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**INTERIM FINANCIAL REPORT**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	241,145	212,364	479,521	395,773
Operating expenses	(222,024)	(194,360)	(444,683)	(363,626)
Other operating income	1,929	1,367	2,746	2,804
Share of profit of associates	7,181	7,208	14,771	14,193
Finance costs	(352)	(70)	(559)	(154)
<b>Profit before tax</b>	27,879	26,509	51,796	48,990
Tax expense	(4,722)	(4,466)	(8,470)	(7,929)
<b>Net profit for the period</b>	<u>23,157</u>	<u>22,043</u>	<u>43,326</u>	<u>41,061</u>
<b>Attributable to:</b>				
Equity holders of the Company	22,078	20,012	40,893	36,960
Minority interests	1,079	2,031	2,433	4,101
	<u>23,157</u>	<u>22,043</u>	<u>43,326</u>	<u>41,061</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>1.58</u>	<u>1.43</u>	<u>2.92</u>	<u>2.64</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>1.58</u>	<u>1.43</u>	<u>2.92</u>	<u>2.64</u>

*(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**

	NOTE	31/12/2008 RM'000	30/06/2008 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		199,931	166,070
Prepaid lease payments for land		27,157	27,514
Intangible assets		5,943	6,474
Investment in associates		93,295	113,023
Other investments		3,288	2,076
Deferred tax assets		5,585	4,810
		<u>335,199</u>	<u>319,967</u>
<b>CURRENT ASSETS</b>			
Inventories		36,114	22,646
Trade and other receivables	A16	273,135	225,242
Tax recoverable		7,282	3,440
Cash and bank balances	A15	133,657	81,821
		<u>450,188</u>	<u>333,149</u>
<b>TOTAL ASSETS</b>		<u>785,387</u>	<u>653,116</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		141,321	141,321
Reserves		269,592	246,526
Treasury shares		(8,657)	(8,576)
		402,256	379,271
<b>Minority interests</b>		<u>26,120</u>	<u>22,149</u>
<b>TOTAL EQUITY</b>		<u>428,376</u>	<u>401,420</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B9	22,421	16,188
Deferred tax liabilities		4,529	2,032
		<u>26,950</u>	<u>18,220</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	A17	276,018	213,777
Borrowings	B9	45,680	10,953
Tax payables		8,363	8,746
		<u>330,061</u>	<u>233,476</u>
<b>TOTAL LIABILITIES</b>		<u>357,011</u>	<u>251,696</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>785,387</u>	<u>653,116</u>

*(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2008 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 2008**

	Attributable To Equity Holders Of The Company							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 interests RM'000	
<b>Balance as at 1 July 2008</b>	141,321	25,043	(8,576)	4,288	217,195	379,271	22,149	401,420
Foreign currency translation	–	–	–	822	–	822	–	822
Income recognised directly in equity	–	–	–	822	–	822	–	822
Net profit for the period	–	–	–	–	40,893	40,893	2,433	43,326
Total recognised income for the period	–	–	–	822	40,893	41,715	2,433	44,148
Appropriation :-								
Final dividend for FY2008	–	–	–	–	(20,697)	(20,697)	–	(20,697)
Share options granted under ESOS	–	–	–	2,048	–	2,048	–	2,048
Shares repurchased	–	–	(81)	–	–	(81)	–	(81)
Acquisition of a subsidiary	–	–	–	–	–	–	1,538	1,538
<b>Balance as at 31 December 2008</b>	<b>141,321</b>	<b>25,043</b>	<b>(8,657)</b>	<b>7,158</b>	<b>237,391</b>	<b>402,256</b>	<b>26,120</b>	<b>428,376</b>
<b>Balance as at 1 July 2007</b>	141,321	25,147	(8,129)	926	165,254	324,519	15,931	340,450
Foreign currency translation	–	–	–	(327)	–	(327)	–	(327)
Income recognised directly in equity	–	–	–	(327)	–	(327)	–	(327)
Net 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 for FY2007	–	–	–	–	(12,252)	(12,252)	–	(12,252)
Share options granted under ESOS	–	–	–	686	–	686	–	686
Share issue expenses	–	(106)	–	–	–	(106)	–	(106)
Shares repurchased	–	–	(280)	–	–	(280)	–	(280)
Acquisition of shares from minority shareholders	–	–	–	–	–	–	(15)	(15)
<b>Balance as at 31 December 2007</b>	<b>141,321</b>	<b>25,041</b>	<b>(8,409)</b>	<b>1,285</b>	<b>189,962</b>	<b>349,200</b>	<b>20,017</b>	<b>369,217</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 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 2008**

	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	51,796	48,990
Adjustments for :		
Depreciation and amortisation expenses	8,080	5,390
Share of results of associates	(14,771)	(14,193)
Other non-cash items	1,660	1,374
Interest, dividend income and profit from investing activities	(19)	(285)
	46,746	41,276
Operating profit before working capital changes		
Changes in working capital :		
Net change in current assets	(59,340)	(90,734)
Net change in current liabilities	61,455	33,389
	48,861	(16,069)
<b>Cash generated from / (used in) operations</b>		
Dividend and interest received	34,989	27,455
Tax paid	(11,077)	(2,578)
Tax refund	76	693
	72,849	9,501
<b>Net cash generated from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	1,829	–
Increase in investment in a subsidiary company	–	(4)
Net change in deposits with licensed banks	(615)	270
Payments of prepaid lease for land	–	(16,666)
Proceeds from disposal of portfolio investments	–	370
Proceeds from disposal of property, plant and equipment	119	–
Purchase of other investment	(1,200)	–
Net purchase of property, plant and equipment	(34,786)	(18,672)
	(34,653)	(34,702)
<b>Net cash used in investing activities</b>		

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008 (CONT'D)**

	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest and dividend paid	(22,165)	(12,391)
Net bank borrowings	36,816	34,981
Repayment of hire purchase financing	(1,540)	(354)
Share issue expenses	–	(106)
Shares repurchased	(81)	(280)
	<u>13,030</u>	<u>21,850</u>
<b>Net cash generated from financing activities</b>		
	<u>13,030</u>	<u>21,850</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	51,226	(3,351)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	79,367	56,051
Effects of exchange rate changes on cash and cash equivalents	(4)	777
As restated	<u>79,363</u>	<u>56,828</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A15)</b>	<u>130,589</u>	<u>53,477</u>

*(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and accompanying explanatory notes attached to the Interim Financial Statements.)*

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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 of 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 2008. The 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 2008.

**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 month period, the Company repurchased a total of 80,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM81,139. 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.

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A7 Dividends paid**

A final dividend of 20% per ordinary shares of RM0.10 each, less 26% tax, amounting to RM20,697,363 in respect of financial year ended 30 June 2008 was paid on 23 December 2008.

**A8 Segment information**

The Group operates principally in the oil, gas and petrochemical industry in Malaysia and other countries.

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

	<b>Revenue 6 months ended 31-12-08 RM'000</b>	<b>Profit before tax 6 months ended 31-12-08 RM'000</b>
Malaysia	188,787	11,653
Asia Pacific and other countries	<u>290,734</u>	<u>25,372</u>
	<u>479,521</u>	<u>37,025</u>
Share of profit of associates		<u>14,771</u>
		<u>51,796</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 2008 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

**A11 Changes in the composition of the Group**

There were no changes in the composition of the Group during the current financial quarter ended 31 December 2008.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A12 Commitments****31-12-08****RM'000**

## i) Capital commitments

Capital expenditures in respect of property, plant and equipment :

- contracted but not provided for	5,710
- approved but not contracted for	127,407
	<u>133,117</u>

## ii) Operating lease commitments

## a) The Group as lessee

- not later than one year	8,034
- later than one year and not later than five years	3,928
- after five years	202
	<u>12,164</u>

## b) The Group as lessor

- not later than one year	293
- later than one year and not later than five years	338
	<u>631</u>

**A13 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantee up to a total amount of RM378,426,000 (as at 30.06.08: RM379,883,000) 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 RM147,289,536 (as at 30.06.08: RM113,939,449).

The Company has also given corporate guarantees amounting to RM42,740,000 (as at 30.06.08: RM40,340,000) to third parties for supply of goods and warehouse licenses for certain subsidiary companies. Consequently, the Company is contingently liable for the amount owing by these subsidiary companies to the third parties totalling RM25,004,973 (as at 30.06.08: RM17,526,483).

The Company also provides corporate guarantee amounting to RM 110,000,000 (as at 30.06.08: RM 110,000,000) to a joint venture partner for facilities extended by the joint venture partner to a jointly controlled entity. Consequently, the Company is contingently liable for the outstanding advances totalling RM61,132,500 (as at 30.06.08: RM47,404,500).



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

**A14 Significant related party transactions**

	<b>6 months ended 31-12-08 RM'000</b>
Contract revenue from jointly controlled entities	18,118
Contract revenue from an associate	528
Services rendered by a jointly controlled entity	1,627
Dividend received from an associate	34,500
	34,500

**A15 Cash and cash equivalents**

	<b>31-12-08 RM'000</b>
Deposits, cash and bank balances	133,657
Less: Deposits pledged to a licensed bank	(3,068)
	130,589

**A16 Trade and other receivables**

	<b>31-12-08 RM'000</b>
Amount due from customers for contract works	40,007
Trade receivables	189,366
Other receivables, deposits and prepayments	9,428
Amount due from associates	418
Amount due from jointly controlled entities	33,916
	273,135

As at the date of this report, the Group has subsequently collected RM107 million from the trade receivables which represents 57% of its total outstanding balance.

**A17 Trade and other payables**

	<b>31-12-08 RM'000</b>
Amount due to customers for contract works	59,752
Trade payables	126,450
Amount due to associates	669
Amount due to a jointly controlled entity	364
Amount due to a shareholder of a jointly controlled entity	65,666
Accrual and other payables	23,117
	276,018

Included in the above amount due to a shareholder of a jointly controlled entity is RM61,132,500, being advance which is secured by the Company's corporate guarantee.

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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 posted a 14% growth in revenue for the current financial quarter to RM241.1 million from RM212.4 million recorded in the corresponding financial quarter last year. Profit after tax for the reporting quarter increased by 5% to RM23.2 million from RM22.0 million recorded for the same financial quarter last year.

The better result was mainly attributable to the growth experienced in Specialist Products & Services division despite pressure on margins.

**B2 Variation of results against preceding quarter**

The Group's profit before tax of RM27.9 million for the current financial quarter was 17% higher compared to RM23.9 million achieved in the preceding financial quarter. The better result was mainly attributable to higher contribution from Specialist Products & Services division.

**B3 Prospects**

Being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group remains focused on the recurring businesses in the plant maintenance and catalyst handling services and the provision of specialist products and services which are growing despite the current challenging economic situation. In addition, the Group shall continue to seek opportunities to grow its businesses with long term recurring income through its investments in tank terminal business.

Despite the current global financial crisis and barring any unforeseen circumstances, the Board is confident that the Group's performance will be favourable for the financial year ending 30 June 2009 in view of the term contracts secured for most of our business activities above.

**B4 Profit forecast and profit guarantee**

The Group did not announce any profit forecast nor profit guarantee for the current financial period.

**B5 Taxation**

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31-12-08</b>	<b>31-12-08</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax expense	4,045	7,577
Deferred tax expense	594	476
Under provision in prior years	83	417
Total tax expense	<u>4,722</u>	<u>8,470</u>

Overall effective tax rate of the Group for the current period is lower than the statutory tax rate of 25% due to lower tax rates in certain foreign jurisdictions.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B6 Unquoted investment and properties**

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

**B7 Quoted securities**

There were no purchase nor disposal of quoted securities during the current financial period.

**B8 Status of corporate proposals / contracts**

There was no corporate proposal announced but not completed as at the date of this announcement.

**B9 Borrowings and debt securities**

As at 31 December 2008, the Group's secured borrowings are denominated in the following currencies:

	<b>FC'000</b>	<b>RM'000</b>
Short term borrowing:		
Sterling Pound	9	46
Singapore Dollar	1,599	3,854
Thailand Baht	200	21
United States Dollar	2,129	7,436
Ringgit Malaysia	34,323	34,323
		<u>45,680</u>
Long term borrowing:		
Sterling Pound	13	65
Singapore Dollar	2,776	6,691
Thailand Baht	343	36
Ringgit Malaysia	15,629	15,629
		<u>22,421</u>
		<u>68,101</u>

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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****B10 Off balance sheet financial instruments**

As at 12 February 2009, the optional forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivables/payables are as follows:

	<b>Maturity</b>	<b>FC'000</b>	<b>Contractual rate 1 FC/RM</b>
United States Dollar	27.02.09	36	3.6135
Euro	31.03.09	64	5.1180
Euro	31.03.09	21	4.7620
Sterling Pound	03.04.09	26	5.5320
Singapore Dollar	30.04.09	784	2.3700
Euro	04.05.09	49	4.6665
Sterling Pound	28.05.09	24	5.0200
Singapore Dollar	01.06.09	301	2.3690
United States Dollar	01.06.09	3,511	3.5400
Singapore Dollar	30.06.09	1,028	2.3690
United States Dollar	28.07.09	1,843	3.6085
Singapore Dollar	09.10.09	1,028	2.3700

	<b>Maturity</b>	<b>FC'000</b>	<b>Contractual rate 1 FC/THB</b>
Sterling Pound	30.04.09	508	54.7800
Sterling Pound	30.06.09	442	51.9500

	<b>Maturity</b>	<b>FC'000</b>	<b>Contractual rate 1 FC/SGD</b>
United States Dollar	04.05.09	1,198	1.5023

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 proceeding that might materially affect the financial 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 period is calculated based on profit attributable to the equity holders of the parent of RM40,892,835 and weighted average number of ordinary shares in issue of 1,398,499,088 (previous corresponding period: RM36,960,043 and 1,398,755,719 shares).

The diluted earnings per share for the current period is calculated based on profit attributable to the equity holders of the parent of RM40,892,835 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,398,749,737 (previous corresponding period: RM36,960,043 and 1,399,199,169 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 period. 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:

	<b>31-12-08</b>
Weighted average number of ordinary shares in issue	1,398,499,088
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	250,649
Weighted average number of ordinary shares for diluted earnings per share	<u>1,398,749,737</u>

Date: 17 February 2009