
INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED
 30 JUNE 2011**

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 12 MONTHS ENDED	
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Revenue	374,882	271,950	1,208,378	1,139,146
Operating expenses	(326,301)	(243,887)	(1,055,849)	(1,026,795)
Other operating income	3,008	49	12,483	6,210
Share of results of jointly controlled entities and associates	9,818	10,319	38,548	33,635
Finance costs	(924)	(654)	(3,053)	(2,182)
Profit before tax	60,483	37,777	200,507	150,014
Income tax expense	(13,268)	(5,205)	(40,382)	(25,354)
Profit for the year	<u>47,215</u>	<u>32,572</u>	<u>160,125</u>	<u>124,660</u>
Profit attributable to:				
Owners of the Company	44,870	30,895	152,298	118,297
Non-controlling interests	2,345	1,677	7,827	6,363
	<u>47,215</u>	<u>32,572</u>	<u>160,125</u>	<u>124,660</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>2.28</u>	<u>1.56</u>	<u>7.75</u>	<u>6.01</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>2.26</u>	<u>1.56</u>	<u>7.70</u>	<u>6.01</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM'000	RM'000	RM'000	RM'000
Profit for the year	47,215	32,572	160,125	124,660
Other comprehensive income:				
Currency translation difference arising from consolidation	2,402	(1,522)	4,715	(9,991)
Cash flow hedge	659	–	(13)	–
Other comprehensive income for the year	3,061	(1,522)	4,702	(9,991)
Total comprehensive income for the year	50,276	31,050	164,827	114,669
Total comprehensive income attributable to:				
Owners of the Company	47,465	29,488	155,655	110,193
Non-controlling interests	2,811	1,562	9,172	4,476
	50,276	31,050	164,827	114,669

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2011**

	NOTE	30/06/2011 RM'000	30/06/2010 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		223,718	153,711
Intangible assets		33,631	8,436
Interest in jointly controlled entities	B13	66,870	55,588
Investment in associates		81,092	87,541
Other investments		2,090	2,081
Other asset		324	349
Deferred tax assets		13,887	8,819
		<u>421,612</u>	<u>316,525</u>
CURRENT ASSETS			
Inventories		65,091	20,667
Trade and other receivables	A16	313,080	290,406
Current tax assets		3,258	5,054
Cash and cash equivalents	A17	278,463	261,062
		<u>659,892</u>	<u>577,189</u>
TOTAL ASSETS		<u>1,081,504</u>	<u>893,714</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		199,582	198,052
Reserves		408,119	298,599
Treasury shares		(24,589)	(19,158)
		583,112	477,493
Non-controlling interests		36,800	34,688
TOTAL EQUITY		<u>619,912</u>	<u>512,181</u>
NON-CURRENT LIABILITIES			
Borrowings	B9	18,421	65,864
Deferred tax liabilities		3,931	6,134
		<u>22,352</u>	<u>71,998</u>
CURRENT LIABILITIES			
Trade and other payables	A18	327,842	287,077
Borrowings	B9	91,629	9,539
Current tax payable		19,769	12,919
		<u>439,240</u>	<u>309,535</u>
TOTAL LIABILITIES		<u>461,592</u>	<u>381,533</u>
TOTAL EQUITY AND LIABILITIES		<u>1,081,504</u>	<u>893,714</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	← Attributable to owners of the Company →							
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Balance as at 1 July 2010								
- as previously stated	198,052	2,051	(19,158)	3,155	293,393	477,493	34,688	512,181
- effect of adopting FRS 139	–	–	–	–	(27)	(27)	–	(27)
As restated	198,052	2,051	(19,158)	3,155	293,366	477,466	34,688	512,154
Total comprehensive income for the year	–	–	–	3,357	152,298	155,655	9,172	164,827
Appropriation:								
Final dividend for FY2010	–	–	–	–	(35,398)	(35,398)	–	(35,398)
Interim dividend for FY2011	–	–	–	–	(25,643)	(25,643)	–	(25,643)
Share options granted under ESOS	–	–	–	5,680	–	5,680	260	5,940
Share options exercised	1,530	19,512	–	(6,363)	–	14,679	(351)	14,328
Share issue expenses	–	(60)	–	–	–	(60)	–	(60)
Shares repurchased	–	–	(5,431)	–	–	(5,431)	–	(5,431)
Acquisition of shares from non-controlling interest	–	–	–	–	(3,836)	(3,836)	(9,399)	(13,235)
Acquisition of subsidiaries	–	–	–	–	–	–	2,430	2,430
Balance as at 30 June 2011	<u>199,582</u>	<u>21,503</u>	<u>(24,589)</u>	<u>5,829</u>	<u>380,787</u>	<u>583,112</u>	<u>36,800</u>	<u>619,912</u>
Balance as at 1 July 2009	141,321	25,043	(9,489)	7,873	275,848	440,596	30,816	471,412
Total comprehensive income for the year	–	–	–	(8,104)	118,297	110,193	4,476	114,669
Appropriation:								
Final dividend for FY2009	–	–	–	–	(24,951)	(24,951)	–	(24,951)
Interim Dividend	–	–	–	–	(19,241)	(19,241)	–	(19,241)
Share options granted under ESOS	–	–	–	4,165	–	4,165	277	4,442
Share option exercised	171	2,241	–	(779)	–	1,633	(35)	1,598
Share issue expense	–	(356)	–	–	–	(356)	–	(356)
Shares repurchased	–	–	(34,546)	–	–	(34,546)	–	(34,546)
Special share dividend	–	(24,877)	24,877	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	(18)	(18)
Dividend paid to minority shareholders	–	–	–	–	–	–	(828)	(828)
Bonus shares issued	56,560	–	–	–	(56,560)	–	–	–
Balance as at 30 June 2010	<u>198,052</u>	<u>2,051</u>	<u>(19,158)</u>	<u>3,155</u>	<u>293,393</u>	<u>477,493</u>	<u>34,688</u>	<u>512,181</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	30/06/2011	30/06/2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	200,507	150,014
Adjustments for :		
Depreciation and amortisation expenses	20,039	17,975
Share of results of jointly controlled entities and associates	(38,548)	(33,635)
Other non-cash items	(800)	11,858
Interest income and expense	(3,920)	(1,026)
	177,278	145,186
Operating profit before working capital changes		
Changes in working capital :		
Net change in current assets	(20,404)	(24,745)
Net change in current liabilities	8,661	75,097
	165,535	195,538
Cash generated from operations		
Dividend and interest received	43,692	28,338
Tax paid	(41,081)	(23,221)
Tax refund	–	246
	168,146	200,901
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	(58,617)	103
Additional investment in subsidiaries	(13,235)	(571)
Addition in intangible assets	–	(677)
Investment in jointly controlled entity	(6,545)	(37,323)
Additional purchase of other investment	(15)	(33)
Net change in deposits with licensed banks	1,560	1,158
Proceeds from disposal of property, plant and equipment	6,152	1,154
Purchase of property, plant and equipment	(59,571)	(20,130)
	(130,271)	(56,319)
Net cash used in investing activities		

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

	30/06/2011	30/06/2010
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,223)	(1,069)
Dividend paid	(61,041)	(44,192)
Dividend paid to non-controlling interest	–	(828)
Net drawdown of bank borrowings	26,350	23,649
Proceeds from issuances of shares	14,328	1,598
Share issue expenses	(60)	(356)
Shares repurchased	(5,431)	(34,546)
	(27,077)	(55,744)
Net cash used in financing activities		
	10,798	88,838
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	10,798	88,838
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	258,075	174,568
Effects of exchange rate changes on cash and cash equivalents	5,453	(5,331)
As restated	263,528	169,237
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
(Note A17)	274,326	258,075

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 June 2010 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 of Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa”).

The interim financial statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2010. 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 2010.

A2 Changes in accounting policies

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2010 except for the adoption of the following new FRSs, IC Interpretations and Amendments to FRSs issued by the MASB that are effective for the Group’s financial statements commencing 1 July 2010:-

A2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations

On 1 July 2010, the Group adopted the following:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 127	Consolidated and Separate Financial Statements
FRS 139	Financial Instruments : Recognition and Measurement
Improvements to FRSs (2009)	Amendment to FRS 5, 8, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 131, 134, 136, and 138
Amendments to FRS 1 and FRS 127	First-time adoption of Financial Reporting Standards; and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
Amendments to FRS 2	Share-based Payments
Amendments to FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments : Recognition and Measurement; Financial Instruments : Disclosures; and Reassessment of Embedded Derivatives
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 14	FRS 119 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A2.2 Application of FRSs

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new FRSs, IC Interpretations and Amendments to FRSs are set out below:

a) FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes detail of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

b) FRS 139: Financial Instruments – Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 July 2010.

Financial assets

Under FRS 139, financial assets are classified as financial assets at Fair Value Through Profit or Loss, Loans and Receivables, or Held-To-Maturity investments, or Available-For-Sale financial assets, as appropriate.

The Group's financial assets include cash and deposits with licensed banks, loans and receivables, and other investments.

i) Loans and receivables

Prior to 1 July 2010, loans and receivables were stated at gross receivables less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. Gains and losses arising from derecognition of the loans and receivables, amortisation under the effective interest method and impairment losses are recognised in the income statement.

ii) Other investments

Prior to 1 July 2010, other investments consist of unquoted equity investments and club membership of the Group. These investments are stated at cost less allowance for diminution in value. Under FRS 139, unquoted equity investments are initially measured at fair value plus transaction cost and subsequently measured at cost less impairment. Club membership is not within the scope of FRS 139 and now reclassified as other assets in the statement of financial position.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D

A2.2 Application of FRSs (cont'd)

b) FRS 139: Financial Instruments – Recognition and Measurement (cont'd)

Financial liabilities

Under FRS 139, financial liabilities are classified as financial liabilities at Fair Value Through Profit or Loss, or Other Financial Liabilities, as appropriate.

The Group's financial liabilities include trade and other payables, and borrowings, and are carried at amortised cost.

Derivative

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, derivatives are recognised at contract dates when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139.

Impact on opening balances

In accordance with the transitional provisions for first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives are not restated. The effects arising from the adoption of FRS 139 on balances as at 1 July 2010 are as follow:

	Before effects of adopting FRS 139 RM'000	Effect of adopting FRS 139 RM'000	After effects of adopting FRS 139 RM'000
Assets			
Other investments	2,430	(349)	2,081
Other asset	–	349	349
Trade and other receivables	290,406	206	290,612
Liabilities			
Trade and other payables	287,077	233	287,310
Equity			
Retained profits	293,393	(27)	293,366

The adoption of FRS 139 does not have any significant impact on the profit for the financial year.

Other than the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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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 year, 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 issued and paid-up share capital has been increased from RM198,052,323 to RM199,581,543 by the allotment of 15,292,200 new ordinary shares of RM0.10 each pertaining to the exercise of 15,292,200 share options under the Employees' Share Option Scheme; and
- (ii) The Company repurchased a total of 4,488,300 ordinary shares of RM0.10 each from the open market for a total consideration of RM5,431,252. 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 year.

A8 Dividends paid

The dividends paid during the financial year were as follows:-

- (i) A final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to RM35,398,441 in respect of financial year ended 30 June 2010 was paid on 15 December 2010; and
- (ii) An interim single tier dividend of 13% per ordinary share of RM0.10 each, amounting to RM25,643,130 in respect of financial year ended 30 June 2011 was paid on 20 June 2011.

DIALOG GROUP BERHAD

Company No. 178694 – V

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A9 Operating segments**

The Group is principally involved in providing integrated technical services to the oil, gas and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax, interest and depreciation as included in the internal management report reviewed by chief operating decision maker.

	Malaysia RM'000	Asia Pacific Countries RM'000	Other Countries RM'000	Total RM'000
Segment profit / (loss)	153,063	48,128	(684)	200,507
<i>Included in the measure of segment profits are:</i>				
<i>Revenue from external customer</i>	598,760	587,604	22,014	1,208,378
<i>Inter-segment revenue</i>	5,018	37,154	–	42,172
<i>Depreciation and amortisation</i>	6,461	12,815	763	20,039
<i>Interest expenses</i>	2,260	521	32	2,813
<i>Reversal for impairment of trade receivable</i>	3,751	–	–	3,751
<i>Interest income</i>	6,564	164	5	6,733
<i>Share of profits in jointly controlled entities and associates</i>	38,283	265	–	38,548
Segment assets	581,308	470,661	15,648	1,067,617
Deferred tax assets				13,887
Total assets				<u>1,081,504</u>
<i>Included in measure of segment assets are:</i>				
<i>Investment in associates</i>	78,055	3,037		81,092
<i>Investment in jointly control entities</i>	62,929	3,941		66,870
<i>Addition to property, plant and equipment</i>	17,249	42,311	1,242	60,802
Segment liabilities	222,773	215,407	19,481	457,661
Deferred tax liabilities				3,931
Total liabilities				<u>461,592</u>

A10 Property, plant and equipment

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

INTERIM FINANCIAL REPORT**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****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 2011 and up to the date of this report, which is likely to substantially affect the profits of the Group.

A12 Changes in the composition of the Group

- i) In March 2011, the Group subscribed 500,000 ordinary shares of RM1 each, representing 100% equity interest of Dialog Pengerang Sdn Bhd ("DPSB"). DPSB acquired the entire shareholdings of Pengerang Terminals Sdn Bhd ("PTSB") comprising 2 ordinary shares of RM1 each at par. Subsequently, the paid up capital of PTSB was increased to RM500,000 comprising of 500,000 ordinary shares.

In March 2011, PTSB also acquired the entire shareholdings of Pengerang Independent Terminals Sdn Bhd, comprising 2 ordinary shares of RM1 each at par.

In June 2011, DPSB divested 49% of its equity interests in PTSB to Vopak Terminal Pengerang BV ("Vopak") following the signing of joint venture agreement with Vopak. PTSB is now 51% owned by DPSB and the investment is classified as investment in jointly controlled entities.

- ii) In April 2011, the Group through its 49% owned subsidiary, acquired 19,900 ordinary shares, representing 99.5% equity interest in Ultimate Technology & Services Co., Ltd, (incorporated in Thailand) for a cash consideration of THB79 million (approximately RM7.9 million).
- iii) In April 2011, the Group completed its acquisition of 2,382,352 ordinary shares, representing 90% equity interest of Fitzroy Engineering Group Ltd (incorporated in New Zealand), for a cash consideration of NZD13.5 million (approximately RM32.3 million).
- iv) In May 2011, the Group incorporated a wholly owned subsidiary Dialog Petroleum Technical Services (Beijing) Limited, in Beijing, the People's Republic of China with a registered capital of USD1 million (approximately RM3 million).
- v) In June 2011, the Group carried out an internal reorganisation exercise whereby it subscribed 4,969,852 ordinary shares, representing an 80% equity interest of Dialog Otec Pte Ltd. The effective interests in the following subsidiaries after the internal reorganisation exercise are as follows:

	Effective interest before reorganisation %	Effective interest after reorganisation %
1) Dialog Engineering Pte Ltd	77	89
2) OTEC Holdings Pte Ltd	57	65
3) Overseas Technical Engineering and Construction Pte Ltd	57	80
4) Dialog OTEC Sdn Bhd	78	100
5) Dialog Services Pty Ltd (Australia)	71	100
6) Dialog Plant Services Pte Ltd	69	80
7) Overseas Manufacturing (Johor) Sdn Bhd	57	80

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

- vi) In June 2011, the Group subscribed 100,000 ordinary shares of RM1 each, representing 100% equity interest in Dialog D & P Sdn Bhd.
- vii) In June 2011, WD International Limited, a 50% owned dormant joint venture company has been deregistered from the register of Companies Registry of Hong Kong.

There were no other changes in the composition of the Group during the current financial year.

A13 Commitments

	30/06/2011
	RM'000
i) Capital commitments	
Capital expenditure in respect of property, plant and equipment :	
- approved but not contracted for	143,865
- contracted but not provided for	67,468
	<u>211,333</u>
Capital commitments of the Group to jointly control entities in respect of tank terminal business	<u>308,308</u>
Capital commitment in respect of investment in a subsidiary	<u>3,000</u>
ii) Operating lease commitments	
a) The Group as lessee	
- not later than one year	13,501
- later than one year and not later than five years	8,420
- after five years	7,395
	<u>29,316</u>
b) The Group as lessor	
- not later than one year	184
- later than one year and not later than five years	157
	<u>341</u>

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM346,441,000 (as at 30.06.10: RM348,288,569) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM106,077,813 (as at 30.06.10: RM93,720,876).

The Company has also given corporate guarantees amounting to RM52,610,000 (as at 30.06.10: RM40,340,000) to third parties for supply of goods and warehouse licenses for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM32,686,345 (as at 30.06.10: RM20,093,306).

In addition, the Company also provides a Letter of Undertaking to a jointly controlled entity for the provision of cash flow deficiency support up to RM37.4 million (as at 30.06.10: RM37.4 million) for banking facilities secured by a subsidiary company of this jointly controlled entity.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A15 Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the current year ended 30 June 2011 are set out below. The relationship of the related parties are disclosed in the annual audited financial statements for the financial year ended 30 June 2010 and the approved shareholders' mandate in the circular dated 28 October 2010 for recurrent related party transactions.

	12 months ended 30/06/2011 RM'000
Transactions with associates:	
Subcontracts works provided	900
Dividend received	37,800
Transactions with jointly controlled entities:	
Subcontract works provided	109,065
Interest receivable	2,473
Commission received	526
Dividend received	957
Retainer fees received	716
Purchases and services received	(1,231)
Transactions with related parties in relation to approved shareholders' mandate for recurrent related party transactions:	
Provision of IT and related services	4,225
Subcontracts works	3,827
Management services	4,126
Provision of intellectual property right	579

A16 Trade and other receivables

	30/06/2011 RM'000
Amount due from customers for contract works	78,476
Trade receivables	204,246
Other receivables, deposits and prepayments	16,476
Amount due from associates	552
Amount due from jointly controlled entities	13,259
Hedge derivative assets	71
	<hr/> 313,080 <hr/>

As at the date of this report, the Group has subsequently collected RM100.5 million from the trade receivables which represents 49% of its total outstanding balance.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D**A17 Cash and cash equivalents**

	30/06/2011
	RM'000
Deposits, cash and bank balances	278,463
Bank overdraft included in borrowings	(2,709)
Deposits pledged to licensed banks	(1,428)
	<hr/>
	274,326

A18 Trade and other payables

	30/06/2011
	RM'000
Amount due to customers for contract works	48,034
Trade payables	202,473
Accruals and other payables	75,621
Amount due to an associate	1,519
Amount due to jointly controlled entities	138
Hedge derivative liabilities	57
	<hr/>
	327,842

A19 Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at an Extraordinary General Meeting held on 25 July 2007 and shall be in force for a period of ten years until 29 July 2017.

In compliance with Financial Reporting Standard, FRS 2 on Share-based payment, a total ESOS cost for share options amounted to RM5,875,910 was charged to income statements for the current financial year (FY2010: RM4,442,845).

INTERIM FINANCIAL REPORT

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

B1 Review of performance

The Group closed its Financial Year 2011 with a revenue growth of 6% to RM1.2 billion and a record profit after tax of RM160.1 million, up by 28%, as compared to RM124.7 million last year.

As for the current reporting quarter, the revenue and net profit after tax of RM374.9 million and RM47.2 million was 38% and 45% higher respectively when compared to same quarter last year.

The results of all divisions for current financial year outperformed the previous year, in particular the Engineering & Construction and Plant Maintenance services, both in Malaysia and overseas.

In addition, the commencement of operation by Langsat Terminal (One) Sdn Bhd in Tanjung Langsat, Johor in September 2009 for its phase 1 and in April 2010 for its phase 2, together with the acquisition of Fitzroy Engineering Group Limited in April 2011 had contributed positively to the Group's financial results in the current financial year.

B2 Variation of results against preceding quarter

The Group's revenue for the current quarter of RM374.9 million and profit before tax of RM60.5 million increased by 24% and 17% respectively, against the preceding quarter. The better result was mainly attributable to higher profit contribution from Engineering & Construction activities in Malaysia.

B3 Prospects

Being an integrated specialist technical services provider to the oil, gas and petrochemical industry, the Group will continue to grow its core businesses with recurring income, such as, its Specialist Products and Services, and Plant Maintenance Services while at the same time focusing resources on growing the Group's tank terminal and supply base businesses.

The first phase of the Pengerang Independent Deepwater Terminal Project which comprised of an initial storage capacity of approximately 1.3 million cubic meters ("cbm") is progressing on schedule and expected to be commissioned in 2014. This storage capacity is capable of being expanded by an additional 1 million cbm in the future within its 1st phase. This independent deepwater petroleum terminal will provide storage, blending and distribution services for oil products and will be capable of handling ultra large crude oil carriers.

The third phase of Langsat Terminal (One) with a capacity of 76,000 cbm and Langsat Terminal (Two) with a capacity of 171,000 cbm will be completed in August 2011 and December 2011 respectively. Discussions are on-going to expand the storage capacity in Tanjung Langsat, Johor by another 380,000 cbm under Langsat Terminal (Three).

The Group together with international partners are presently tendering for upstream oil and gas prospects in Malaysia.

The Group will continue to strengthen its presence in existing markets while penetrating new ones. In line with the growing opportunities in the oil and gas business, the Group will continue to focus on developing and growing its human capital and talent pool to cater for its rapid expansion.

Barring any unforeseen circumstances, the Group is optimistic that its performance will be favourable for the financial year ending 30 June 2012.

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 did not announce any profit forecast nor profit guarantee for the current financial year.

B5 Taxation

	3 months ended 30/06/2011 RM'000	12 months ended 30/06/2011 RM'000
Current tax	17,018	45,821
Deferred tax	(3,947)	(5,608)
Under provision in prior year	197	169
Total tax expense	<u>13,268</u>	<u>40,382</u>

The effective tax rate of the Group for the current quarter and current year are lower than the statutory tax rate of 25% due to lower tax rates in certain foreign jurisdictions.

B6 Unquoted investment and properties

During the financial year, the Group's subsidiary company, Tempo Setara Sdn. Bhd., disposed off a piece of leasehold land in Pekan Bukit Kepayang, Negeri Sembilan for a total consideration of RM5,297,297. The Group registered a gain of RM333,005 from the disposal of said leasehold land.

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

B7 Quoted securities

There were neither purchases nor disposal of quoted securities during the current financial year.

B8 Status of corporate proposals

In July 2011, the Group has proposed to acquire a 51% equity interest in Anewa Engineering Private Limited ("Anewa"), India, for Indian Rupees 117.1 million (approximate to RM 7.9 million).

Anewa is an outsourcing company which provides engineering design to customers, mainly multinational companies in India, Middle East and South East Asia in the oil, gas and petrochemical industry. Anewa employs approximately 120 employees.

The proposed acquisition is expected to be completed by end of August 2011.

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

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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**

As at 30 June 2011, the Group's borrowings are denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
United States Dollars	817	2,468
New Zealand Dollars	1,059	2,709
Sterling Pound	2,822	13,912
Singapore Dollars	10,638	26,169
Ringgit Malaysia	6,371	6,371
Unsecured:		
Ringgit Malaysia	40,000	40,000
		<u>91,629</u>
Long term borrowings:		
Secured:		
Singapore Dollars	563	1,385
Ringgit Malaysia	17,036	17,036
		<u>18,421</u>
		<u>110,050</u>

B10 Derivative financial instruments

With the adoption of FRS 139, financial derivative are recognised on their respective contract dates. The related accounting policies are disclosed in note A2.2 (b) above.

As at 30 June 2011, the Group has the following outstanding forward foreign exchange contract with maturity less than 1 year:

	Contract Value		Fair value – net gains or (losses)
	FC'000	RM'000	RM'000
Forward foreign exchange contract:			
United States Dollar	918	2,848	27
Singapore Dollar	652	1,574	(29)
Sterling Pound	436	2,157	16
Euro	105	490	(1)

These forward contracts are to hedge the foreign currency risk associated with its trade receivables and trade payables.

There is no change to the credit risk, market risk and liquidity risk associated with the forward foreign exchange contract as disclosed in audited financial statements for financial year ended 30 June 2010.

There is no cash requirement for the above forward foreign exchange contract.

There has been no change by the Group in the policy as disclosed in the audited financial statements for the year ended 30 June 2010, to mitigate or control those risks associated with the above mentioned derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted the Group recorded a gain when the rates moved favourable against the Group or recorded a loss when the rates moved unfavourable against the Group.

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 legal proceeding that might materially affect the financial position or business of the Group.

B12 Dividends

- (a) The Board recommends a final single tier dividend of 18% (previous corresponding year: 18%) 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) The total net dividend for the current financial year of 31% was higher compared to last financial year of 27.75%. This year's total dividend comprises of the following:-
 - (i) Interim single tier dividend of 13% per ordinary share of RM0.10 each.
 - (ii) Proposed final single tier dividend of 18% per ordinary share of RM0.10 each.

B13 Advances to a jointly controlled entity

Included in the interest in jointly controlled entities was unsecured advances amounted to RM54.4 million given to a jointly controlled entity. The advances bear interest at rate of 4.5% per annum and not repayable within the next twelve months. The advances together with the interest receivable thereon amounted to RM59.1 million as at 30 June 2011.

The Company also provided a financial guarantee amounted to RM37.4 million as disclosed in A14.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B14 Retained Profits**

The breakdown of retained profits of the Group as at date of statement of financial position, into realised and unrealised is as follow:

	As at 30/06/2011 RM'000
Total retained profits of the Company & its subsidiaries	
- Realised	400,525
- Unrealised	297
	<hr/> 400,822
Total share of retained profits from associates	
- Realised	86,634
- Unrealised	(20,520)
Total share of retained profits from jointly controlled entities	
- Realised	7,472
- Unrealised	(680)
Total before consolidation adjustments	
- Realised	494,631
- Unrealised	(20,903)
	<hr/> 473,728
Less: Consolidation adjustments	<hr/> (92,941)
Total retained profits as per consolidated accounts	<hr/> 380,787

The above consolidation adjustments arisen mainly from issuance of bonus shares in FY2010, share of results by non-controlling interests and unrealised profits from E&C works provided to jointly controlled entities.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**B15 Earnings per share**

The basic earnings per share for the current year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	30/06/2011	30/06/2010
Profit for the financial year attributable to owners of the Company (RM'000)	<u>152,298</u>	<u>118,297</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,965,272</u>	<u>1,967,564</u>

Diluted earnings per share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue and issuable. The adjusted weighted average number of ordinary shares in issue 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 average share price for the year and exercise price.

	30/06/2011	30/06/2010
Profit for the financial year attributable to owners of the Company (RM'000)	<u>152,298</u>	<u>118,297</u>
Weighted average number of ordinary shares in issue ('000)	1,965,272	1,967,564
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise ('000)	<u>12,837</u>	<u>1,958</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,978,109</u>	<u>1,969,522</u>

Date: 12 August 2011