the current quarter is calculated based on profit attributable to the equity holders of the parent of RM20,011,760 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,400,972,972 (previous corresponding period : RM11,173,605 and 1,374,733,536 shares). 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. 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 :

	31-12-07
Weighted average number of ordinary shares in issue	1,398,755,719
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	2,217,253
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,400,972,972</u></u>

Date: 19 February 2008