



**DAGANG NEXCHANGE BERHAD (10039-P)  
QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

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THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 RM'000	Preceding year corresponding quarter 30/9/2017 RM'000	Nine months to 30/9/2018 RM'000	Nine months to 30/9/2017 RM'000
<b>Revenue</b>	<b>63,312</b>	<b>49,502</b>	<b>185,602</b>	<b>142,435</b>
Cost of sales	(35,328)	(22,389)	(84,483)	(63,158)
Gross profit	27,984	27,113	101,119	79,277
Other income	3,547	5,836	10,239	6,573
Expenses	(28,914)	(18,346)	(76,308)	(50,190)
Finance cost	(699)	(315)	(2,501)	(441)
Share of result of associate, net of tax	9,343	4,494	21,976	13,014
<b>Profit before income tax</b>	<b>11,261</b>	<b>18,782</b>	<b>54,525</b>	<b>48,233</b>
Income tax (Note 14)	(3,406)	(3,076)	(6,419)	(5,860)
Zakat	(2)	-	(3)	-
<b>Profit for the period</b>	<b>7,853</b>	<b>15,706</b>	<b>48,103</b>	<b>42,373</b>
<b>Other comprehensive income for the period, net of tax</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations	142	(39)	99	(287)
Share of other comprehensive income of associate	4,902	(2,793)	4,214	(10,535)
Fair value change in other investment	(6)	-	(221)	-
Other comprehensive income for the period, net of tax	5,038	(2,832)	4,092	(10,822)
<b>Total comprehensive income for the period</b>	<b>12,891</b>	<b>12,874</b>	<b>52,195</b>	<b>31,551</b>



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**I CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 RM'000	Preceding year corresponding quarter 30/9/2017 RM'000	Nine months to 30/9/2018 RM'000	Nine months to 30/9/2017 RM'000
<b>Profit attributable to:</b>				
- Owners of the Company	6,648	14,913	35,044	41,922
- Non-controlling Interests	1,205	793	13,059	451
<b>Profit for the period</b>	<b>7,853</b>	<b>15,706</b>	<b>48,103</b>	<b>42,373</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	11,686	12,081	39,136	31,100
- Non-controlling Interests	1,205	793	13,059	451
<b>Total comprehensive income for the period</b>	<b>12,891</b>	<b>12,874</b>	<b>52,195</b>	<b>31,551</b>
<b>Earnings per share</b>				
- Basic	0.38 sen	0.85 sen	1.99 sen	2.40 sen
- Diluted	0.37 sen	0.84 sen	1.98 sen	2.39 sen

**REMARKS TO CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 RM'000	Preceding year corresponding quarter 30/9/2017 RM'000	Nine months to 30/9/2018 RM'000	Nine months to 30/9/2017 RM'000
<b>Profit before income tax is arrived at after charging/(crediting):</b>				
Interest income	(109)	(402)	(516)	(898)
Loss/(Gain) on disposal of property, plant and equipment	456	-	(3,355)	-
Gain on disposal of investment in subsidiary	(1,815)	-	(1,815)	-
Interest expense	699	315	2,501	441
Depreciation and amortization	4,734	3,301	12,948	9,753
Allowance for impairment loss	292	58	1,049	201
Impairment of goodwill	3,600	-	3,600	-
Foreign exchange loss	3	23	133	175

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.



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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/9/2018 RM'000	Audited As at 31/12/2017 RM'000
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	58,775	65,279
Investment in associates	202,906	175,660
Other investments	4,066	4,233
Goodwill	60,062	49,740
Intangible assets	43,185	44,688
	368,994	339,600
Current assets		
Inventories	682	2,770
Trade and other receivables	193,296	105,923
Tax recoverable	5,932	2,740
Cash and cash equivalents	21,879	51,834
	221,789	163,267
<b>Total assets</b>	<b>590,783</b>	<b>502,867</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to Owners of the Company		
Share capital	354,256	353,502
Warrant reserve	5,691	5,691
Share Option reserve	844	998
Translation reserve	(1,911)	(6,150)
Fair value reserve	(248)	-
Retained earnings	99,215	72,864
	457,847	426,905
Non-controlling Interests	(10,282)	(2,548)
<b>Total equity</b>	<b>447,565</b>	<b>424,357</b>
Non-current liabilities		
Bank borrowing (secured)	17,954	18,680
Deferred tax liabilities	7,056	9,249
	25,010	27,929
Current liabilities		
Trade and other payables	100,804	44,113
Bank borrowing (secured)	17,398	1,320
Tax payable	6	5,148
	118,208	50,581
Total liabilities	143,218	78,510
<b>Total equity and liabilities</b>	<b>590,783</b>	<b>502,867</b>
<b>Net assets per share attributable to Owners of the Company (RM)</b>	<b>0.25</b>	<b>0.24</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.



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Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Nine months to 30/9/2018 RM'000	Unaudited Nine months to 30/9/2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	212,167	143,580
Cash payments to suppliers	(74,120)	(65,336)
Cash payments to employees and other expenses	(68,296)	(61,934)
	<hr/>	<hr/>
Cash generated from operations	69,751	16,310
Income tax paid (net)	(15,408)	(9,171)
Zakat	82	11
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>54,425</b>	<b>7,150</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and intangible assets	(13,768)	(23,260)
Interest received	364	898
Acquisition of subsidiaries	(22,724)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(36,128)</b>	<b>(22,362)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share options exercised	600	5,178
(Repayment)/Drawdown of bank borrowings (net)	(46,128)	17,503
Repayment of borrowing interests	(2,723)	(290)
(Increase)/Decrease in pledged deposits and restricted cash	(1,931)	2,445
Dividend paid to owners of the Company	-	(8,675)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	<b>(50,182)</b>	<b>16,161</b>
	<hr/>	<hr/>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(31,885)</b>	<b>949</b>
Cash and Cash Equivalents as at beginning of financial period	44,693	66,629
	<hr/>	<hr/>
<b>Cash and Cash Equivalents as at end of financial period</b>	<b>(a) 12,808</b>	<b>67,578</b>
	<hr/> <hr/>	<hr/> <hr/>

(a) Cash and Cash Equivalents comprise the following Statements of Financial Position amounts:

	As at 30/9/2018 RM'000	As at 30/9/2017 RM'000
Cash and deposits with licensed banks		
- Unrestricted	12,808	67,578
- Restricted and pledged	9,071	3,209
	<hr/>	<hr/>
	21,879	70,787
Less : Cash and cash equivalents pledged as security	(9,071)	(3,209)
	<hr/>	<hr/>
Cash and Cash Equivalents as at end of financial period	12,808	67,578
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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

**Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018**

**IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

In RM'000	← Attributable to Owners of the Company →					Retained earnings	Total	Non-controlling interests	Total equity
	Share Capital	Warrant Reserve	Share Option Reserve	Translation Reserve	Fair value Reserve				
<b>Nine months to 30 September 2018</b>									
Balance as at 1 January 2018									
- As previously stated	353,502	5,691	998	(6,150)	-	72,864	426,905	(2,548)	424,357
- Effect of change in accounting policies (note 2)	-	-	-	-	(27)	(1,508)	(1,535)	-	(1,535)
Balance as at 1 January 2018, as restated	353,502	5,691	998	(6,150)	(27)	71,356	425,370	(2,548)	422,822
Profit for the period	-	-	-	-	-	35,044	35,044	13,059	48,103
Foreign currency translation differences for foreign operations	-	-	-	99	-	-	99	-	99
Share of other comprehensive income of associates	-	-	-	4,214	-	-	4,214	-	4,214
Fair value change in other investment	-	-	-	-	(221)	-	(221)	-	(221)
Total comprehensive income for the period	-	-	-	4,313	(221)	35,044	39,136	13,059	52,195
Contribution by and distribution to owners of the Company									
- Effect of acquisition of subsidiary	-	-	-	-	-	-	-	(23,552)	(23,552)
- Effect of disposal of subsidiary	-	-	-	(74)	-	(7,185)	(7,259)	2,759	(4,500)
- Share options exercised	754	-	(154)	-	-	-	600	-	600
Total transactions with owners of the Company	754	-	(154)	(74)	-	(7,185)	(6,659)	(20,793)	(27,452)
Balance as at 30 September 2018	354,256	5,691	844	(1,911)	(248)	99,215	457,847	(10,282)	447,565
<b>Nine months to 30 September 2017</b>									
Balance as at 1 January 2017	346,578	5,691	2,415	11,327	-	25,031	391,042	(1,884)	389,158
Profit for the period	-	-	-	-	-	41,922	41,922	451	42,373
Foreign currency translation differences for foreign Operations	-	-	-	(287)	-	-	(287)	-	(287)
Share of other comprehensive income of associates	-	-	-	(10,535)	-	-	(10,535)	-	(10,535)
Total comprehensive income for the period	-	-	-	(10,822)	-	41,922	31,100	451	31,551
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	49	49
Contribution by and distribution to owners of the Company									
- Share options exercised	6,510	-	(1,332)	-	-	-	5,178	-	5,178
- Dividend to Owners of the Company	-	-	-	-	-	(8,766)	(8,766)	-	(8,766)
Balance as at 30 September 2017	353,088	5,691	1,083	505	-	58,187	418,554	(1,384)	417,170

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.



## Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

### V NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 1 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2018, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These quarterly financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

#### 2 Significant accounting policies

The Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any) of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") with for the financial period on or after from 1 January 2018:-

• MFRS 9	:	Financial Instruments
• MFRS 15	:	Revenue from Contracts with Customers
• IC Interpretation 22	:	Foreign Currency Transactions and Advance Consideration
• Amendments to MFRS 2	:	Classification and Measurement of Share-based Payment Transactions
• Amendments to MFRS 140	:	Transfers of Investment Property
• Amendments to MFRS 1, MFRS 128	:	Annual Improvements to MFRS Standards 2014 – 2016 Cycle

Except for the adoption of MFRS 9 and MFRS 15 as further explained below, the adoption of the above accounting standards and interpretations (including the consequential amendments) do not have any material impact on the Group's financial statements.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

##### (a) MFRS 9 Financial Instruments

###### ***Financial Instruments***

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

###### Classification

The Group classifies its financial assets in the following measurement categories:-

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

## Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are:-

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest rate method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is determined using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss.

### Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018**

Impairment of Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, including contract assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk of that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

For trade receivables and contract assets, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit loss.

Transition to MFRS 9

The Group has chosen not to restate comparative figures of its financial instruments, in which case the cumulative effect of the initially application of the Standard has been adjusted to the opening balance of retained profits (or other appropriate component of equity) in the period of its initial application (i.e. 1 January 2018).

As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM'000
Decrease in retained earnings	1,508
Decrease in fair value reserve	27
Decrease in other investments	27
Decrease in trade and other receivables	1,335
Decrease in cash and cash equivalents	152
Increase in deferred tax liabilities	21

(b) MFRS 15 Revenue from Contracts with Customers

Revenue is measured based on the transaction price agreed under a contract with a customer excludes amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future.

If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The Group recognises revenue of each performance obligation when it transfers control of a product or service to a customer either at a point of time or over time. When revenue is recognised over time, the stage of completion for customised equipment is measured by reference to the surveys or appraisals of work performed to date. When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

A trade receivable is recognised by the Group at a point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group assesses the impairment of trade receivable using the simplified approach as disclosed in 'Financial Instruments – Impairment of Financial Assets' section above which requires expected lifetime losses to be recognised from initial recognition of the trade receivables

## Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

### Transition to MFRS 15

The Group has chosen the simplified transition approach by applying apply MFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018) and recognised the cumulative effect of the initially application of the Standard as an adjustment to the opening balance of retained profits (or other appropriate component of equity) on that date.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

### **3 Audit report in respect of the 2017 financial statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2017 was not qualified.

### **4 Seasonal or cyclical factors**

The Group's operations are not subject to any seasonal or cyclical factors.

### **5 Unusual items due to their nature, size or incidence**

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period.

### **6 Material changes in estimates used**

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

### **7 Debt and equity securities**

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current period ended 30 September 2018.

### **8 Dividend**

The Directors do not recommend the payment of any dividend for the period ended 30 September 2018 (2017: 0.5 sen per share totaling RM8.77 million).



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### 9 Segmental information for the current period

The Group's current activity is mainly from the Information Technology and Energy industries.

<b>Business segment</b>	<b>Information Technology RM'000</b>	<b>Energy RM'000</b>	<b>Corporate RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>2018</b>					
<b>Business segments</b>					
Revenue from external Customers	150,688	34,914	-	-	185,602
Inter-segment revenue	2,123	-	-	(2,123)	-
<b>Total revenue</b>	<b>152,811</b>	<b>34,914</b>	<b>-</b>	<b>(2,123)</b>	<b>185,602</b>
<b>Segment result</b>					
Profit/(Loss) from operations	41,311	(6,508)	(269)	-	34,534
Finance costs	(2,498)	(1,274)	-	1,271	(2,501)
Finance income	269	238	1,280	(1,271)	516
Share of results in associates, net of tax	-	21,976	-	-	21,976
Profit before tax	39,082	14,432	1,011	-	54,525
Tax expense					(6,419)
Zakat					(3)
Net profit after tax					48,103
Attributable to:					
Owners of the Company					35,044
Non-controlling interests					13,059
<b>Profit for the year</b>					<b>48,103</b>
<b>Segment assets</b>	<b>351,654</b>	<b>387,802</b>	<b>324,881</b>	<b>(473,554)</b>	<b>590,783</b>
<b>Segment liabilities</b>	<b>250,397</b>	<b>67,957</b>	<b>20,165</b>	<b>(195,301)</b>	<b>143,218</b>

### 10 Material events subsequent to the current period

In the opinion of the Directors, there are no items, transactions or events of material and unusual nature which have arisen since 30 September 2018 to the date of this announcement which would substantially affect the financial results of the Group for the current period ended 30 September 2018.

### 11 Changes in the composition of the Group

There are no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations, other than disclosed below:

- 1) Dagang Net Technologies Sdn. Bhd. ("Dagang Net"), a wholly-owned subsidiary of the Company, had on 25 January 2018 entered into a conditional share sale and purchase agreement ("SPA"), and subsequently supplemental agreement in relation to the SPA was signed on 24 May 2018 for the following acquisitions:
  - i. a 51% equity interest in Genaxis Group Sdn. Bhd. ("Genaxis") for a total cash consideration of RM10 million ("SPA 1"); and
  - ii. a 60% equity interest in Innovation Associates Consulting Sdn. Bhd. ("IAC") through Genaxis for a total consideration of RM23.76 million ("SPA 2").

## Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

The completion of SPA 1 is conditional upon the completion of the transactions contemplated by Share Sale and Purchase Agreement between Genaxis and IAC as stipulated in SPA 2.

Both Genaxis and IAC are deemed as subsidiary companies of the Group as of the acquisition date of 29 January 2018, pursuant to the terms and conditions of the SPA 1 and SPA 2 respectively, and in compliance with the requirements of the Malaysia Financial Reporting Standard ("MFRS") 3 - Business Combination.

- 2) The Board of Directors of the Company had on 24 May 2018 approved the proposed disposal of 1,530,000 ordinary shares, constituting 51% of the issued share capital of Forward Energy Sdn Bhd ("FESB") for a cash consideration of RM1.00 ("**Proposed FESB Disposal**").

The Proposed FESB Disposal is conditional upon the transfer and completion of 100% of the issued share capital of Forward Energy Generation Ltd ("**FEGL**") at RM6,690,000.00 to the Company and be set-off against part of the amount owing by FESB to the Company.

FEGL is holding 7.6% equity interest in BANCO Energy Generation Ltd, a Bangladesh based company involved in the development of 54MW HFO Fired Power Plant in Munshiganj, Bangladesh ("**Bangladesh IPP**").

## 12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement, other than disclosed below:

On 10 July 2018, Dagang Net Technologies Sdn. Bhd. ("Dagang Net"), a wholly-owned subsidiary of the Company received a notice of proposed decision ("Proposed Decision") from the Malaysia Competition Commission ("MyCC") pursuant to Section 36 of the Competition Act 2010 [Act 712] (the "Act"). The Proposed Decision by MyCC is pursuant to the investigation on alleged infringement by Dagang Net of one of the prohibitions under Part 1 of the Act. MyCC issued the Proposed Decision under Section 36 of the Act against Dagang Net for engaging in conduct which amounts to an abuse of its dominant position in breach of Section 10(1) read with Section 10(2)(c) and Section 10(3) of the Act. In its Proposed Decision, MyCC proposed to impose:-

- (1) A financial penalty of RM17,397,695.30; and
- (2) Remedial action, as follows:-
  - (i) Dagang Net to cease and desist the infringing conduct of:-
    - (a) imposing any future clauses in its MyChannel Partner Agreements for the provision of front-end software solutions to end users for the transmission of the trade facilitation data to the National Single Window (NSW) under the uCustoms when it becomes operational which has the effect of its previous exclusivity clause and/or any other similar clauses which may disrupt competition in any market. Furthermore, Dagang Net is to ensure the complete removal of any exclusivity clause from its MyChannel Partner Agreement with all of its current front-end software solution provider business partners: and
    - (b) imposing any future conditions that new and/or additional mailboxes will not be provided to end users unless the users utilized authorized front-end software solutions from Dagang Net's business partners only.
  - (ii) The Directors and seniors management of Dagang Net and its related companies to enrol into a competition law compliance program and training at their own expenses within 3 months of the issuance of the Proposed Decision.

Dagang Net had on 3 September 2018 submitted its written representation and MyCC had on 2 November 2018 set the oral representation to MyCC on 16 January 2019.



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**13 Capital commitments**

There are no material capital commitments as at the date of this announcement.

**14 Income tax**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 RM'000	Preceding year corresponding quarter 30/9/2017 RM'000	Nine months to 30/9/2018 RM'000	Nine months to 30/9/2017 RM'000
Malaysian income tax				
- Current taxation	(3,220)	(3,462)	(7,482)	(8,095)
- Under provision in prior year	(808)	(93)	(808)	(93)
Total current tax expense	(4,028)	(3,555)	(8,290)	(8,188)
Deferred tax expenses				
- Current period	622	479	1,871	2,328
Total deferred tax expenses	622	479	1,871	2,328
	(3,406)	(3,076)	(6,419)	(5,860)

The effective tax rate of the Group for current cumulative quarter taxation (exclude the share of result of associate) was lower than the statutory tax rate, due to utilisation tax benefit against the profits of certain subsidiaries.

**15 Status of corporate proposals announced but not completed as at the date of this announcement**

There are no announced corporate proposals that are not completed as at the date of this report.

**16 Derivatives**

There are no derivatives as at the date of this announcement.

**17 Classification of financial assets**

For year ended 30 September 2018, there was no change in the classification of financial assets as a result of a change in the purpose or use of those assets.

**18 Material litigation**

The Company and its subsidiaries have no material litigation as at the date of this announcement.



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19 Comparison between the current quarter and the immediate preceding quarter

	Current year quarter 30/9/2018 RM'000	Immediate preceding quarter 30/6/2018 RM'000	Variance %
Revenue	63,312	51,183	+23.7
- Information Technology ("IT")	51,758	39,622	+30.6
- Energy	11,554	11,561	-0.06
Profit before tax ("PBT")	11,261	13,089	-14.0
Information Technology ("IT")	6,949	6,786	+2.4
Energy	3,995	6,140	-34.9
Corporate, net of elimination	317	163	+94.5

The Group recorded higher revenue in current year quarter by RM12.12 million (23.7%) as compared to immediate preceding quarter. The increase in revenue was mainly due to progress billing of RM9.1 million for the work done on submarine cable installation and repair project in Indonesia; and revenue from Genaxis Group Sdn. Bhd. and its subsidiary company .

The Group's recurring revenue stream from Information Technology segment has continued to contribute to the Group's profitability. The Group share of result in an associate company has improved in tandem with the improving crude oil price in current quarter.

**Energy**

Profit before tax ("PBT")	3,995	6,140	-34.9
Share of result in PING Petroleum Limited	9,344	6,573	+42.2
Operating units	(518)	(2,523)	+79.5
Gain for disposal of subsidiary/ assets	1,359	3,813	-64.3
Amortization of intangible assets arising on consolidation	(2,590)	(1,723)	+50.3
Impairment of goodwill	(3,600)	-	n/a

The overall performance for the Group's Energy business was improving on quarter-to-quarter.

20 Detailed analysis of the performance for the current quarter and year-to-date

(a) Quarter ended 30 September 2018 compared with quarter ended 30 September 2017

	Current year quarter 30/9/2018 RM'000	Preceding year corresponding quarter 30/9/2017 RM'000	Variance %
Revenue	63,312	49,502	+27.9
- Information Technology ("IT")	51,758	37,320	+38.7
- Energy	11,554	12,182	-5.1

The Group recorded higher revenue in current year quarter by 27.9% as compared to preceding year corresponding quarter. The increase in revenue was mainly due to progress billing for the work done on submarine cable installation and repair project in Indonesia, and new recurring incomes from post acquisition results from Genaxis Group.

The Energy division continues to experience significant competitive pressure in an environment of declining oil & gas activities.



**Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018**

	<b>Current year quarter 30/9/2018 RM'000</b>	<b>Preceding year corresponding quarter 30/9/2017 RM'000</b>	<b>Variance %</b>
Profit before tax ("PBT")	11,261	18,782	-40.0
- Information Technology ("IT")	6,949	12,628	-45.0
- Energy	3,995	5,671	-29.6
- Corporate, net of elimination	317	483	-34.4

The Group's trade facilitation remains strong, with expected annual growth of 4%, however the current quarter performance was affected by the lower year-to-year PBT margin of 18% (38% in 2017), mainly due to increasing manpower cost and expenses incurred for business development activities and one off goodwill impairment of RM3.6 million.

Included in the preceding year corresponding quarter was one-off revenue of RM8.5 million from the progressing billing on developing, installation and commissioning "Projek Sistem Kutipan Caj Jalan ("Road Charges-RC") & Kemasukan Kenderaan Asing ("Vehicle Entry Permit-VEP") collectively known as the "VEP&RC Contract" from the Ministry of Transport ("MOT").

For Energy, the share of result in an associate company has contributed significant to the Group bottom line; its performance was improved in tandem with the improving crude oil price in current quarter.

**(b) Year-to-date ended 30 September 2018 compared with year-to-date ended 30 September 2017**

	<b>Nine months to 30/9/2018 RM'000</b>		<b>Nine months to 30/9/2017 RM'000</b>		<b>Variance %</b>
Revenue	185,602	%	142,435	%	+30.3
- Information Technology ("IT")	150,688	81	98,599	69	+52.8
- Energy	34,914	19	43,836	31	-20.3
Profit before tax ("PBT")	54,525		48,233		+13.0
- Information Technology ("IT")	39,082		34,973		+11.7
- Energy	14,432		11,291		+27.8
- Corporate, net of elimination	1,011		1,969		-48.7

The Group recorded RM185.60 million in revenue for the current year-to-date as compared to the preceding year of RM142.43 million. The overall 30% higher revenue in the current year-to-date was mainly due to the consolidation of post acquisition results from Genaxis Group and progress billing for the work done on submarine cable installation and repair project in Indonesia, in addition to continued growth in the Group's B2B and B2G businesses.

The IT segment's recorded revenue of RM150.69 million was also attributable to the recurring income from the VEP & RC operations & maintenance services, trade facilitation and B2B business and to progress billing for the work done on submarine cable installation and repair project in Indonesia,

The Group's recurring revenue stream from Information Technology segment has continued contribute to the Group's profitability. The Group share of result in an associate company has improved in tandem with the improving crude oil price in current quarter.

Despite the improved in overall financial performance, the Group's Energy business still affected by increased competition and weak recovery of domestic oil & gas activities.



**Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018**

**21 Prospects for 2018**

The Group will continue to build its business by exploring opportunities that leverage on building blocks of its existing IT & eServices and Energy businesses, while focusing on the implementation of planned new initiatives.

Barring any unforeseen circumstances, the Group expects to deliver positive results for the year 2018.

**22 Variance for actual and forecast profit**

The Company did not issue any profit forecast or profit guarantee during the financial period.

**23 Earnings per share**

**Basic earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 '000	Preceding year corresponding quarter 30/9/2017 '000	Nine months to 30/9/2018 '000	Nine months to 30/9/2017 '000
Profit attributable to the Owners of the Company (RM)	6,648	14,913	35,044	41,922
Number of ordinary shares at beginning of the period	1,757,639	1,750,961	1,755,372	1,732,891
- Effect of shares issue pursuant to exercise of ESOS	130	1,588	1,737	11,841
Weighted average number of ordinary shares	1,757,769	1,752,549	1,757,109	1,744,732
Basic earnings per share (sen)	0.38	0.85	1.99	2.40

**Diluted earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2018 '000	Preceding year corresponding quarter 30/9/2017 '000	Nine months to 30/9/2018 '000	Nine months to 30/9/2017 '000
Profit attributable to the Owners of the Company (RM)	6,648	14,913	35,044	41,922
Weighted average number of ordinary shares as per basic earnings per share	1,757,769	1,752,549	1,757,109	1,744,732
Effect of potential exercise of ESOS	4,803	6,712	4,921	6,437
Weighted average number of ordinary shares	1,762,572	1,759,261	1,762,030	1,751,169
Diluted earnings per share (sen)	0.37	0.84	1.98	2.39

The exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share, as the exercise price is higher than the average market price of the Company's ordinary shares during the current financial period.



DAGANG NEXCHANGE BERHAD (10039-P)  
Incorporated in Malaysia

## Quarterly Report On Consolidated Results For The Third Quarter Ended 30 September 2018

### 24 Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

Kuala Lumpur  
19 November 2018

By Order of the Board  
KEH CHING TYNG (MAICSA 7050134)  
Company Secretary