Together Beyond Excellence.

DNeX

LEADING BUSINESS INNOVATION & GROWTH

ANNUAL REPORT 2018

CORE VALUES

LEAN
We are a performance driven culture that strives to do more with less - creating enduring value for our markets, people and shareholders.

AGILE
We are a merit based organisation that stays ahead through learning, inclusiveness and change.

CLEAN
We are committed to the highest standards of business ethics – infusing trust in all business relationships and doing the right thing, even when no one is looking.

ENTERPRISING
We put our imagination to test and continuously invest in disruptive innovative solutions that achieve efficiency for our customers, people and communities.

Vision

To be a leading multinational corporation that is trusted for its world class services and expertise.

Mission

We are vibrant talents who are committed to deliver business innovation that creates value for stakeholders.

49th ANNUAL GENERAL MEETING

Wednesday, 19 June 2019 at 10.00 a.m.
Connexion Conference & Event Centre,
Grand Nexus (Level 3A),
Nexus, Bangsar South City,
No. 7, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia.

Cover Rationale

LEADING BUSINESS INNOVATION & GROWTH
In 2018, DNeX has built a record of leadership and growth by pursuing the most transformational opportunities, innovating breakthrough technologies to capture them and building an organisation able to deliver superior results over the long term. We have become an integrated global conglomerate, capturing new growth and market share by responding to the massive demographic shift in the industries we are in.

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DNeX IN 2018

AT A GLANCE

OUR STORY

PROPELLING THE NATION FORWARD.

We have come a long way. Since inception in 1970, DNeX grew from a modest trading firm into a conglomerate reputed for its ingenuity in creating values for tomorrow.

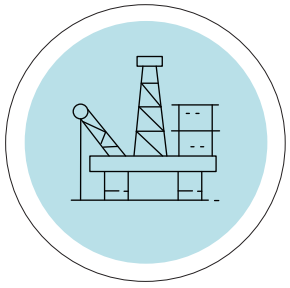
1 GROUP, 2 BUSINESSES

IT & eServices

RM241.6 million

2018 Revenue

Technology is only as good as its purpose. That is why we constantly embrace, challenge and improve on today's latest technological advancements to provide communities an edge that impacts life for the better.



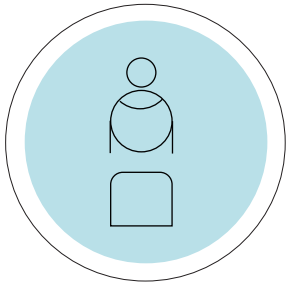
Energy

RM51.9 million

2018 Revenue

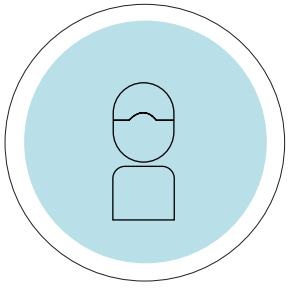
DNeX entered the energy business through strategic acquisitions and long term partnerships. With a know-how heavy and asset light strategy, we work on integrating and developing a commercially sustainable energy business.

NUMBER OF EMPLOYEES 624



Female

261



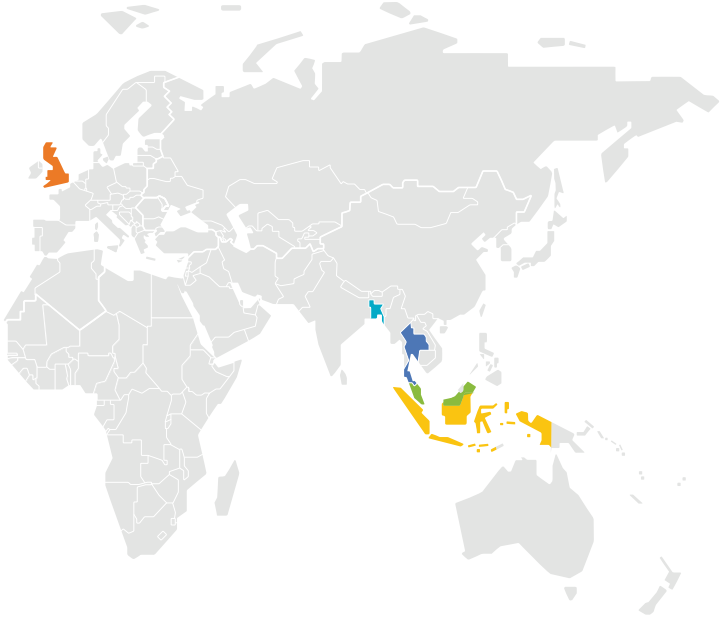
Male

363

FINANCIAL RESULTS

Revenue	Profit Before Tax	Earnings Per Share	Net Assets Per Share
RM293.5 million	**RM66.6** million	**2.01** sen	**RM0.25**

GEOGRAPHICAL PRESENCE



United Kingdom
North Sea

Indonesia
Jakarta

Malaysia
Kuala Lumpur
Johor Bahru
Kota Kinabalu
Kuantan
Kuching
Labuan
Penang
Port Klang

Bangladesh
Dhaka

Thailand
Bangkok

DNeX 2018
TOGETHER BEYOND EXCELLENCE

GROUP REVENUE IN 2018 IS ON TRACK WITH THE OBJECTIVES IN THE PLAN

MARKET CAPITAL
RM404.3 MILLION
1,758.0m shares
*as of 31 December 2018

NO. OF SHAREHOLDERS
27,299
*as of 31 December 2018

Our Story

OVER 45 YEARS OF HUMAN INNOVATION & COLLABORATION

DNeX has always believed that the dynamic power of knowledge comes from collaboration and shared expertise, giving us a unique and progressive edge we can call our own - Together Beyond Excellence.

Since its inception, each milestone is the result of combined entrepreneurial spirit and a shared passion for positive initiatives. The attributes we nurture in our people empower them to be greater individuals, team players and leaders – ultimately providing our clients unparalleled solutions that improve life.

As a company, we have been united for close to five decades, led by our belief in a culture that rewards inclusiveness and human innovation.

Today, DNeX continues to innovate and explore new ground in an effort towards a better future. Our pursuits continue to open new promising opportunities; propelling us to become a global solutions powerhouse.

1970

Inception
Founded as TIME Engineering Sdn. Bhd. to trade and distribute welding products.

1972-75

Electric power component manufacturing
Manufacture and supply electrical switchgears, switchboards and transformers.

1981

System Integration
Established footing in ICT with core offering to supply hardware and provide services to the government sector.

1983

Public listed company
Listed on the Main Board of Bursa Malaysia Securities Berhad and renamed as TIME Engineering Berhad.

1989

Toll Road development
Pioneered solutions for the design and construction of Malaysia's first major toll roads.

- Provided Malaysia's first comprehensive toll gate solutions and services for both the North South Expressway and the New Klang Valley Expressway, as well as the Malaysia-Singapore Second Crossing.
- Introduced the high-tech Intelligent Traffic System, engineered for efficient expressway management.

1994

Fibre Optic Telecommunications
Rolled out Malaysia's first fully digital fibre optic telecommunications network.

1995

SMK-Dagang Net
Designed and developed the first direct interface for Sistem Maklumat Kastam through pioneering efforts to enhance the use of eGovernment services, smartcards and electronic fund transfers for the Port Klang trading and logistics community.

Toll system
Developed the first local toll system in Malaysia.

1996

Subsea engineering

Introduced Malaysia's first Remotely Operated Vehicle and Cable Joining System and developed uniform standards for the maintenance of festooned submarine cables. Also installed the Malaysia-Thailand-East submarine fibre optic cable link for the Telecommunications Organisation of Thailand.

Our Story

1997

Railways & LRT
Provided trackwork solutions including installation and commissioning of railway signaling equipment for PUTRA LRT. Also advised on rail infrastructure for the Kuala Lumpur Sentral Station in Brickfields.

Sabah IPP
Became the first Independent Power Producer in Sabah. Owned and operated a 120MW open-cycle gas fired power plant, at the time the largest power supplier in the state's electricity board, contributing an average of 45% of Sabah's west coast consumption.

1998

TIME Highway Radio
Launched Malaysia's first private radio station & THR Ford Transport Mobile, the first outdoor broadcasting vehicle designed to reach out to the public, encouraging them to air opinions and concerns on issues of common interest.

2003

PPSMI
Appointed by the Government of Malaysia to advise and supply hardware and teaching equipment for the nationwide implementation of Teaching and Learning of Mathematics and Science in English initiative ("PPSMI"), with a total contract award worth approximately RM1.5 billion.

2004

B2G eServices
Appointed by the Government of Malaysia to operate the electronic customs declaration value-added network and electronic permits for other government agencies.

2005

Islamic Capital Market
The first rated Sukuk Musharakah in the world through the Issuance of Asset-Backed Sukuk Musharakah Programme with nominal value of up to RM2 billion.

2009

National Single Window
Exclusively appointed to design, develop, operate and maintain Malaysia's National Single Window.

2013

B2G eServices
Developed and operated the Information System of Dangerous Goods and Free Zone for Port Klang Authority.

2014

myTrade2Cash.com®
Launched Malaysia's first online trade financing service providing on-time, on-demand electronic trade finance services for exports, particularly those in the SME category.

Halal eMarketplace
Launched a global eMarketplace for Halal products and services.

DNeX Energy
Established a diversified business arm to focus on oil & gas services and power generation.

2015

myCargo2U®
Launched myCargo2U®, Malaysia's first all-in-one solution for Cargo and Trade Management.

Pan Asia Exchange
Groundbreaking collaboration with the Pan Asian Alliance to connect 340,000 suppliers in Asia with global buyers.

Directional Drilling
First Malaysian service provider for sub-surface directional drilling work.

Bangladesh IPP
Ongoing development of a small power plant in Bangladesh that is set to serve the local community.

2016

Ping Petroleum Acquisition
Marking its entry into the upstream oil & gas segment with its acquisition of 30% interest in Ping Petroleum for the producing Anasuria Cluster in the North Sea.

OGPC Group Acquisition
Acquired a leading provider of equipment and services for oil and gas, petrochemical, power, and general industries. Increased its reach in the oil and gas industry as Equipment Supply and Maintenance services provider.

Vehicle Entry Permit and Road Charges System Project
Awarded a total subcontract to pioneer the development, operation and management of the VEP and RC System for a duration of 5 years.

2017

SealNet
Launched as 1Trade™, SealNet is a B2B web-based application that simplifies cargo and trade management processes via a one-stop portal.

eWork Permit System
Awarded a subcontract to design, develop and implement a system that facilitates the rehiring programme of illegal foreign workers without permits from 15 countries, under the purview of the Malaysian Government.

Portable Container Systems ("PCS")
Appointed to design, engineer, procure, construct, install, commission and maintain 100 PCS units at various fish landing jetties in Malaysia.

2018

Dagang Net Digital Platform ("DNDP")
Dagang Net launched DNDP, a unified business platform that converges three core offerings onto one platform - Trade Facilitation & Supply Chain, Global Halal Services, and Financial Technology.

Acquisition of Genaxis Group
DNeX acquired Genaxis Sdn. Bhd. and Innovation Associates Consulting Sdn. Bhd. ("IAC"), who is currently the contractor for the Integrated Government Financial & Management System ("iGFMAS").

INNOVATION AT HEART

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Dagang NeXchange Berhad ("DNeX") and its Group of Companies for the financial year ended 31 December 2018.

Thank you for your continued support for DNeX in its pursuit of business excellence.

In the year under review, the Group has made considerable progress in strengthening its core divisions namely IT and eServices as well as Energy despite challenges in domestic and global markets.

Trade Facilitation and Business-to-Business ("B2B") segments continue to serve as core revenue drivers of the Group. In addition, the Group made good progress during the year as it ventured into new business revenue streams.

DNeX has achieved another significant milestone as the Group successfully expanded its IT and eServices business to include the maiden contribution from telecommunications-related services.

The Group's acquisition of Genaxis, which is aimed to expand and strengthen the Group's IT and eServices business segment namely accounting system and consultancy, has also shown encouraging results.

In line with its vision to be a leading multinational company trusted for world class services and expertise, the Group has launched several new services including AIIVA, a web-based Halal Logistics Management System ("HLMS"). AIIVA is a web-based solution that provides tracking and monitoring of Halal consignment through a Single Access Point of Halal logistics services, and also provides connectivity to Halal logistics services companies here and abroad.

DNeX has also in January 2019 launched a new service for cargo clearance via air mode. Called Pre-Alert Manifest, the service can facilitate efficient trade documentation processing and cargo movement into the country. This is meant for small imported goods comprising parcels, documents and letters with a total cost, insurance and freight ("CIF") value not exceeding RM500 per consignment.

Its vibrant IT and eServices division was complemented with considerable progress in the Group's Energy division, which is operating in a still recovering oil and gas sector.

DNeX's investment in OGPC Group and Ping Petroleum Limited ("Ping") contributed positively to the Group's financial results though at a slower progress than initially anticipated.

Its directional drilling unit managed to win modest yet strategic contracts with Baker Hughes (M) Sdn. Bhd. ("BHGE"), and HESS Exploration and Production Malaysia BV.

Moving forward, the Group's main focus is on executing planned initiatives, and preparing for a challenging year ahead amidst uncertainties presented by the global economy.

Business development initiatives will be on exploring opportunities that leverage on existing competencies, and business components.

Towards this end, the Group will continue to grow its services within the Trade Facilitation eco system under its Dagang Net Digital Platform initiative to provide end-to-end, innovative services to help customers be more efficient. This is a unified business platform with content aggregation and repository, eCommerce and fulfillment features enabling collaboration between Governments, businesses and consumers. Dagang Net Digital Platform is aimed to reach, engage and connect the Group's customers and businesses through innovative products and services that create value to them and their own customers and stakeholders.

The Group is also committed to undertake measures to effectively manage resources by prudent spending and being cost-efficient to improve profitability.

Our pursuits remain guided by value-based business sustainability by providing value to customers to generate profitable growth for the Group, and improve earning resiliency, thus in turn enhance shareholders' value.

The Group's own core values - Lean, Agile, Clean and Enterprising - will continue to be embedded as part of its business culture.

On 22 January 2019, DNeX announced the retirement of Zainal 'Abidin Abd Jalil as Group Managing Director as he has reached the retirement age of 60. Executive Deputy Chairman, Datuk Samsul Husin has overall responsibility over the Group's business units and is supported by a team of dedicated professionals in the IT and eServices as well as Energy Divisions.

Subsequently, the Group announced the appointment of Zainal 'Abidin Abd Jalil as Executive Director with effect from 11 February 2019. He will be responsible to manage engagement of key stakeholders for the Group's Energy division, to advise the Board on the development and strengthening of business activities of the division, and represent the Group in its Energy business units including Ping and Forward Energy Generation Ltd.

We look forward to continue working together in this journey of growth, as we strive to remain as adaptable, motivated and responsive to our markets.

On behalf of the Group, I would like to express our sincerest gratitude to all our shareholders, customers, business associates, financiers, the Government and in particular the Ministry of Finance, Ministry of International Trade and Industry, Ministry of Transport, Royal Malaysian Customs Department and other respective regulatory bodies and agencies for their continued support.

My appreciation also goes to my fellow members of the Board for their support and contribution, and the management team and employees for their firm commitment and dedication to the Group in pursuing our goals.

Thank you.

Tan Sri Abd Rahman Mamat
Chairman
27 February 2019

Chairman's Statement

"Our pursuits remain guided by value-based business sustainability by providing value to customers to generate profitable growth for the Group, and improve earning resiliency, thus in turn enhance shareholders' value."

TAN SRI ABD RAHMAN MAMAT
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Dagang NeXchange Berhad ("DNeX") is an investment holding company with investments working in Information Technology ("IT") and eServices and energy sectors. DNeX Group encompasses 22 companies both with subsidiary and associate level investments.

The corporate structure and corporate profile of the Group is available on pages 22 and 23 of this annual report; an overview of our business investments, milestones and strategies in fiscal 2018 is available on pages 80 to 81 of this annual report.

OVERVIEW OF 2018

In 2018 DNeX Group recorded its highest revenue since 2007 with a year on year ("YoY") growth of 44% at RM293.5 million from RM203.9 million the previous year. As DNeX continue to grow its legacy businesses, new revenue lines from acquisition of Genaxis Group Sdn. Bhd. and first revenue from marine telecommunication cable installation, repair and maintenance services in Indonesian waters permitted better results to the Group.

On the contrary, the Profit After Tax ("PAT") took a 6% dip as a result of higher taxes (RM3.5 million), one-off impairment on goodwill (RM3.6 million), depreciation and amortisation charges (RM4.2 million).

Business Segment	Revenue (RM' million)	PAT (RM' million)
IT and eServices	241.6	40.9
Energy	51.9	14.3
Corporate	-	(3.3)
Total	**293.5**	**51.9**

The Group's earnings before interest, tax, depreciation, amortisation, impairment and share of results from associates performed higher at RM68.8 million from RM58.3 million in previous year.

DNeX's head office moved to our own 7 storey twin building named Dagang Net Tower in Cyberjaya after 9 years in Bangsar South. The location allows us to be within reach from government offices and key stakeholders in addition to mitigate administrative expenses by ultimately converting rental expenses towards asset.

Group's global presence remains in United Kingdom through its energy segment investments namely 30% associate company Ping Petroleum Limited ("Ping") with oilfield clusters in the North Sea and; Bangladesh with a 10% stake in the development of 54MW Heavy Fuel Oil ("HFO") Fired Power Plant in Munshiganj ("Bangladesh PP").

IT AND eSERVICES

Trade Facilitation & eCommerce

- National Single Window / Service Provider uCustoms
- New eServices ("ALDEC / Pre-Alert Manifest")
- SealNet

System Integration & Consultancy

- Accounting & financial services ("iGFMAS")
- Marine cable installation
- RFID, AI & I³ solutions
- Cyber security

Financial Technology

- Blockchain based eServices

The Group's portfolio in IT & eServices mainly covers three (3) core business areas, namely Trade Facilitation & eCommerce, Systems Integration & Consultancy, and Financial Technology ("Fintech").

2018 revenue & PAT contribution from these three (3) business pillars.

Business Segment	Revenue (RM' million)	PAT (RM' million)
Trade Facilitation & eCommerce	91.9	18.1
System Integration & Consultancy	148.7	22.8
Fintech	1.0	-
Total	**241.6**	**40.9**

Trade Facilitation & eCommerce

Dagang Net Technologies Sdn. Bhd. ("Dagang Net") exclusively operates the National Single Window ("NSW") for Trade Facilitation System for the Royal Malaysian Customs Department ("RMCD") until 31 August 2019. Dagang Net is also one of the two (2) appointed service providers of uCustoms when the NSW is replaced. Over the years, the NSW contract has been a key component of the Group with sustainable revenues and profits.

Leveraging on the Group's exposure in the trade facilitation industry, DNeX currently provides one stop solutions for the small medium enterprises via SealNet and Global Halal services. DNeX expands its eServices by coupling it with Fintech gateways such as myPayment with the use of DNeX suite of services. SealNet and Global Halal services are at introduction stage of product life cycle. SealNet services are currently available in Malaysia and Thailand, and is expected to hit growth stages in late 2019.

Granting the minute contributions from the new services, Trade Facilitation & eCommerce contributes 31% of the Groups revenue and 34% Group's net profits in 2018.

Management Discussion & Analysis

System Integration & Consultancy: Providing knowledge and solution for Accrual Accounting and Public Sector Shared Service Deliveries

DNeX's wholly owned subsidiary Dagang Net acquired 51% equity interest in Genaxis Group Sdn. Bhd. ("Genaxis") for RM10 million, and this acquisition gives Dagang Net indirect equity interest of 60% in Innovation Associates Consulting Sdn. Bhd. ("IAC").

Genaxis is a firm that delivers training and consulting services in transformation initiatives, and has worked with various organisations and agencies including the RMCD, UEM and CIMB Berhad.

IAC is a consulting firm with projects in public and private sectors. The company is currently the contractor for the Integrated Government Financial & Management System ("iGFMAS") for a contract sum of RM380.2 million. IAC was awarded the maintenance contract for iGFMAS, named "Perkhidmatan Penyenggaraan Perkakasan, Peralatan Rangkaian dan Perisian iGFMAS", worth RM59.4 million for one year, starting from 10 August 2018 to 9 August 2019.

In 2018, consolidation of results from acquisition of Genaxis and IAC (collectively referred as Genaxis Group) has contributed 31% Group's revenue and 48% net profits.

System Integration & Consultancy: Marine Cable Installation, Repair and maintenance

During the year, DNeX through subsidiary DNeX Telco Services Sdn. Bhd. ("DNeX Telco"), has commenced operations in marine telecommunications cable installation, repair and maintenance project in Indonesian and Philippines waters. The projects were awarded by Pt. Bina Nusantara Perkasa a limited liability company under the laws of Indonesia. Under the project, DNeX will be responsible for the design, construction and installation of about 700 kilometres of fibre optic installation for two lines namely Matanusa and SMPCS Patara as part of the Indonesia Global Gateway Cable System. DNeX is working with Kokusai Cable Ship Co Ltd of Japan in these projects.

DNeX Telco recognised its first revenue in 2018 contributing 9% and 4% to Group's revenue and net profits respectively. Moving forward, DNeX is excited to expand this service offering to other industries including oil & gas, and power.

System Integration & Consultancy: Radio Frequency Identification Solutions ("RFID")

DNeX RFID Sdn. Bhd. ("DRFID") completed the vehicle entry permit and road charges system ("VEP & RC") development and integration (referred to as CAPEX contract) using RFID technology for border crossing between Malaysia and Singapore. DRFID now maintains the said system until 2021 which yearly contract value is lower than CAPEX contract.

DRFID also holds a subcontract to undertake encryption of RFID VEP Tags on foreign vehicles. Subsequent to the existing contracts. DNeX plans to focus on encryption of RFID VEP Tags for foreign vehicles and replicate the available system and business model to other Government and semi-Government agencies within Malaysia and ASEAN countries.

DRFID is a 51% held subsidiary of DNeX with the remaining 49% held by TCSens Sdn. Bhd., a company involved in the development and integration of RFID technology.

System Integration & Consultancy: Integrated Intelligent Infrastructure (I^3) solution provider

DNeX specialises in full project management, from design and build right through to installation and commissioning of IT equipment in large nationwide ICT rollout, include the comprehensive online and on-site technical support technicians who are authorised and certified by multinational vendors and strategic partners.

IT management and consultation approach emphasises a Standard Operation Procedure that includes designing, developing, improving, adopting and maintaining infrastructure to suit our client's needs.

System Integration & Consultancy: Cyber Security Services

The Group's Cyber Security Services, which is ISO/IEC 27001: 2013 Information Security Management System certified, continues to provide services to several financial institutions and agencies including Bank Negara Malaysia.

In early 2018 DNeX signed an exclusive brand licensing agreement with EC-Council International Ltd to offer cyber security services in Malaysia. With this licensing deal, DNeX will offer holistic approach to cyber security of EC-Council and develop a cyber security framework that helps in identification, protection, detection, response, and recovery to cyber threats to clients in Malaysia.

Management Discussion & Analysis

ENERGY

Trading and Services

Drilling & Oilfield Services

Upstream Exploration and Production

(i) 30% stake in Ping Petroleum Limited

Book Value
RM200.9 million

Investment
USD10.0 million in 2016

(ii) 10% stake in Bangladesh Power Plant

54 MW HFO Fired Power Plant

Started construction
Early 2016

Commercial Operation Date
11 November 2017

Book Value
RM3.6 million

Business Segment	Revenue (RM' million)	PAT (RM' million)
Trading & Services	49.2	6.2
Drilling & Oilfield Services	2.7	(3.7)
Upstream Exploration & Production	-	22.0
Power & Others	-	0.1
Sub total	**51.9**	**24.6**
Less: Amortisation of Intangible assets arising from consolidation (net of tax)	-	(6.7)
Less: One off impairment of Goodwill	-	(3.6)
Total	**51.9**	**14.3**

The Group has been in involved in energy segment since 2014 with a portfolio mix of upstream and downstream as follows:

i) Equipment Trading and Maintenance Services operated by OGPC Sdn. Bhd. ("OGPC")
ii) Drilling & Oilfield Services by DNeX Oilfield Services Sdn. Bhd. ("DOSB")
iii) Upstream Exploration and Production via investment in Ping Petroleum Limited ("Ping") with asset in North Sea United Kingdom
iv) Power via a minor stake in a Bangladesh power plant

Equipment Trading and Maintenance Services

OGPC continues to face the effects of industry slowdown in local greenfield projects and heightening price competition. To improve business position, OGPC accepted a contract by Petro Teguh (M) Sdn. Bhd. to supply Portable Container Systems ("PCS") for design, engineering, procurement, construction, installation and commissioning of up to 100 units of PCS for two (2) years. The progress of PCS has been behind targets with slow take up of PCS and approval from local authorities. OGPC is looking to change the business model with Petro Teguh to expedite the implementation of 100 PCS.

With decline in revenue by 17% to RM49.2 million in 2018, OGPC's profits plunged 40% at PAT of RM6.2million from RM10.4 million in 2017. OGPC contributes 17% of Group's revenue and 12% PAT.

Drilling and Oilfield Services

DOSB completed contract consisting 4 wells in Tukau Timur and F12 Umbrella Contracts for the Provision of Directional Drilling/ Measurement While Drilling/Logging While Drilling ("DD/MWD/LWD") Equipment and Services for Petronas Carigali Sdn. Bhd. ("PCSB") in 2017. DOSB was not involved in similar projects in 2018. With anticipated slowdown in activities, DOSB, signed a contract agreement to provide directional drilling equipment to Baker Hughes (M) Sdn. Bhd. ("BHGE") where DOSB will serve as an equipment support provider to BHGE for its directional drilling operations in Asia Pacific and Middle East countries.

Management Discussion & Analysis

Upstream Exploration and Production

DNeX Energy Sdn. Bhd. formerly known as DNeX Petroleum Sdn. Bhd. ("DPSB") is a wholly owned subsidiary of DNeX, a company which principal activity is the provision of upstream oil and gas oilfield services including supplies of products and equipment. In 2015, DPSB undertook a proposed subscription on the 30% of the enlarged issued share capital of Ping for a consideration of USD10.0 million (RM40.525 million) primarily to obtain a stake in Anasuria cluster in the North Sea, United Kingdom.

Investment in Ping continues to appealingly contribute to DNeX's results at RM22.0 million in 2018 in comparison to previous year results of RM22.2 million. The reduced annual result is due to fewer lifting and higher tax expenses and operating expenses in the year reported. Ping continues to invest in new oilfields expanding its oil reserves and consequentially its value making it an attractive investment. Ping's existing investments portfolio is summarised in table below.

Anasuria cluster

On 10 March 2016, Ping through its wholly owned subsidiary Ping Petroleum UK ("PPUK") acquired 50% of the entire interest of Shell U.K. Limited, Shell EP Offshore Ventures Limited and Esso Production and Production UK Limited in the Anasuria Cluster of oil and gas fields. The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot field and the related field facilities;
- 100% interest in the Teal field and the related field facilities;
- 100% interest in the Teal South field and the related field facilities;
- 38.65% interest in the Cook field and the related field facilities; and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and related equipment.

PPUK, together with Anasuria Hibiscus UK Limited established the joint operating company, Anasuria Operating Company Limited ("AOC") as the operator of the Anasuria Cluster assets. AOC has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government. The principal place of the joint operations is Aberdeen, United Kingdom.

PING's proved and probable oil reserves stand at 27 million barrels equivalent ("MMboe") or about 20% increase as compared to 23 MMboe recorded during acquisition in 2015.

The expansion of reserves and assets in Ping further improves the value of investment in PING.

Others

Avalon

In April 2017, PPUK signed an agreement with Summit Exploration and Production Limited ("SEPL") to farm into the Avalon oil and gas field, obtaining a 50% working interest in Block 21/6b.

Avalon is an undeveloped field with a single high-quality Palaeocene reservoir, located in the UK Central North Sea. Static and dynamic modelling work on the accumulation is underpinned by results from two exploration and appraisal wells drilled in 2014 and 2017, with seismic inversion work conducted in the interim period.

PPUK spudded the Avalon appraisal well with SEPL as the Operator in June 2017. In June 2018, PPUK acquired the operatorship of the Avalon field from SEPL. The Group's share of the interests of the Avalon field remained unchanged at 50%.

PING is seeking to develop the Avalon field through a phased development programme.

Ranger

The Group holds a 100% interest in Block 15/16d.

Block 22/14c

Following successful applications made during the 30th Licencing Round Awards, Ping was awarded Block 22/14c (SEPL 50% working interest and operator, PPUK 50% interest).

Blocks 15/17c and 15/18c

Following successful applications made during the 30th Licencing Round Awards, PING was awarded Blocks 15/17c and 15/18c (Azinor Catalyst Limited 50% working interest and operator, PPUK 50% interest).

Management Discussion & Analysis

BUSINESS RISKS

Being in investment-heavy business, DNeX Group is exposed to risks relating to return on investments. The Management monitors the progress of the Group's investments specifically new ones on monthly basis. This is done actively to ensure any risks arising are quickly mitigated with fast decision making. Where required, the Management directly participates in key activities to protect the investment interest and mitigate financial exposure.

DNeX's key contracts are with the Government of Malaysia. The Group is therefore exposed to risks relating to change in government policies. The change in Government had exposed DNeX's business under the scrutiny on all projects under the Government of Malaysia's administration.

The Malaysia Competition Commission ("MyCC") has proposed a penalty of RM17.4 million on DNeX subsidiary Dagang Net for alleged infringement on one of the prohibitions under Part 1 of the Act in the provision of trade facilitation services under the NSW. Dagang Net is in the midst of making its representation to MyCC.

With technology being the key enabler of our services, the Group is also exposed to Technology risks vis-à-vis security, development, integration and infrastructure. Our technological assets are strictly maintained with continued updates and assessments to meet the required service level agreements and updates. Our technology people are also well kept abreast with current methodologies and technology advances in order to ensure processes are functioning, updated and working efficiently. Back-ups, secondary locations and contingency plans are in place to protect business and service continuity.

DNeX Group takes compliance to governing bodies and services rendered to Government administration seriously. We strive to provide our services by adhering to all guidelines, professionalism and quality. The same level of effort is directed towards agencies and communities that are linked to our systems. The Group continually invests in improving business expansion, internal resources, customer services, system reliability, technological advancement, and stakeholder management activities in view of retaining customer satisfaction and loyalty.

GROUP FINANCIAL ANALYSIS 2018

In 2018, DNeX Group recorded highest revenue and earnings before interest, tax, depreciation and amortisation ("EBITDA") growth since 2007. During the year, DNeX fully consolidated eleven (11) months result of the newly acquired Genaxis Group which considerably stimulated the year's financial results.

DNeX Group recorded new height of revenue at RM293.5 million compared to RM203.9 million the previous year with 44% YoY growth. The Group's Trade Facilitation business continues its strong positive traction to drive revenue growth in both business to government ("B2G") and business to business ("B2B") segments. Trade Facilitation & eCommerce business contributes approximately 31% of the Group revenue. The Group was further awarded a contract extension for one (1) year commencing from 25 September 2018 until 31 August 2019 for the NSW system from the Government of Malaysia.

The Group's Energy division registered lower revenue at RM51.9 million as compared to RM63.7 million in the previous year.

The division continues to experience significant competitive pressure in an environment of declining oil & gas activities, and delay in deployment PCS as planned.

The progress of designing, engineering, procurement, construction, installation and commissioning of PCS has been behind targets with slow take up of PCS and approval from local authorities. The Group is looking to change the business model to expedite the implementation of PCS. The Energy division contributes to 18% to the Group revenue.

The Group achieved highest growth in its EBITDA excluding share of results from associates since 2007, increasing 18% to RM68.8 million, mainly from the higher revenue from rendering of services, with better profit margins. However the increase in business development expenses and hiring of new talents for business expansion affected the Group's EBITDA in current reporting year.

The Group's PAT took a 6% dip as a result of higher non-EBITDA items of RM15.0 million, arising from:-

- depreciation and amortisation by RM4.2 million;
- higher taxes due to fully utilised of tax shield in certain profit making companies ("RM3.5 million");
- one-off impairment of goodwill ("RM3.6 million");
- finance cost by RM2.4 million; and
- effect of Malaysian Financial Reporting Standard 9 ("MFRS9") RM1.3 million.

The share of results from associates presented RM22.0 million to the Group's PAT in current reporting year. Despite the increase in oil price, profitability was impacted by higher tax expenses and higher operating expenses per barrel in associates. The deferred uplift of oil production to mid January 2019 for better transacted price has affected the performance of Energy division's results and is expected to level up in 2019.

Management Discussion & Analysis

GROUP FINANCIAL POSITION 2018

As at 31 December 2018, the Group's balance sheet has further strengthened with strong capital base of RM441.5 million with low debt-to-equity ratio of 0.1 times.

Total equity increased by RM17.2 million driven by:

- Net profit increased by RM51.9 million;
- Foreign exchange gain on translation of carrying amount of equity-accounted associates RM3.9 million;
- Additional share options exercised during the year of RM0.7 million;
- Netted off with:
  - o adjustments on initial application of MFRS 9 and fair value changes of equity instruments of RM5.0 million; and
  - o movements in Non-Controlling Interests resulted from the effect of acquisition, disposal of subsidiaries and changes in a subsidiary's ownership interests totaling RM34.3 million

Total assets increased by RM125.2 million mainly driven by:

- Inclusion of new subsidiaries of Genaxis Group of RM71.0 million particularly contract assets from Integrated Government Financial and Accounting Management System ("iGFMAS") contracts;
- Share of profit and foreign exchange translation gain on equity-accounted associates ("net of tax") RM25.3 million;
- Included receivable and contract assets of RM24.7 million from the submarine telecommunication cable installation, repair and maintenance services in Indonesian waters;
- Included in 2018 a proceed receivable of RM12.6 million from the disposal of machineries to a third party;
- Goodwill on consolidation increased by RM10.5 million, as a result of acquisition of Genaxis Group of RM15.7 million, partly offset from the disposal of a subsidiary company RM1.6 million and one-off goodwill impairment of RM3.6 million;
- Cash and cash equivalent decreased by RM12.8 million as a result of cash acquisition of Genaxis Group sourced from internally generated funds and effect from slow in collection from certain Government agencies.

Gross liabilities stand at RM186.6 million, increased by RM108.0 million from 2017 mainly driven by:

- Inclusion of new subsidiaries of Genaxis Group of RM67.3 million mainly the contractual obligations in relate to iGFMAS contract implementation;
- The accrued cost for implementing the submarine telecommunication cable installation, repair and maintenance services in Indonesian waters of RM17.4 million;
- Further drawdown of the Group's bridging credit facilities of RM27.5 million to fund its working capital requirements. The Group's current debt-to-equity ratio stands at 0.1 times.

CAPITAL ALLOCATION AND BALANCED PORTFOLIO

DNeX continually strives to maximise shareholders return by balancing its portfolio of investment between both core business segments. Capital is allocated in line with the strategy, which in 2018 remained predominantly focused on IT and eServices segment, of which contributed 82% and 78% of the Group's revenue and PAT respectively.

Underlying the investment, Group continues to aggressively pursue its Group-wide operational cost optimisation programme driving towards achieving improvements in operational efficiency and business profitability based on a sustainable cost structure.

Financial Position risk is managed by ensuring debt levels are kept below the Group total equity and credit risk on receivable and contract assets are monitored on an ongoing basis. To do that, an approach towards moderate growth is followed, all existing investments are classified and reviewed as Grow and Expand; and Monetise or Exit.

Grow and Expand by exploring opportunities that would add value to the existing building blocks, focusing on the implementation of planned new initiatives targeted to develop sustainable revenue lines.

DIVIDEND POLICY

Since the end of the previous financial year, the Company paid an interim dividend of 0.5 sen per ordinary share totalling RM8.8 million in respect of the financial year ended 31 December 2017.

A final dividend of 0.5 sen per ordinary share totalling RM8.8 million was recommended by the Board of Directors in respect of the financial year ended 31 December 2018 subject to the shareholders' approval at the forthcoming Annual General Meeting.

DNeX maintains its dividend policy based on cash availability upon planned allocation for investment, growth and working capital needs. The chosen dividend policy has thus far aided in business growth without crippling planned strategic direction of the Group.

SHARE PERFORMANCE

Value of DNeX shares more than halved from 53 sen at start of year to 23 sen at close of the year.

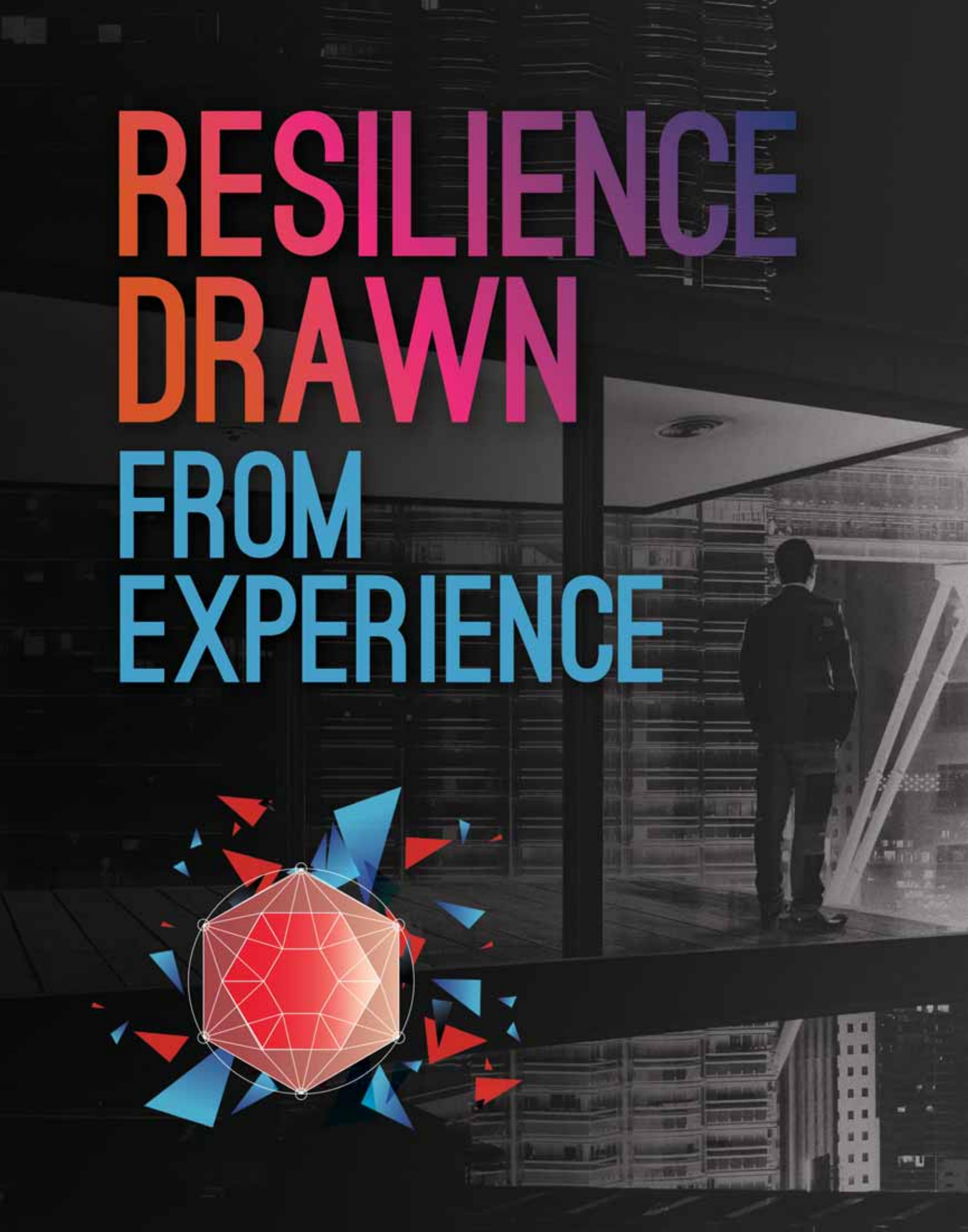
The movement of DNeX shares somewhat shadows Bursa Securities Technology Index (refer chart below) save for the announcements on proposed penalty of RM17.4 million on Dagang Net by MyCC for alleged infringement on one of the prohibitions under Part 1 of the Act in the provision of trade facilitation services under the National Single Window. The announcement is deemed not directly connected to the performance of the Company itself. The 12 months share movement can be seen in the share performance chart on page 51 of this annual report.

2019 OUTLOOK

Our performance in 2018 has forced us to review of business decisions and investments to create value and progress DNeX's business and brand. Moving forward DNeX will intensify its focus on IT and eServices sector as the demand for technology continues to rise. As we try to maximise the use of our resources and assets in Energy, we may consider monetising investments that may yield attractive returns particularly investments with smaller shareholding and control. We anticipate more changes in government policies and competition in both our core businesses that are not shielded from changes in global economic, technological and political sentiments.

Guided by our Vision, Mission and Core Values, we remain committed to create new services while enhancing existing ones, and pursue strategic investments to build a sustainable business thus create value for shareholders wealth and grow DNeX - the Company, the brand both within and outside of Malaysia.

RESILIENCE DRAWN FROM EXPERIENCE



CORPO

BOARD OF DIRECTORS

Tan Sri Abd Rahman Mamat
Chairman / Independent Non-Executive Director

Datuk Samsul Husin
Executive Deputy Chairman

Dato' Wong Kam Yin
Executive Director

Rosli Abdullah
Senior Independent Non-Executive Director

Norlila Hassan
Independent Non-Executive Director

Satria Ahmad
Independent Non-Executive Director

Ang Hsin Hsien *
Non-Independent Non-Executive Director

Datuk Johar Che Mat
Independent Non-Executive Director

Zainal 'Abidin Abd Jalil
Executive Director (Appointed on 11 February 2019)
(Retired as Group Managing Director on 22 January 2019)

*Note: * A nominee of Censof Holdings Berhad*

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Rosli Abdullah
T : (03) 8230 6900
F : (03) 8230 6969
E : rosli.abdullah@dnex.com.my

BOARD COMMITTEES

Audit Committee

Rosli Abdullah
Chairman / Senior Independent Non-Executive Director

Norlila Hassan
Independent Non-Executive Director

Ang Hsin Hsien
Non-Independent Non-Executive Director

Nomination and Remuneration Committee

Norlila Hassan
Chairperson / Independent Non-Executive Director

Rosli Abdullah
Senior Independent Non-Executive Director

Satria Ahmad
Independent Non-Executive Director

Board Procurement and Tender Committee

Datuk Samsul Husin
Executive Deputy Chairman

Ang Hsin Hsien
Non-Independent Non-Executive Director

Satria Ahmad
Independent Non-Executive Director

ORATE INFORMATION

Employee Share Option Scheme Committee

Norlila Hassan
Chairperson / Independent Non-Executive Director

Datuk Samsul Husin
Executive Deputy Chairman

Dato' Wong Kam Yin
Executive Director

Zahid Mohammad Sham
Chief People Officer

Lim Kek Siang
Chief Financial Officer

COMPANY SECRETARY

Keh Ching Tyng
MAICSA 7050134
T : (03) 8230 6900 / (03) 8230 6802
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(LLP0018817-LCA & AF 1018)
(Chartered Accountants)
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Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
T : (03) 2788 9999
F : (03) 2788 9998

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
[Listed since 12 September 1983]

Stock Name : DNEX
Stock Code : 4456
Sector : Technology
Sub-sector : Digital Services

REGISTERED OFFICE & HEAD OFFICE

Dagang Net Tower,
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur
Cyber 12, 63000 Cyberjaya
Selangor
T : (03) 8230 6900
F : (03) 8230 6969
E : info@dnex.com.my
W : www.dnex.com.my

SHARE REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
T : (03) 2692 4271
F : (03) 2732 5388

PRINCIPAL BANKERS

Affin Islamic Bank Berhad
Bank Muamalat Malaysia Berhad
CIMB Islamic Bank Berhad
Malayan Banking Berhad
Hong Leong Islamic Bank Berhad

CORPORATE STRUCTURE

PUBLIC >20,000 SHAREHOLDERS	ARCADIA ACRES SDN BHD	CENSOF HOLDINGS BERHAD
63.3%	20.5%	16.2%

Together Beyond Excellence.

DNeX

DAGANG NeXCHANGE BERHAD

IT & eSERVICES

- **100.0%** DNeX TECHNOLOGY SDN BHD
- **100.0%** DNeX SOLUTIONS SDN BHD
- **100.0%** DAGANG NET TECHNOLOGIES SDN BHD
  - **100.0%** GLOBAL eCOMMERCE LIMITED
  - **100.0%** GLOBAL MARKET eCOMMERCE SDN BHD
    - **55.0%** DNeX IMIZU SDN BHD
  - **100.0%** MYCALL GATEWAY SDN BHD
  - **99.0%** PT DAGANG NET INDONESIA
  - **80.0%** SEALNET SDN BHD (Formerly known as DNeXPORT SDN BHD)
    - **51.0%** DNeX GIS SDN BHD
  - **51.0%** DNeX TELCO SERVICES SDN BHD
  - **51.0%** DNeX VMS SDN BHD
  - **51.0%** GENAXIS GROUP SDN BHD
    - **60.0%** INNOVATION ASSOCIATES CONSULTING SDN BHD
  - **51.0%** DNeX RFID SDN BHD

ENERGY

- **100.0%** OGPC SDN BHD
- **52.0%** OGPC O & G SDN BHD (48.0%)
- **80.0%** DNeX OILFIELD SERVICES SDN BHD
- **100.0%** DNeX ENERGY SDN BHD
  - **30.0%** PING PETROLEUM LIMITED
  - **100.0%** DNeX CLEAN UTILITIES SDN BHD
- **100.0%** FORWARD ENERGY GENERATION LTD

CORPORATE PROFILE

At DNeX, our core businesses stem into a myriad of sectors that encompasses a family of specialised companies; each providing customised services, solutions and even infrastructures, engineered and led by industry experts.

We pride ourselves on offering effective, workable and commercially-realistic solutions to meet our clients' requirements. Our reputation for pragmatic services is the result of the emphasis we place on understanding their objectives, priorities and requirements. An important element of this is the close working relationship we foster with them – we place a premium on understanding their commercial strategies and goals, and defend their competitive edge.

Technology. Humanised.

Technology is only as good as its purpose. DNeX constantly embraces, challenges and improves upon today's technological advancements to provide communities with an edge that impacts life for the better.

In 2018, DNeX introduced Dagang Net Digital Platform ("DNDP"), a unified business platform with content, aggregation, eCommerce and fulfilment features. By taking on the role of a facilitator, we connect and enable collaboration between Governments, businesses and consumers, optimising operational and commercial opportunities within various industries.

Through DNDP, customers can converge on one unified business platform for all their eServices needs. Organised into three core clusters – Trade Facilitation & Supply Chain, Global Halal Services and Financial Technology, customers will experience new technologies powered by the nation's trade facilitation expert to accelerate and enable new capabilities for their business.

Corporate Profile

Facilitating Trade Processes & Supply Chain

One of our key businesses is ideating, engineering and delivering customised trade processing solutions. For over 25 years, we have been innovating business-to-government ("B2G") solutions with enterprise-class applications that simplify trade processes. We recently enhanced our business-to-business ("B2B") offerings to offer Malaysia's most comprehensive cargo and trade management software – making business flow like never before.

NATIONAL SINGLE WINDOW

Over the years, we have pioneered and spearheaded initiatives aimed at creating paperless, electronic Customs-related services to ease the facilitation and streamlining of international trading processes for the import and export, trade and logistics industries.

We are the operator of Malaysia's National Single Window for Trade Facilitation, which facilitates electronic Customs-related transactions and duty payments, as well as electronic document transfer between members of its trading community made up of manufacturers, importers & exporters, forwarders, shipping agents, terminal and port operators, banks, port authorities, permit issuing agencies and Customs.

Today, close to 100 million electronic transactions and approximately RM8 billion worth of Customs duty payment are transacted annually through our proven infrastructure system. From logistics to manufacturing, retail to government, we serve a diverse range of customers, gaining valuable expertise to fully capitalise on eCommerce, helping customers run their business faster and more accurately.

Backed with a wealth of knowledge and operational know-how in the provisioning of eServices for Trade Facilitation, our track record stands testament to its relentless drive to deliver nothing less than perfection.

OTHER KEY eSERVICES

ALDEC - holistic offering for submission of various electronic declarations of trade document to different authorities, all on a single platform

Pre Alert Manifest - efficient trade documentation processing for cargo clearance via air mode

Advance Filing Rule - easier submission for advance manifest i.e. cargo documents to be submitted to authorities in advance

Corporate Profile

ePCO

ePCO is a web-based Preferential Certificate of Origin application and approval system, which allows manufacturers or exporters who need certification of the country of origin for a particular product to obtain the Preferential Certificate of Origin in the form of an official online document.

eDeclare

eDeclare is a web-based Customs declaration service that facilitates the preparation and submission of trade declarations via the Internet.

eManifest

eManifest is a web-based system that allows port users such as Principal Shipping Agents (PSA), Shipping Agents (SA) and Freight Forwarders (FF) to submit cargo manifests and vessel information to the respective authorities for validation and approval online.

ePermit STA

ePermit STA is a web-based permit application and approval system for sensitive trade items under the purview of Strategic Trade Act 2020 (STA Act 2010), which is a legislation that controls the export, transhipment, transit and brokering strategic items.

ePermit

ePermit is a web-based import and export permit application and approval system that enables importers, exporters and forwarding agents to apply for permit from Permit Issuing Agencies (PIAs) and obtain approval online.

ePayment

ePayment allows users to prepare, submit and settle payments with online convenience, beyond banking hours and anytime, anywhere.

SEALNET

SealNet is an integrated, web-based Business-to-Business solution that seamlessly connects domestic and international logistic communities. Its powerful electronic platform bridges global supply chains and logistics for a truly efficient trade facilitation, easing business and reducing operational costs.

SealNet digitises the information flow across all parties involved in the trade facilitation value chain. It brings together all trade related data and documents within the cargo management journey - along the Business-to-Government processes, as well as pre and post declaration requirements such as cargo/marine insurance and trade financing - onto one platform.

As a platform that collects data and documents currently recorded and collected separately by respective parties primarily importers, exporters, forwarders, shipping lines, hauliers, warehouses and ports, SealNet enables real-time tracking and traceability on goods and document statuses. With data exchange and information query functionalities, back-office functions like billing and invoicing, data mining, and reporting for compliance purposes are made easier.

Corporate Profile

GLOBAL HALAL SERVICES

DNeX help companies navigate the complexities of running a Halal business through its GoHalal4All web-based offerings. Available at GoHalal4All.com, DNeX puts forth a holistic eco system aimed at nurturing the global Halal community worldwide encircling all businesses to offer quality products and services via the Halal process. Our vision is to extend the Halal way of life to all businesses, explore new areas of economic growth and enter into emerging markets with the idea of universal acceptance of Halal standards, certification and practices.

Halal is about quality, hygiene, sincerity, empathy, just and fair practices and organic way of life that has gained acceptance by global customers. To retain the confidence of consumers and gain potential customers, GoHalal4All helps entrepreneurs, manufacturers, investors, researchers, distributors and retailers through the Halal process and practices, know-how of entering global Halal markets and the procedures of standard Halal certification for products and services.

GoHalal Marketplace

GoHalal provides a convenient electronic hub which enables suppliers of Halal products and services to reach the global market easily.

Through GoHalal.com.my, suppliers experience greater accessibility and transactional ease. Our features and services help get their products to markets as quickly as possible, including setting merchants up with online tools to make their business run smoothly. GoHalal creates business opportunities, develops business network and promotes knowledge in the Halal industry. From start to finish, online and in real time, we help businesses grow.

AIIVA

AIIVA
Halal Trade. We Facilitate.

AIIVA is designed to assure the quality of Halal and Cleanliness for end users by monitoring the movement of goods from point of origin to point of destination via our proprietary one-stop, web-based Halal Logistics Management System available at www.aiiva.com.my.

By linking relevant authorities and trading communities with other various entities within the global supply chain, AIIVA helps its users preserve the virtues of Halalan-Toyyiban by monitoring the supply chain flow and storage of goods, services and related components from producers to consumers.

AIIVA is in-line with normal modules for logistics and transportations but with some additional Halal related modules as well as standards and procedures incorporated into the system functionality.

Core Services

Halal Logistics Monitoring
Facilitating online track and trace for Halal monitoring to prevent cross contamination during transit

Islamic Cleansing
AIIVA connects importers and exporters to parties who offer certified Islamic Cleansing services according to Halal Certification Authorities' standards and requirements

Halal Container
AIIVA connects importers and exporters to Halal container providers who provide Halal and hygienic containers, and storage in segregated area

Halal Transporter
AIIVA connects importers and exporters to transport operators who offer Halal certified transportation

Halal Warehousing
AIIVA connects importers and exporters to Halal certified warehouse providers for cargo consolidation, cross docking and movement

Halal Packaging
AIIVA connects importers and exporters to Halal packaging service providers, ensuring consignments are properly managed and handled to eliminate cross contamination

System Integration & Consultancy

The men and women who work on Integrated Intelligent Infrastructure ("I^3") are innovative problem solvers. From remodelling business, to refocusing strategic designs and even maintaining the system, our team turns the complicated, into solutions that are simple and easy to manage.

DNeX specialises in full project management, from design and build right through to installation and commissioning. Our IT management and consultation approach emphasises a Standard Operation Procedure in the designing, developing, improving, adopting and maintaining infrastructure work scope to suit our clients' needs.

IT CONSULTING

DNeX assists organisations to align their strategy and business with people's practices. We pride ourselves with our dedication towards organisation transformation and our ability to provide an exceptional level of consulting services and practices which includes but not limited to high quality services ranging from system integration, consultancy & project management for ICT, software & applications development and other IT related services not offered by many other business consulting agencies.

Our client organisation's transformation journey begins with defining and refining the organisational's strategy and associating them with people's practices. Current and future initiatives will be aligned to meet the organisation's goal and focus closely on behavioural changes required by leaders, teams and employees to complete this journey.

MARINE CABLE INSTALLATION

DNeX connects people, businesses, and ideas through its Subsea and Marine Engineering Services, particularly in the telecommunications industry.

Equipped with advanced technology and expertise coupled with integrated support services for the offshore segment, we offer turnkey solutions for the design, engineering, supply, installation, and repair maintenance of marine fibre optic and power cables.

Our range of services encompass marine cable installation, maintenance and burial requirements for our customers around the world. We offer a comprehensive end-to-end solution to a wide variety of market and industries specifically telecommunications, oil & gas, renewable energy, power and scientific research.

RADIO FREQUENCY IDENTIFICATION SOLUTIONS

DNeXRFID

DNeX's RFID solutions span the commercial and residential sectors, and business and industry. We take pride in designing end-to-end solutions, aimed at leading high impact results; boosting productivity, revenue growth and bottom line profitability.

We provide our clients with complete RFID solutions; from planning, project management, and software, to hardware, installation and integration. Our resilient and reliable technology provides the highest quality service maintenance to improve and protect customer's business operations.

When we pioneered the design and development of the Vehicle Entry Project ("VEP") and Road Charge ("RC") System, we combined sound technological knowledge with reliable technology.

CYBER SECURITY SERVICES

FORTRESS®
Enterprise Security. Simplified.®

DNeX's FORTRESS® helps businesses build strong, dependable security defences, reduce costs and enable operational efficiencies. We achieve this by offering our very own end-to-end Cyber Security services to help local and international organisations develop strategies to address the ever-changing IT security threat landscape.

FORTRESS® Managed Services provide 360° Security Operations Centre ("SOC") services including Monitoring, Network Security Management and Identity & Access Management. FORTRESS® automates security processes and integrates managed security services with a depth and breadth of coverage unmatched in the industry. At the other end of the spectrum are our Advisory Services, encapsulating Security Posture Assessment, Governance & Compliance, Security Management, Resiliency Management, Training, Incident Response & Cyber Forensics.

Financial Technology

Financial Technology ("Fintech") is a new industry that uses technology to improve activities in financial services. The use of smartphone for mobile banking, investing services and digital assets are examples of technologies aiming to make financial services more accessible to the general public.

At present, a report on Fintech Malaysia 2018 indicated that Malaysia has 85.7% internet penetration and 85.1% online banking penetration. While financial institutions ("FIs") are still debating whether Fintech is a threat or an opportunity, it is becoming clear not taking a step into Fintech is bad business strategy.

Fintech, when used correctly, offers top opportunities for:

- Differentiation
- Cost reduction
- Customer retention

Meanwhile, the emergence of blockchain technology will complement Fintech by offering easy and secure transfer of monies, as well as acting as the linchpin of further document transfers associated with trade; from initial contract signatures to bills of lading, customs declarations, and so on. Blockchain, when combined with logistics tracking, regulatory, and every changing tax rules, will present an innovative capability to serve the customers in a financially safe and risk-managed environment.

Focused on digitisation and automation, DNeX, through Dagang Net Digital Platform offers:

- Enhanced capability to provide advance Duty & Permit Payment
- Halal Settlement & Payment
- Trade Finance riding on Blockchain technology
- Electronic application of marine cargo insurance and settlement
- Takaful Exchange

myPayment

myPayment

myPayment is DNeX's proprietary online payment platform that allows users to prepare, submit and settle payments, anytime and anywhere.

myPayment was developed in-house to facilitate online payments for Customs duties, Importation GST, and permit fees. This modular-based application is also available for various bill settlements including transaction fees, prepaid top-up, and any other general payments in favour of any registered billers. myPayment provides users real-time tracking on payments, and ensures the money reaches its destination safely and securely.

Energising New Possibilities

DNeX's strategic acquisitions and long term partnerships have successfully enabled our diversification into the energy sector. Our extensive know-how, coupled with a light asset strategy, has allowed us to integrate and develop commercially sustainable energy businesses with fellow experts and key industry partners.

DRILLING & OILFIELD SERVICES

We work to provide integrated solutions with value creation to our clients in the Oilfield industry. We integrate fit-for-purpose solutions with specialised knowledge for our clients, specifically those seeking to maintain competitive edge in the energy sector's fast changing landscape.

DNeX's very own niche technology and solutions generate new possibilities in oilfield services. We place emphasis on local competencies and cost efficiencies to enhance operational effectiveness.

Today, DNeX is a Malaysian pioneer of Self-Operated Directional Drilling, Measurement While Drilling, and Logging While Drilling service provider.

The Malaysian Book of Records has also certified DNeX Oilfield Services Sdn. Bhd. as a national record holder for being the First Self-Operated Malaysian Directional Drilling, Measurement While Drilling, and Logging While Drilling Company to have successfully drilled wells.

EQUIPMENT SUPPLY & MAINTENANCE

DNeX supplies oil and gas equipment to a diverse international clientele. Through sales, installation and maintenance, our expert technicians are committed to offering on-time services so that our clients do not face interruptions to their operations. Alongside importing and distributing the industry's best technical products from renowned manufacturers around the world to the oil and gas industry, we have a proven track record of providing services to the heavy industry sector including refining, petrochemicals, power, utilities and manufacturing.

Through OGPC Group, DNeX has now expanded to supply Portable Container Systems ("PCS"), a self contained modular fuel storage and dispensing unit, ideal for distribution and consumption of petroleum products for captive markets within remote locations. We recently secured a contract to install up to 100 units of PCS which are to be used for the supply of petrol at various fish landing jetties in Peninsular Malaysia. The contract involves designing, engineering, procurement, construction, installation, commissioning and maintenance of the same units for two years, and maintenance and supply of parts for 10 years.

UPSTREAM EXPLORATION & PRODUCTION

With a combination of proven commercial expertise and effective partnerships, as well as a strong commitment to maximise shareholder value, we seek to own assets with proven hydrocarbon reserves in preferred locations with stable fiscal regime. On the back of this, we emulate a strong maintenance culture and continuous improvement to extend the life cycle of our asset as part of optimising our return on investments.

INNOVATIVE LEADERSHIP

BOARD OF DIRECTORS

ZAINAL 'ABIDIN ABD JALIL
Executive Director

TAN SRI ABD RAHMAN MAMAT
Chairman/Independent Non-Executive Director

ANG HSIN HSIEN
Non-Independent Non-Executive Director

DATUK JOHAR CHE MAT
Independent Non-Executive Director

Board of Directors

ROSLI ABDULLAH
Senior Independent
Non-Executive Director

DATUK SAMSUL HUSIN
Executive Deputy
Chairman

NORLILA HASSAN
Independent
Non-Executive Director

DATO' WONG KAM YIN
Executive Director

SATRIA AHMAD
Independent
Non-Executive Director

PROFILE OF DIRECTORS

Tan Sri Abd Rahman Mamat

Chairman / Independent Non-Executive Director

Gender / Age / Nationality
Male / 66 / Malaysian

Length of Service
5 years 4 months (As at 12 April 2019)

Date of Appointment as Director
12 December 2013

Date of Last Re-election
9 June 2016

Date of Appointment as Chairman
16 December 2013

Membership of Board Committees
None

Academic/Professional Qualification(s)

1. Bachelor's Honours Degree in Economics, Universiti Malaya, Malaysia
2. Advanced Management Programme, Harvard Business School, Boston, USA

Working Experience

He was previously Secretary-General of the Ministry of International Trade and Industry (MITI) a position which he served from September 2006 until his retirement in December 2010. Tan Sri Abd Rahman joined MITI as an Assistant Director on 18 April 1975 and served in various capacities in the ministry for 35 years which included Deputy Trade Commissioner, Malaysian Trade Office, New York, USA; Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; Economic Counsellor/Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission (ESCAP), Malaysian Trade Office, Bangkok, Thailand; Special Assistant to Minister of International Trade and Industry, Tan Sri Rafidah binti Abdul Aziz; Director, Export Promotion Bureau, Malaysia External Trade Development Corporation (MATRADE); Director of Industries; Senior Director, Policy and Industry Services Division; and Deputy Secretary-General (Industry).

During his tenure in MITI, he also served as MITI's representative on the board of various companies and corporations including Malaysian Industrial Development Authority (MIDA), Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation Malaysia (SME CORP) and Chairman of MATRADE.

Tan Sri Abd Rahman has represented Malaysia in numerous international meetings, negotiations, conferences and symposiums and has also contributed towards formulating, implementing and monitoring policies and strategies on international trade, industrial and entrepreneurship development. He was an honorary member of the ASEAN Federation of Engineering Organisations and a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration.

Present Directorship(s) In Other Listed Entity

1. HiapTeck Venture Berhad (Chairman)
2. BioAlpha Holdings Bhd (Chairman)
3. Lotte Chemical Titan Holding Berhad (Chairman)
4. Parkson Holdings Berhad (Director)

Present Directorship in Other Public Company

Malaysian Industrial Development Finance Berhad (Chairman)

He also sits on Boards of various companies and organisations including Asia Logistics Council Sdn. Bhd., River of Life Hospital & Healthcare Sdn. Bhd., Eastern Steel Sdn. Bhd., Ocean Might Sdn. Bhd., Broadgate Engineering (M) Sdn. Bhd., Malaysian Technology Development Corporation Sdn. Bhd., Innobio Sdn. Bhd. and Prisma Galeri Sdn. Bhd.

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Tan Sri Abd Rahman attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

Datuk Samsul Husin

Executive Deputy Chairman

Gender / Age / Nationality
Male / 56 / Malaysian

Length of Service
5 years 5 months (As at 12 April 2019)

Date of Appointment as Director
12 November 2013

Date of Last Re-election
6 June 2018

Date of Appointment as Executive Deputy Chairman
16 December 2013

Membership of Board Committees
1. Board Procurement and Tender Committee (Chairman)
2. Employee Share Option Scheme Committee (Member)

Academic/Professional Qualification(s)
1. Bachelor's Degree in Accounting, Universiti Kebangsaan Malaysia, Malaysia
2. Chartered Accountant
3. Certified Financial Planner

Working Experience
He has over 28 years of experience in accounting and IT specialising in financial systems, system planning and designing. His areas of specialty also include system computerisation namely simplifying decision support systems, public sector accounting for statutory bodies, change management and project management.

He started his career in 1986 with Selangor State Secretary Housing Division and later served as a lecturer at the Malaysian Entrepreneur Development Centre, Universiti Teknologi MARA.

He then joined the private sector in 2002 to hold positions in financial-cum-portfolio management arena before joining Century Software (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of Censof Holdings Berhad, which is involved in the design, development, implementation and marketing of financial management solutions. He led the development and transformation of Censof Holdings Berhad into a public listed company in 2011. In 2013, he led Censof Holdings Berhad in acquiring a 45.03% controlling interest of DNeX (then known as TIME Engineering Berhad) from Khazanah Nasional Berhad, the strategic investment fund of the Government of Malaysia.

Datuk Samsul has received several awards in recognition of his accomplishments including being named "Ikon Usahawan BCPLC 2014-2015" by Ikon PLC Bumiputera, a Malaysian business publication, based on his achievements in leading two (2) public listed companies namely DNeX and Censof Holdings Berhad.

He also received the Technopreneur Excellence Award 2011 from the National ICT Association of Malaysia (PIKOM). The award is presented to an outstanding ICT entrepreneur based on such criteria as revenue growth, leadership in new product introduction and innovation, investments in Research and Development and customer adoption or success of the application or product.

Present Directorship(s) In Other Listed Entity
None

Present Directorship in Other Public Company
Ping Petroleum Limited

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Datuk Samsul attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

ZAINAL 'ABIDIN ABD JALIL

Executive Director

Gender / Age / Nationality
Male / 60 / Malaysian

Date of Appointment as Director/Group Managing Director
19 June 2014
(Retired on 22 January 2019)

Date of Appointment as Executive Director
11 February 2019

Cumulative Length of Service
4 years 8 months (As at 12 April 2019)

Date of Last Re-election
2 May 2017

Membership of Board Committees
None

Academic/Professional Qualification(s)
Bachelor's Engineering Degree in Civil Engineering, University of Queensland, Australia

Working Experience
Zainal was appointed as Group Managing Director of the Company on 19 June 2014. He has retired at the age of 60 years on 22 January 2019 and subsequently is re-employed as Executive Director after the retirement period. Zainal is an accomplished industry leader with a wealth of experience in managing businesses and operations in high-technology and capital-intensive upstream oil and gas industry, and power generation utilities.

He has demonstrated significant leadership experience in upstream exploration and production including offshore operations, and joint-venture management with strong partner relation experience with global players in the oil and gas sector. He also has in depth knowledge of major hydrocarbon producing areas in West Africa, North America and Asia Pacific in addition to leadership experience overseeing power business in the Middle East, North Africa, South East Asia and Australia.

Serving as Chief Executive Officer of Malakoff Corporation Berhad, Zainal successfully spearheaded the company's transformation into a leading international Independent Water and Power Producer (IWPP) with core businesses in power generation, renewable energy, water desalination and operations & maintenance services. Prior to Malakoff, Zainal had a long career at ExxonMobil spanning 28 years in various managerial and leadership roles at the multinational company's business units and operations worldwide.

Present Directorship(s) In Other Listed Entity
None

Present Directorship in Other Public Company
Ping Petroleum Limited

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Zainal attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

DATO' WONG KAM YIN

Executive Director

Gender / Age / Nationality
Male / 50 / Malaysian

Date of Appointment
12 December 2013

Length of Service
5 years 4 months (As at 12 April 2019)

Date of Last Re-election
2 May 2017

Membership of Board Committees
Employee Share Option Scheme Committee (Member)

Academic/Professional Qualification(s)
Bachelor's Degree in Economics (Accounting and Computer Science), Monash University, Melbourne, Australia

Working Experience
He started his career in an international accounting firm before moving on to investment banking and securities.

In 2002, seeing vast opportunities in the IT industry, he ventured into the business by becoming a Technopreneur and eventually via a merger, got his company to be part of Main Market-listed Censof Holdings Berhad.

His broad, in-depth and diversified business knowledge has provided him with sound understanding of both large public listed companies and small and medium enterprises. Dato' Wong also has business ventures in Japan in the area of building maintenance, and consulting/training business in Malaysia. He is a Director and substantial shareholder of SealNet Sdn. Bhd. (formerly known as DNeXPORT Sdn. Bhd.).

Present Directorship(s) In Other Listed Entity
None

Present Directorship in Other Public Company
None

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Dato' Wong attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

ROSLI ABDULLAH

Senior Independent Non-Executive Director

Gender / Age / Nationality
Male / 65 / Malaysian

Date of Appointment
12 December 2013

Length of Service
5 years 4 months (As at 12 April 2019)

Date of Last Re-election
6 June 2018

Membership of Board Committees
1. Audit Committee (Chairman)
2. Nomination and Remuneration Committee (Member)

Academic/Professional Qualification(s)
1. Master's Degree in Business Administration, Universiti Kebangsaan Malaysia, Malaysia
2. Bachelor's Honours Degree in Economics, Universiti Malaya, Malaysia
3. Post-Graduate Diploma in Accounting, Universiti Malaya, Malaysia
4. Chartered Accountant
5. Member of Malaysian Institute of Accountants (MIA)

Working Experience
He was the Registrar of MIA for 5 years until 2012, where he also served as Chief Executive Officer. He has served in various capacities in the public sector as the Chief Accountant of the Ministry of Works, the Chief Accountant of the Ministry of Education, the Chief Accountant of the Public Services Department (Pension Division), the Secretary to the Teachers Provident Fund, the Bursar of Universiti Putra Malaysia and the Director of Corporate Services, Accountant General Department, the Ministry of Finance Malaysia.

His experience in the private sector, meanwhile, includes his tenure as the Financial Controller/General Manager Finance of Kuala Lumpur International Airport Berhad and the Senior General Manager of Putrajaya Holdings Sdn. Bhd. (a company under the Petronas group). He also served as an Adviser to the Economic Planning Unit of the Prime Minister's Department upon his retirement in 2008/2009.

Present Directorship(s) In Other Listed Entity
1. Malaysia Airports Holdings Berhad
2. CapitaLand Malaysia Mall REIT Management Sdn. Bhd. *(the Manager of CapitaMalls Malaysia Trust which is listed on Main Market of Bursa Malaysia Securities Berhad)*

Present Directorship in Other Public Company
None

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Rosli attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

NORLILA HASSAN

Independent Non-Executive Director

Gender / Age / Nationality
Female / 56 / Malaysian

Date of Appointment
12 December 2013

Length of Service
5 years 4 months (As at 12 April 2019)

Date of Last Re-election
2 May 2017

Membership of Board Committees
1. Nomination and Remuneration Committee (Chairperson)
2. Employee Share Option Scheme Committee (Chairperson)
3. Audit Committee (Member)

Academic/Professional Qualification(s)
1. Master's Degree in Accounting, St. Louis University, Missouri, USA
2. Bachelor's Science Degree in Accounting, Indiana State University, Indiana, USA

Working Experience
She has more than 25 years of experience in Accounting and Financial Management and Operations. She has served as Financial Controller with ON Semiconductor Malaysia Sdn. Bhd. and ON Semiconductor Thailand Co. Ltd. where she was responsible for Corporate Finance, General Accounting, Financial Analysis and Internal Controls. She was also responsible in managing ON Semiconductor Global Cost Accounting team and the Asian External Manufacturing Finance Team, in charge of the Subcontract houses in Asia.

During her tenure with ON Semiconductor, she served in various positions in the company including the Malaysian Compliance and Ethics Liaison for ON Semiconductor where the major focus was ensuring Compliance Code of Business Conduct and Ethics, and SOX (Sarbanes-Oxley Act) Compliance for the Malaysian and Thailand entities. Norlila is also author of several white papers for the company on cost competitiveness: Possibility of setting up GDC in Malaysia vs Singapore, Night Trucking for product shipment to improve cycle time and the study on cost effectiveness through 4Crew3shift vs 3Crew2shifts.

Present Directorship(s) In Other Listed Entity
None

Present Directorship in Other Public Company
None

She has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. She has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Norlila attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

ANG HSIN HSIEN

Non-Independent Non-Executive Director

Gender / Age / Nationality
Female / 51 / Malaysian

Date of Appointment
12 December 2013

Length of Service
5 years 4 months (As at 12 April 2019)

Date of Last Re-election
9 June 2016

Membership of Board Committees
1. Audit Committee (Member)
2. Board Procurement and Tender Committee (Member)

Academic/Professional Qualification(s)
Bachelor's Degree in Business (Finance & Marketing), Curtin University of Technology, Western Australia

Working Experience
Ang has more than 20 years of experience in business and the IT industry. Armed with her training in marketing and finance, and her interest in IT, she has IT-enabled business transformation for clients in both the public and private sectors.

She co-founded Century Software Sdn. Bhd. and started distributing accounting software from Australia to Malaysia. Ang was instrumental in pioneering the government accounting systems with the introduction of SAGA (Standard Accounting System for Government Agencies) and coordinated with Central Agencies to ensure successful implementation of SAGA at respective federal and state government agencies.

Currently, she heads the Group Business Development of Censof Holdings Berhad where she serves as the Executive Director with a focus on customer support and developing new market opportunities for Censof Group. She is also a technology evangelist and works with partners to get the most out of new technology such as blockchain, cloud, big data analytics, the Internet of Things (IoT), and sees that artificial intelligence and immersive experiences as the foundation for the next generation of digital business models and ecosystems.

Ang has a strong commitment towards social economy, people and believes that an emphasis on sustainable technology is essential to the growth and development of businesses today.

Present Directorship(s) In Other Listed Entity
Censof Holdings Berhad

Present Directorship in Other Public Company
None

She has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. She has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Ang attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

SATRIA AHMAD

Independent Non-Executive Director

Gender / Age / Nationality
Male / 62 / Malaysian

Date of Appointment
5 June 2014

Length of Service
4 years 10 months (As at 12 April 2019)

Date of Last Re-election
6 June 2018

Membership of Board Committees
1. Nomination and Remuneration Committee (Member)
2. Board Procurement and Tender Committee (Member)

Academic/Professional Qualification(s)
1. Bachelor's Degree in Marine Engineering, Akademi Ilmu Pelayaran Jakarta, Indonesia
2. Diploma in Electrical Engineering, Federal Institute of Technology Kuala Lumpur, Malaysia

Working Experience
His experience spans more than 30 years in the energy sector, within which he has served numerous oil and gas companies in key areas of project sales and the entire spectrum of project equipment deployment within the industry. In these capacities, he has developed long term service contracts with major multinational corporations within the oil and gas industry.

He is a former Director of Flowco (M) Sdn. Bhd., a downstream oil and gas company servicing and supplying equipment such as fuel dispensers, underground flexible piping, tank gauging, lighting, submersible turbine pumps to petrol stations in Malaysia. He was also Director of PNR Engineering Sdn. Bhd., a company specialising in design, supply and installation of heat exchangers, flare, gauges, and chemicals for petrochemical industries.

He is currently an Executive Director of Hevilift Malaysia Sdn. Bhd.

Present Directorship(s) In Other Listed Entity
None

Present Directorship in Other Public Company
None

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Satria attended all the six (6) Board Meetings held during the financial year ended 31 December 2018.

Profile of Directors

DATUK JOHAR CHE MAT

Independent Non-Executive Director

Gender / Age / Nationality
Male / 66 / Malaysian

Date of Appointment
28 February 2018

Length of Service
1 year 1 month (As at 12 April 2019)

Date of Last Re-election
6 June 2018

Membership of Board Committees
None

Academic/Professional Qualification(s)
Bachelor's Degree in Economics, Universiti Malaya, Malaysia

Working Experience
He carries a career journey spanning more than 30 years in the banking industry. Datuk Johar began his banking career when he joined Malayan Banking Berhad (Maybank) in 1976, and had served in various capacities within Maybank namely Regional Manager of Selangor/Negeri Sembilan from 1993 to 1995; General Manager, Commercial Banking Division from 1996 to 2000; Senior General Manager, Corporate Banking and Enterprise Banking Division from 2000 to 2002; and Senior Executive Vice President, Retail Financial Services from 2002 to 2006. Following this, he was appointed as Chief Operating Officer of Maybank Group, a position he held until his retirement in 2010.

Datuk Johar was previously a Board Member of Bank Pertanian Malaysia Berhad, Amanah Raya Group, Proton Holdings Berhad and several other public companies.

Present Directorship(s) In Other Listed Entity
1. GETS Global Berhad
2. MNRB Holdings Berhad

Present Directorship in Other Public Company
MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad)

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Datuk Johar attended three (3) out of the four (4) Board Meetings held during the financial year ended 31 December 2018 since his appointment on 28 February 2018.

PROFILE OF SENIOR MANAGEMENT

Lim Kek Siang

Group Chief Financial Officer
Dagang NeXchange Berhad

Gender / Nationality / Age
Male / Malaysian / 53

Date of Appointment
1 February 2014

Academic/Professional Qualification(s)
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants
- Certificate of Investor Relations, Investor Relations Society, UK

Working experience
Responsible for the Group Corporate Finance, accounting and Group financial reporting, Lim leads the Group's controllership team comprising certified public and chartered accountants who ensure financial statement integrity, controllership, compliance and best practices throughout DNeX and its group of companies.

In this capacity, Lim has advised the Group's leadership on numerous project-financing arrangements, structured corporate debts and schemes of arrangements and represented the Company in several listing exercises. He was also involved in the asset-backed Sukuk Musyarakah Issuance Programme of up to Nominal Value of RM2,500 million, recognised as the first rated Sukuk Musyarakah in the world.

Lim has been with DNeX since December 1995.

Zahid Mohammad Sham

Group Chief People Officer
Dagang NeXchange Berhad

Gender / Nationality / Age /
Male / Malaysian / 50

Date of Appointment
2 January 2012

Academic/Professional Qualification(s)
- Bachelor's Degree in Mass Communications (majoring in Public Relations), MARA Institute of Technology, Malaysia
- Master's degree in Human Resources Management, Curtin University of Technology, Perth, Australia

Working experience
Responsible for DNeX Group's entire workforce nationwide, Zahid leads the Group Human Resource Division, and is key driver on various strategic talent management initiatives namely organisational development, reward management and employee relations.

Zahid's experience in talent management spans more than 20 years, in which he has served various big cap companies including reporting to foreign headquarters and regional centres of operations for multinational companies with unionised workforce in Malaysia. He is well versed in providing leadership on development and promotion of organisational values and performance oriented culture through robust organisational development programmes, amongst others include open communication on employees' development plan, employees' career development, onboarding programmes, and performance management processes.

Zahid has been with DNeX since January 2012.

Profile of Senior Management

Jasbendarjit Kaur

Group Chief Technology Officer
Dagang NeXchange Berhad

Gender / Nationality / Age
Female / Malaysian / 47

Date of Appointment
1 April 2013

Academic/Professional Qualification(s)
- Bachelor's Degree in Computing Science, Staffordshire University, UK
- Executive Master's in Management, Asia e-University

Working experience
As Chief Technology Officer of DNeX and its Group of Companies, Jasbendarjit drives the Group's IT strategy, services and operations, and aggressively delivering transformational eServices solutions for DNeX, its customers and employees.

Jasbendarjit has been instrumental in leading the Group's technical team towards technology excellence and enhancing user experience within the trade facilitation landscape. Her technical leadership includes designing, deployment and implementation of hardware and software infrastructure for the Group as well as managing production, disaster recovery and development sites with a diverse range of operating systems and applications.

She has also played key roles in conceptualising and designing enterprise-wide architecture, aligning business to technology, thus enabling holistic and structured strategic planning, coordination, execution and deployment of identified initiatives and components within the enterprise architecture.

Jasbendarjit has been with DNeX since June 2008.

Keh Ching Tyng

Company Secretary
Dagang NeXchange Berhad

Gender / Nationality / Age
Female / Malaysian / 43

Date of Appointment
15 October 2012

Academic/Professional Qualification(s)
- Master's Degree in Business Law, Universiti Kebangsaan Malaysia, Malaysia
- Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators

Working experience
Keh is the company secretary of DNeX as well as several subsidiaries of DNeX. Her key responsibilities include advising the Board on matters relating to the constitution of the Company, facilitating compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and maintenance of statutory records.

Keh has more than 10 years working experience in corporate secretarial practice. Prior to working in DNeX, she was with Taliworks Corporation Berhad. She was previously the Joint Company Secretary of Malaysian Industrial Development Finance Berhad and several of its subsidiaries from 2006 to 2011.

Keh has been with DNeX since October 2012.

Profile of Senior Management

Wan Ahmad Syatibi Wan Abd Manan

Chief Executive Officer
Dagang Net Technologies Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 44

Date of Appointment
1 January 2016

Academic/Professional Qualification(s)
- Bachelor's Degree in Computer Science, Coventry University, UK

Working experience
Wan Ahmad leads Dagang Net Technologies Sdn. Bhd., the pioneer in the development of eServices of the Malaysian National Single Window for Trade Facilitation.

He has led assignments in trade strategies and improvement, information systems planning and large scale project management. Part of his impressive credentials include being involved in the ASEAN Single Window for Trade Facilitation, a unique regional initiative that connects and integrates National Single Windows of ASEAN member states to expedite cargo clearance within the context of increased economic integration in the ASEAN region.

Wan Ahmad is well-versed in identifying and assessing the requirements of permit agencies, and putting up recommendations for business re-engineering processes for Permit Issuing Agencies. He effectively managed the roll out of all six core services of the NSW.

Wan Ahmad has been with DNeX since 1997 when he joined Dagang Net as Systems Executive in Security & Quality Management.

Mohamed Hazli Mohamed Hussain

Executive Chairman,
Global Market eCommerce Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 51

Date of Appointment
23 April 2018

Academic/Professional Qualification(s)
- Bachelor's Degree in Electrical Engineering (Optics), University of Michigan, USA

Working experience
Hazli is instrumental in developing and expanding the company's digital global halal services. He has more than 27 years of experience in the IT industry with a strong focus in designing and deploying large information technology systems for public and private organisations with multiple stakeholder involvement.

Prior to his current role, he was Group Chief Executive Officer of DagangHalal Berhad and spearheaded its successful listing in London's, NEX Exchange Growth Market in 2016. In the same role, he expanded Daganghalal Group's capabilities including the implementation of Halal Verified Engine, the world's first online repository system comprising Halal certificates from various international certification bodies designed to expedite the Halal certification application and renewal process for applicants.

Other career achievements include the launch and expansion of two financial portals, IslamiQ.com and IslamiQfinance.com; IslamiQfinance.com is the first portal in the world that enabled Muslims to make decisions to invest in permissible stocks from more than 8,000 counters in the New York Stock Exchange, American Stock Exchange, NASDAQ and London Stock Exchange.

Hazli also sat on various advisory boards during his career such as on MDeC's Pre-seed Fund Approval Committee, Cradle Fund Sdn. Bhd. Pre-seed Fund Approval Committee and Ministry of Science, Technology & Innovation Fund Approval Committee.

Chong Yoke Ching

Chief Executive Officer
SealNet Sdn. Bhd.
(formerly known as DNeXPORT Sdn. Bhd.)

Gender / Nationality / Age
Female / Malaysian / 51

Date of Appointment
1 April 2015

Academic/Professional Qualification(s)
- Bachelor's Degree in Business Administration, Universiti Kebangsaan Malaysia, Malaysia

Working experience
Chong drives DNeX's growth and market innovation initiatives on platforms which harness business efficiency within the trade facilitation sector. In her current role, Chong leads a team of experienced staff to venture into the B2B eCommerce initiative to complement and leverage on the Group's current trade facilitation business.

Chong's depth of experience in trade facilitation spans more than 20 years. She is the subject matter expert in trade facilitation and was instrumental in the setup of Malaysia's National Trade Facilitation Resource Centre. Equally important, she successfully managed the implementation of NSW services for the Government of Malaysia, and was key in the systems roll out for the logistics community in Port Klang, Subang Airport, Free Trade Zone for Malaysia Airports Berhad (Sepang) and Electronic Fund Transfer. Chong had earlier on rolled out MyPorts, a service providing free content and information services for the port communities; and an electronic platform for Electronic and Communication Products for SIRIM Berhad.

Chong has been with DNeX since 1991 and has held a succession of product development and business creation roles within the Group.

Profile of Senior Management

Zaridan Ridzuan

Chief Executive Officer
DNeX Solutions Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 39

Date of Appointment
1 January 2015

Academic/Professional Qualification(s)
- Bachelor's Degree in Accounting & Finance, University of Western Australia, Australia
- Certificate of Investor Relations, Investor Relations Society, UK

Working experience
Zaridan drives the Company's business development strategy to deliver solutions that encompass conceptualisation of enterprise network, including WAN & LAN implementation, and designing and deploying highly reliable wireless solutions to keep people and businesses seamlessly connected. With business development experience spanning the region, particularly tapping on opportunities in the Indo-China region, Zaridan also oversees the Company's operations and management including business processes, operations and manpower planning.

Earlier, he was DNeX's Head of Corporate Development responsible for the strategic development of DNeX Group's annual targets and business plans, monitoring of corporate performance and adding value via cross-business initiatives by providing assurance through independent and objective review of internal controls, governance and risk management activities.

In the same role, Zaridan also led the Group's investor relations efforts. Zaridan has been with DNeX since 2004.

Rodney Lee Yat Nam

Chief Executive Officer
DNeX Technology Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 52

Date of Appointment
1 June 2016

Academic/Professional Qualification(s)
- ISO27001 Lead Auditor
- Cisco Sales Specialist

Working experience
Rodney drives the DNeX Group's delivery of cyber security strategy, services and operations, and to aggressively bring innovative solutions for DNeX, its clients and employees.

With cumulative IT experience spanning over 25 years, of which 15 years spent in IT Security, his key roles were always in the development and building of Security Operation Centres, leading and training sales team and creating new pipelines. He has advised and collaborated with multiple government agencies and mid-tier financial institutions on information systems security, policy review, policy implementation assurance, penetration testing, technical configuration evaluation, and security procedures.

Rodney joined DNeX in June 2016 to strengthen its team of IT security specialists and the delivery of key solutions ranging from security monitoring services, security risk assessment, audit and compliance execution, as well as planning, strategising and rolling out enterprise-wide security infrastructure programmes.

Nuraslina Zainal Abidin

Chief Executive Officer
Genaxis Group Sdn. Bhd.

Gender / Nationality / Age
Female / Malaysian / 43

Date of Appointment
26 January 2018

Academic/Professional Qualification(s)
- Bachelor's Degree in Food and Science Technology, Universiti Sains Malaysia, Malaysia
- Six Sigma and Lean Sigma provider certification, the American Society of Quality (ASQ) and the International Association of Six Sigma Certification (IASSC)
- Certified Lead Assessor for ISO 9001, 14001, and 1800
- Certified HACC Implementer and Assessor

Working experience
Nuraslina's experience spans 15 years in transforming and optimising business process performances of major organisations and conglomerates, such as UEM Sunrise, PLUS, UEM Group, and CIMB Berhad. She also redesigned new best practices and processes that helped MNCs such as Volvo Cars Malaysia and British American Tobacco to become ISO-certified organisations.

Notably, she led numerous government's strategic transformational initiatives, including redesigning and reengineering over 200 processes of Royal Malaysian Customs Department in the implementation of the uCustoms system. She has also advised the project sponsors to the Integrated Government Financial and Accounting Management System ("iGFMAS"), the Government's largest transformation initiative thus far, on its implementation approach, strategy, and change request management.

Nuraslina is also Chief Executive Officer of Innovation Associates Consulting Sdn. Bhd., in which role she is currently responsible to manage and oversee the implementation of the iGFMAS project.

Her contributions and achievements have garnered several recognitions, including the Women Exporters Development Program 2009 – 2017 (MATRADE), Recognition for Contribution to Malaysia's 5th Position for Trade Across Border 2014 and SME Award for Technology Adoption 2013 (SME).

Profile of Senior Management

Mohd Ismail Khan Wazir Khan

Chief Executive Officer
DNeX Telco Services Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 34

Date of Appointment
15 May 2017

Academic/Professional Qualification(s)
- Bachelor's Degree in Marketing with Multimedia, Multimedia University, Malaysia

Working experience
As Chief Executive Officer of DNeX Telco Services Sdn. Bhd., Ismail oversees the development and effective implementation of overall business strategies within the company. He is instrumental in the business setup of DNeX Telco and its successful marine telelcommunication cable installation project implementation in the Southeast Asian region.

Ismail started his business ventures in 2008 with ZKZ Technologies Sdn. Bhd., an Information Technology company specialising in network security, software development, and advanced SMART solutions, where he is the Executive Director until today. The company has won contracts in New Zealand and Singapore, prior to shifting its focus onto the local market.

His success in the IT field led Ismail to venture into marine services industry in 2012, where he founded ZKZ Euphoria Sdn. Bhd., a ship brokering and marine spread services company. He serves the company as its Managing Director and has since won contracts with PETRONAS, Exxon, Shell and Sapura Kencana, to name a few. In 2015, Ismail further diversified his portfolio by delving into the agriculture industry through ZKZ Agrotani Sdn. Bhd., a company he founded that is focused on research and development of agricultural based products and businesses.

Mohd Hasery Abu Bakar

Chief Executive Officer
OGPC Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 42

Date of Appointment
1 December 2015

Academic/Professional Qualification(s)
- Bachelor's Degree in Electrical and Electronics Engineering, University of Hertfordshire, UK
- Master of Business Administration in International Business, University of East London, UK

Working experience
In his current role, Hasery is responsible for the business expansion and operational enhancements within the OGPC Group.

He had previously served Shell and Baker Hughes and was the pioneer employee of a privately held start-up Oil and Gas company that was involved in the Upstream and Downstream projects predominantly located in the Islamic Republic of Iran, where he served as the company's first representative in Tehran. Prior to joining DNeX, he founded and established Hevilift (M) Sdn Bhd, an Offshore Helicopter Services company, where he led the company in securing its first contract with Murphy Oil for the "Provision of Helicopter Services" for a five-year plus five-year commitment.

Hasery joined DNeX in July 2014 as the Senior Vice President of Business Development prior to taking up the role as Chief Executive Officer of DNeX Energy Sdn. Bhd. (formerly known as DNeX Petroleum Sdn. Bhd.), in which role he was instrumental in the development and shaping of the Group's businesses in the upstream oil and gas segment, including intensely involved in the share acquisition of Ping Petroleum. In January 2019, he was reassigned to lead OGPC Sdn. Bhd. as Chief Executive Officer of the company.

Wan Azryn Wan Ab Rashid

Chief Executive Officer
DNeX Oilfield Services Sdn. Bhd.

Gender / Nationality / Age
Male / Malaysian / 35

Date of Appointment
1 November 2015

Academic/Professional Qualification(s)
- Bachelor's Degree in Engineering (Electrical and Electronics), Universiti Teknologi Malaysia, Malaysia

Working experience
Azryn is primarily responsible in driving and expanding the oilfield service offerings within the Group's energy business line. He works on propelling revenue, profitability and enterprise success across diverse markets via strategic management, business development, employee training, operational standardisation and planning.

Azryn established his engineering career at Schlumberger, and thereafter held business development positions in Transocean Drilling, MaxEnergy Group, and Baker Hughes Drilling Services, where he became the first Malaysian to be appointed as the Product Line Manager/Operations Manager for South East Asia, in which role he successfully turned around the Product Line division into a profitable business within the region.

Prior to joining DNeX in February 2015, Azryn was Baker Hughes' Executive Global Account Director, where he was also named as its top 100 high potential leader worldwide.

Notes:
Save as disclosed above, none of the key senior management has:
(a) any directorship in public companies and listed issuers;
(b) any family relationship with any directors and/or major shareholders of the Company;
(c) any conflict of interests with the Company;
(d) any conviction for offences (other than traffic offences) within the past five (5) years; and
(e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

GROUP CORPORATE DIRECTORY

INFORMATION TECHNOLOGY & eSERVICES

Dagang Net Technologies Sdn. Bhd.
Dagang Net Tower
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur,
Cyber 12
63000 Cyberjaya, Selangor
Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dagangnet.com
Website : www.dagangnet.com

SealNet Sdn. Bhd.
(formerly known as DNeXPORT Sdn. Bhd.)
Dagang Net Tower
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur,
Cyber 12
63000 Cyberjaya, Selangor
Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX GIS Sdn. Bhd.
Dagang Net Tower
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63000 Cyberjaya, Selangor
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Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX RFID Sdn. Bhd.
Dagang Net Tower
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur,
Cyber 12
63000 Cyberjaya, Selangor
Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX Solutions Sdn. Bhd.
Dagang Net Tower
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Star Central, Lingkaran Cyberpoint Timur,
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Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX Technology Sdn. Bhd.
Tower 3, Avenue 5
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No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Tel : (03) 2730 0300
Fax : (03) 2713 3131
Email : info@dnex.com.my
Website : www.dnex.com.my

Genaxis Group Sdn. Bhd.
(formerly known as Genaxis Sdn. Bhd.)
Tower 3, Avenue 5
The Horizon, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Tel : (03) 2730 0300
Fax : (03) 2713 3131
Email : enquiry@genaxis.com.my
Website : www.genaxis.com.my

Innovation Associates Consulting Sdn. Bhd.
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The Horizon, Bangsar South
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Fax : (03) 2713 3131
Email : enquiries@theiac.com
Website : www.theiac.com

Global eCommerce Limited
Brumby Centre
Lot 42, Jalan Muhibbah
87000 Federal Territory of Labuan, Malaysia
Tel : (087) 593 828
Fax : (087) 417 242
Email : info@dnex.com.my

Global Market eCommerce Sdn. Bhd.
Dagang Net Tower
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur,
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63000 Cyberjaya, Selangor
Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

MyCall Gateway Sdn. Bhd.
Dagang Net Tower
Block 10 (A & B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur,
Cyber 12
63000 Cyberjaya, Selangor
Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX Imizu Sdn. Bhd.
No.8 Jalan Ruang U8/103
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Bukit Jelutong, Section 8
40150 Shah Alam, Selangor
Tel : (03) 7832 1615
Email : info@dnex.com.my
Website : www.dnex.com.my

Group Corporate Directory

INFORMATION TECHNOLOGY & eSERVICES

DNeX Telco Services Sdn. Bhd.
Dagang Net Tower
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Fax : (03) 8230 6969
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Website : www.dnex.com.my

DNeX VMS Sdn. Bhd.
Dagang Net Tower
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Tel : (03) 8230 6900
Fax : (03) 8230 6969
Email : info@dnex.com.my
Website : www.dnex.com.my

PT Dagang Net Indonesia
The East Tower
35th Floor, Unit 03
Jl. DR Ide Anak Agung Gde Agung
Kav E 3.2, No. 1 Jakarta
12950 Indonesia
Tel : (6221) 5299 4558
Fax : (6221) 5299 4599
Website : www.dagangnet.com

ENERGY

DNeX Clean Utilities Sdn. Bhd.
Tower 3, Avenue 5
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59200 Kuala Lumpur
Tel : (03) 2730 0300
Fax : (03) 2713 2966
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX Energy Sdn. Bhd.
(formerly known as DNeX Petroleum Sdn. Bhd.)
Tower 3, Avenue 5
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59200 Kuala Lumpur
Tel : (03) 2730 0300
Fax : (03) 2713 2966
Email : info@dnex.com.my
Website : www.dnex.com.my

DNeX Oilfield Services Sdn. Bhd.
Tower 3, Avenue 5
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59200 Kuala Lumpur
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Fax : (03) 2713 3131
Email : info@dnex.com.my
Website : www.dnex.com.my

Forward Energy Generation Ltd.
Level 2, Lot 19
Lazenda Commercial Centre Phase 3,
87007 Federal Territory of Labuan, Malaysia
Tel : (087) 421 644
Fax : (087) 421 646
Email : info@dnex.com.my

OGPC Sdn. Bhd.
No. 1 & 3, Jalan Riyal U3/37
iParc 3 @ Shah Alam
Seksyen U3, 40150 Shah Alam
Selangor
Tel : (03) 5870 0100
Fax : (03) 5870 0102
Email : info@dnex.com.my
Website : www.ogpc.com.my

OGPC O & G Sdn. Bhd.
No. 1 & 3, Jalan Riyal U3/37
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Selangor
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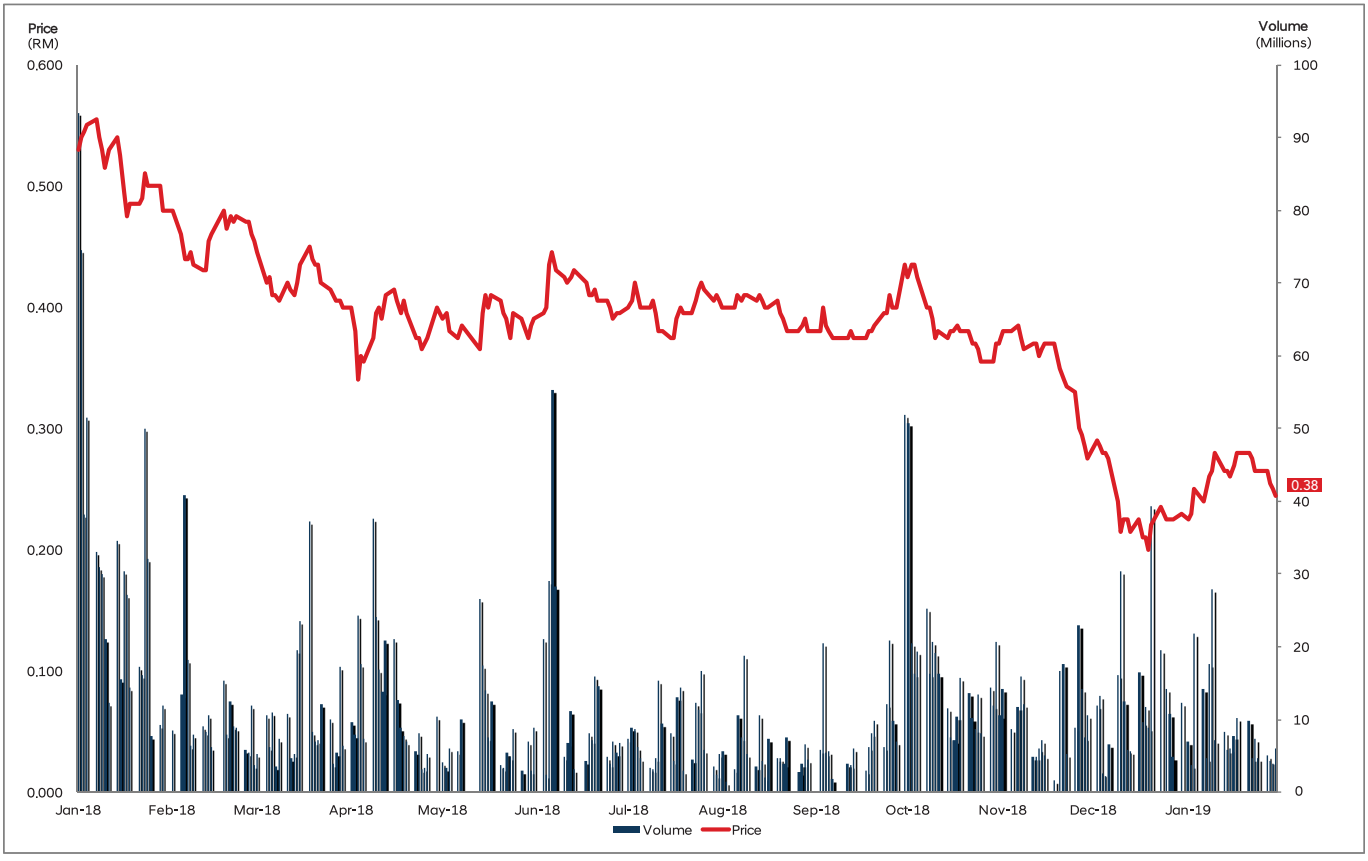
Fax : (03) 5870 0102
Email : info@dnex.com.my
Website : www.ogpc.com.my

Ping Petroleum Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Email : info@dnex.com.my

FINANCIAL CALENDAR

27/02 2018	>	**FINANCIAL RESULTS** Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2017.
30/04 2018	>	**FINANCIAL RESULTS** Announcement of the 2017 Annual Report and Corporate Governance Report.
24/05 2018	>	**FINANCIAL RESULTS** Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2018.
06/08 2018	>	**FINANCIAL RESULTS** Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2018.
19/11 2018	>	**FINANCIAL RESULTS** Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2018.
27/02 2019	>	**FINANCIAL RESULTS** Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2018.

SHARE PERFORMANCE CHART

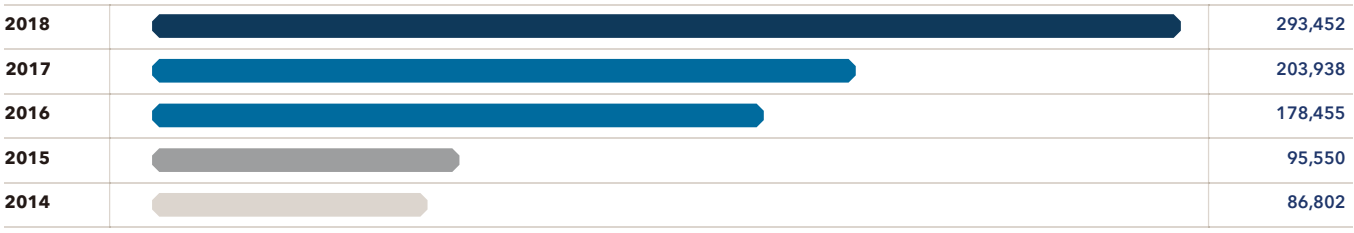


5-YEAR FINANCIAL HIGHLIGHTS

RM293.5million

REVENUE

(Unit : RM'000)

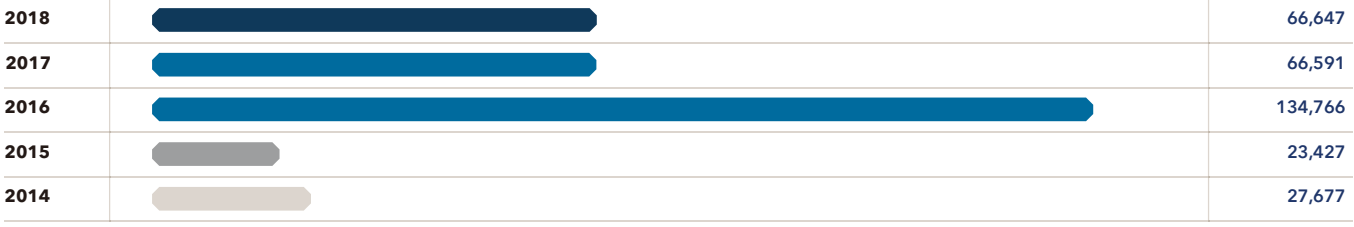


2018	293,452
2017	203,938
2016	178,455
2015	95,550
2014	86,802

RM66.6million

PROFIT BEFORE TAXATION

(Unit : RM'000)

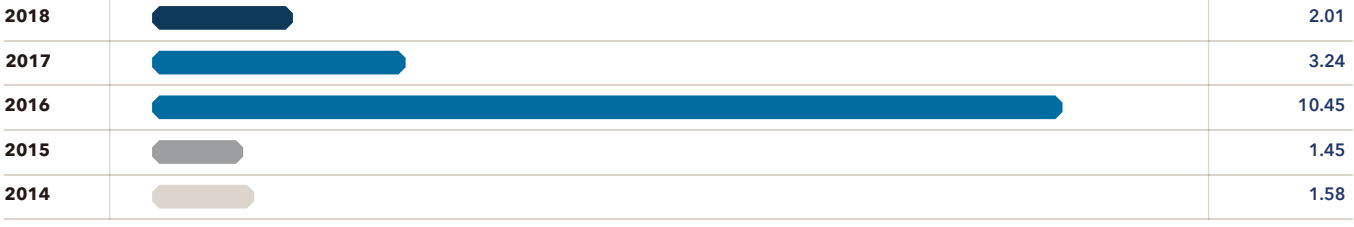


2018	66,647
2017	66,591
2016	134,766
2015	23,427
2014	27,677

2.01sen

NET EARNINGS PER SHARE

(Unit : Sen)

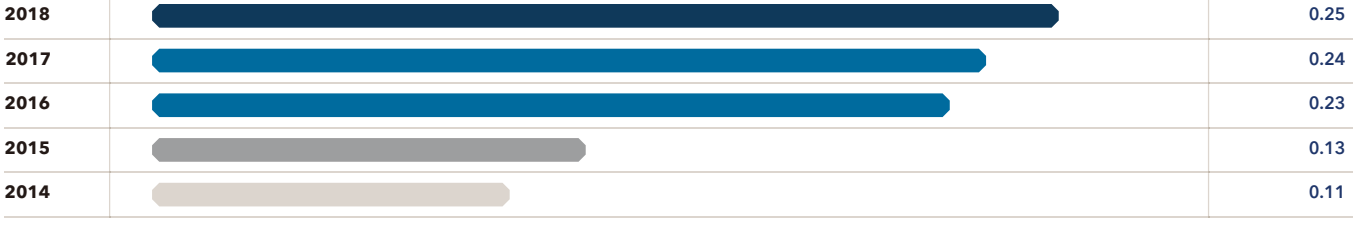


2018	2.01
2017	3.24
2016	10.45
2015	1.45
2014	1.58

RM0.25

NET ASSETS PER SHARE

(Unit : RM)



2018	0.25
2017	0.24
2016	0.23
2015	0.13
2014	0.11

5-Year Financial Highlights

	2014	2015	2016	2017	**2018**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION RM'000					
Investments	-	4,172	175,050	179,893	**205,540**
Other assets	172,319	169,117	274,784	322,974	**422,528**
Total assets	172,319	173,289	449,834	502,867	**628,068**
Share capital	155,049	155,049	346,578	353,502	**354,322**
Reserves	(68,859)	(54,049)	44,464	73,403	**100,274**
Equity attributable to shareholders of the Company	86,190	101,000	391,042	426,905	**454,596**
Non-controlling interests	21,996	(747)	(1,884)	(2,548)	**(13,086)**
Loans and borrowings	38,530	20,036	-	20,000	**47,575**
Other liabilities	25,603	53,000	60,676	58,510	**138,983**
Total equity and liabilities	172,319	173,289	449,834	502,867	**628,068**
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (RM'000)					
Revenue	86,802	95,550	178,455	203,938	**293,452**
Results from operating activities	28,295	23,232	18,038	43,872	**47,206**
Finance costs	(2,390)	(1,449)	(890)	(694)	**(3,128)**
Finance income	1,772	1,644	233	1,213	**562**
Share of profit of equity-accounted associates	-	-	117,385	22,200	**22,007**
Profit before tax	27,677	23,427	134,766	66,591	**66,647**
Zakat	(259)	(359)	(450)	(500)	**(405)**
Tax expense	(9,649)	(7,243)	(14,103)	(10,900)	**(14,350)**
Profit for the year	17,769	15,825	120,213	55,191	**51,892**
Attributable to:					
Owners of the Company	12,215	11,226	121,730	56,599	**35,345**
Non-controlling interests	5,554	4,599	(1,517)	(1,408)	**16,547**
Profit for the year	17,769	15,825	120,213	55,191	**51,892**
FINANCIAL HIGHLIGHTS (RM'000)					
Revenue	86,802	95,550	178,455	203,938	**293,452**
Profit before tax	27,677	23,427	134,766	66,591	**66,647**
Profit for the year after tax	17,769	15,825	120,213	55,191	**51,892**
Profit attributable to owners of the Company	12,215	11,226	121,730	56,599	**35,345**
Financial ratios					
Revenue growth	%	1.2	10.1	86.8	14.3	**43.9**
Debt/Equity ratio	times	0.4	0.2	-	0.1	**0.1**
Net earnings per share	sen	1.58	1.45	10.45	3.24	**2.01**
Gross dividend per share	sen	-	-	1.50	0.50	**-**
Net assets per share	RM	0.11	0.13	0.23	0.24	**0.25**
Closing price	sen	25.5	25.0	25.5	48.5	**23.0**
Price earnings ratio	times	16.1	17.2	2.4	15.0	**11.4**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Dagang NeXchange Berhad ("DNeX" or "Company") recognises the importance of good corporate governance and is committed to practise high standards of corporate governance throughout the Group.

The Board is pleased to provide the following overview which outlines how the Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission Malaysia and provisions in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year ended 31 December 2018.

This Corporate Governance Overview Statement should be read together with the Corporate Governance Report, which is available on the Company's corporate website at www.dnex.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD COMPOSITION AND RESPONSIBILITIES

1.1 Composition and size of the Board

Throughout the financial year ended 31 December 2018, the Company has continued to comply with the MMLR of Bursa Securities whereby at least two (2) directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. With the appointment of Datuk Johar Che Mat on 28 February 2018, the Board has nine (9) members comprising five (5) Independent Non-Executive Directors including the Chairman, one (1) Non-Independent Non-Executive Director, one (1) Executive Deputy Chairman, one (1) Group Managing Director and one (1) Executive Director.

In MCCG 2017, at least half of the Board must comprise of independent directors and, for large companies, there must be a majority of independent directors. The Board composition and size are periodically assessed by the Board through the Nomination and Remuneration Committee.

The Independent Directors which constitute more than one-third (1/3) of the composition of the Board, provide a check and balance in the functioning of the Board and enhance its effectiveness. Their presence is essential in providing unbiased, objective and impartial opinion, advice and judgement to the Board deliberations, mitigating risks of any possible conflict of interest or undue influence from interested parties. All Independent Directors act independently of Management and are not involved in any other relationship with the Group that may impair their independent judgement and decision-making.

The members of the Board are of diverse backgrounds, specialisations and experience which bring a wealth of expertise to the leadership of the Group. The Board has the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected. The profile of each Director is set out on pages 34 to 42 of this Annual Report.

1.2 Clear Functions of the Board and Management

The Board is responsible for oversight and overall management of the Group. To ensure the effective discharge of its functions and responsibilities, the Board has established a Discretionary Authority Limits ("DAL") for the Group where specific functions are delegated to the relevant Management. In this regard, the Management is guided by the approved limits of authority as set out in the DAL in carrying out its duties.

Matters reserved for the Board's decision which are expressly set out in the Board Charter and DAL document, ensure that matters of strategic importance or having material impact are escalated to the Board for deliberation and approval. Key matters reserved for the Board's approval include transactions exceeding the limits of authority of the Group Managing Director/Executive Deputy Chairman, the annual operating plan and budgets, the quarterly financial results, the annual financial statements, changes in group structure, interim dividends, equity investments/divestments and related party transactions, subject always to compliance with the law and regulations applicable to the Group.

The Board has delegated to the Group Managing Director/Executive Deputy Chairman, as provided in the DAL, the authority to approve, subject to thresholds, operational and capital expenditure, procurement, business development and business growth, and human resources matters such as staff recruitment, promotion and termination. The DAL sets out the specific approval

thresholds for Management decisions and it is periodically reviewed to reflect the expansion/changes within the Group. Any changes to the limits of authority under the DAL will require Board approval.

The responsibilities of the Management include, among others, generating action plans for immediate, short term, medium term and long term periods, organising resources to achieve the Company's goals, directing and setting performance standards that indicate progress towards long term goals of the Company.

1.3 Division of roles between the Chairman of the Board and Executive Director/Chief Executive Officer ("CEO")

The positions of Chairman of the Board and Executive Director/CEO shall be held by different individuals, and the Chairman must be a non-executive member of the Board. Their roles have been clearly defined to ensure accountability and division of responsibilities.

1.4 Clear Roles and Responsibilities

The Board is responsible for overseeing the management and business affairs, and makes all major policy decisions of the Company. The Board's fundamental approach in this regard is to ensure that the right leadership, strategy and internal controls for risk management are well in place. Additionally, the Board is committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Company's activities. The Board shall provide central leadership to the Company, establish its objectives and develop the strategies that direct the ongoing activities of the Company to achieve these objectives. Directors will apply skill and care in exercising their duties to the Company and are subject to fiduciary duties. Directors shall be accountable to the shareholders of the Company for the Company's performance.

The Board has in place a Board Charter which was formalised on 25 March 2014. The Board Charter serves as a reference and primary induction literature, providing Board members and the Management insight into the function of the Board. The Board Charter contains specific guidance to the Board members on, inter alia, the key values, principles and ethos of the Company, the Board's principal responsibilities, composition of the Board, Directors' qualification standards, matters reserved for the Board, induction of newly appointed Directors and continuing education, annual performance evaluation and the division of roles between the Board and the Management.

The Board practises a clear division of roles and responsibilities between the Chairman, Executive Deputy Chairman, Group Managing Director, Executive Director and Non-Executive Directors. The Chairman is responsible for ensuring the effectiveness and conduct of the Board as well as assuming the formal role as the leader in chairing all Board meetings and shareholders' meetings.

The Chairman leads the Board and is responsible to ensure the effective and smooth interaction of the overall Board and individual Directors, both within and outside the Boardroom as well as driving the discussion toward consensus and to achieve closure in every discussion.

The Executive Deputy Chairman's role is to assist the Chairman in carrying out his responsibilities whilst the Group Managing Director has overall responsibility over the business units and day-to-day management of the Group, Company, organisational effectiveness and implementation of Board policies, strategies and decisions.

Non-Executive Directors play a key supporting role, contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate objectives, policies and decisions.

In order to ensure effective discharge of the Board's functions, the Board will assume the following six (6) principal responsibilities:-

(a) reviewing, adopting and monitoring the implementation of a strategic plan for the Company and its subsidiaries ("Group");
(b) overseeing the conduct of the Group's business and to evaluate whether the business is properly managed. In this respect the Board must ensure that there are objectives in place against which the Management's performance can be measured;
(c) identifying principal risks and ensuring the implementation of appropriate controls and systems to monitor and manage these risks;
(d) ensures succession planning including appointing, training, fixing the remuneration and where appropriate, replacing senior management;
(e) overseeing the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders; and
(f) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for ensuring compliance with applicable law, regulations, rules, directives and guidelines.

Corporate Governance Overview Statement

1.5 Code of Ethics and Whistleblowing Policy

DNeX incorporates a Code of Conduct ("Code"), which requires all officers and employees to observe high standards of business and personal ethics in carrying out duties and responsibilities.

The Code contains policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in the course of their work. It is designed to maintain discipline and order in the workplace among employees of all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the actions that can be taken against them if they do so. As employees and representatives of the Company, or any of its subsidiaries, they must practise honesty and integrity in fulfilling their duties and responsibilities, and comply with all applicable law and regulations.

It is thus the responsibility of all officers and employees to comply with the Code and to report violations or suspected violations thereto. Accordingly, a Whistleblowing Policy has been formulated with a view to provide a mechanism for officers and employees of the Company to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Company's code of conduct or ethics policy.

The details of the Whistleblowing Policy is available for reference at the Company's website www.dnex.com.my. The Whistleblowing Policy is administered by the Group Human Resource Division and overseen by the Chairman of the Board Audit Committee. Employees and other interested parties are able to report their concerns related to matters covered by the Code to the dedicated whistleblowing email channel at whistle@dnex.com.my.

1.6 Strategies Promoting Sustainability

Sustainability has long been a key driving force in the Group's corporate agenda, ever since the emergence of corporate responsibility in the early 2000s. It is the foundation of the Group's commitment as a responsible corporate citizen in ensuring the sustainable growth of its profits (a commitment to its shareholders), the sustenance of the planet (a commitment to the environment and community), and the sustainable development of its people (a commitment to nurture DNeX's talented employees and those within the community it operates). The details of the Group's sustainability activities including its corporate social responsibility activities are set out on pages 78 to 90 of this Annual Report.

1.7 Access to Information and Advice

The Directors are familiar and aware of their duties and responsibilities as well as the implementation of good corporate governance and compliance practices in the Group.

The Board Members are supplied with the relevant information on a timely basis to enable them to effectively discharge their duties and responsibilities. Board papers were circulated to the Board Members at least three (3) working days prior to the date of the meeting to facilitate the Directors to peruse the Board papers and to review the issues to be deliberated at the Board Meeting. Where necessary, relevant senior management and personnel are invited to attend Board meetings to furnish details or clarifications on matters tabled for the Board's consideration.

Both external and internal auditors and/or advisers (including but not limited to the principal adviser for the corporate exercises undertaken by the Group) will be invited to attend Board meetings, if required, to provide additional information or clarification on matters relevant to the agenda of the Board meetings.

All Directors have unrestricted access to the Group and Company's senior management and the services of a qualified company secretary to enable them to discharge their duties effectively. The responsibilities of the company secretary include advising the Board on matters relating to the constitution of the Company, facilitating compliance with the MMLR of Bursa Securities and maintenance of statutory records.

The Directors were kept informed on a quarterly basis on the restriction in dealing with the securities of the Company during the closed period and the internal process for compliance when dealing in securities within and outside the closed period as set out in Chapter 14 of the MMLR of Bursa Securities. In addition, the Directors were given the updates issued by the various regulatory bodies and authorities which may affect the Group and the Company.

In furtherance of their duties, the Directors may, whether collectively as a Board or in their individual capacities, seek independent professional advice on specific matters, at the Company's expense.

1.8 Periodic Review and Publication of Board Charter

The Board Charter is published on the Company's corporate website www.dnex.com.my. It shall be periodically reviewed and updated by the Board as necessary to ensure it remains relevant and effective.

Corporate Governance Overview Statement

2. STRENGTHEN COMPOSITION

In discharging its duties, the Board is assisted by Board Committees, namely the Nomination and Remuneration Committee, the Audit Committee, the Board Procurement and Tender Committee and the Employee Share Option Scheme Committee.

The Board has delegated specific responsibilities to the Board Committees. Each committee operates under their respective approved terms of reference or By-Laws. The Board Committees observe the same rules of conduct and procedures as the Board, unless otherwise determined by the Board.

2.1 Nomination and Remuneration Committee ("NRC")

The NRC comprises entirely of Independent Non-Executive Directors. The composition of the NRC is as follows:-

Name	Designation	Directorate
Norlila Hassan	Chairperson	Independent Non-Executive Director
Rosli Abdullah	Member	Senior Independent Non-Executive Director
Satria Ahmad	Member	Independent Non-Executive Director

The NRC meets as and when required. The NRC met three (3) times during the year under review with full attendance of its members.

During the financial year, the NRC had undertaken the following activities:-

(a) Annual assessment of the Board's effectiveness as a whole, the Board Committees and the contribution of each individual Director;
(b) Reviewed the size and composition of the Board;
(c) Reviewed and assessed the suitability of Datuk Johar Che Mat, and recommended to the Board his appointment as an Independent Non-Executive Director;
(d) Reviewed and recommended the bonus and increment of the staff, senior management and Executive Directors to the Board by linking their rewards to corporate and individual performance; and
(e) Recommended the re-election of Directors.

During deliberation on the re-elections of Rosli Abdullah and Satria Ahmad as Directors of the Company, the retiring directors who are members of the NRC abstained from deliberation and decision on their own eligibility to stand for re-election in order to avoid any conflict of interests.

Criteria for Recruitment and Annual Assessment of Directors

Appointment of Directors and Board Diversity

The Board may appoint directors to fill a casual vacancy or as additional Directors after an evaluation process which is carried out by the NRC. All Board appointments shall be approved by the Board upon recommendation by the NRC. The Board, through the NRC, has established a formal and transparent procedure in relation to the assessment of candidates for Board appointments as well as assessing the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director.

In respect of new Board appointees, the NRC evaluates a potential Board candidate based on established criteria which include:

(a) Education and experience that provides knowledge of business, financial, governmental or legal matters that are relevant to the Company's business or to its status as a publicly owned company;
(b) An unblemished reputation for integrity;
(c) A reputation for exercising good business judgment; and
(d) Sufficient available time to be able to fulfil his or her responsibilities as a member of the Board and of any committees to which he or she may be appointed.

Each Director will have the opportunity to meet the proposed candidate before appointment.

In relation to Board diversity, the Board acknowledges the recommendation of the MCCG 2017 pertaining to the establishment of boardroom gender diversity policy. For a large company will need to comprise at least 30% women directors and included women participation in senior management not only at board level. The Board is at present guiding the transformation of DNeX and its current Board composition reflects the need for a balanced experience and skill mix to steward the Company. After reaching steady-state, the Board will look for opportunities to achieve the diversity target which includes gender diversity in line with the strategic stewardship needs of the Company at that time. The critical attributes of suitable Board candidate include skills, knowledge, expertise and experience, professionalism, character, competence, commitment (including time commitment) and integrity that the candidate shall bring to the Board. The female representation on the Board is 22.22%.

Corporate Governance Overview Statement

Re-election of Directors

The Company's Articles of Association (Constitution) provides that an election of Directors shall take place at an annual general meeting of the Company. All Directors including the Managing Director shall retire from office once at least in every three (3) years, but shall be eligible for re-election.

The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment, but as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Where a person has been appointed as Director either to fill a casual vacancy or as an additional Director, he shall hold office only until the next annual general meeting and shall then be eligible for re-election.

The NRC also makes recommendations to the Board on the re-election of the Directors.

Annual Assessment of Directors

The Board, through the NRC, conducts an annual assessment on its effectiveness as a whole, each individual Director and the Board Committees established by the Board.

The Board is assessed in the areas of the Board's roles and responsibilities, structure and composition, conduct, meeting process, interaction and communication with the Management and other stakeholders, as well as the effectiveness of the Chairman.

The Board Committees are assessed in terms of accountabilities and responsibilities and the success of the Committees in achieving its objectives.

The 2018 assessment was carried out in February 2019 through questionnaires sent to each individual director and encompasses an assessment of the performance of the Board as a whole, the Board Committees and individual Directors (via self and peer assessment) as well as the independence of Independent Directors.

2.2 Audit Committee

The Audit Committee Report is set out on pages 72 to 74 of this Annual Report.

2.3 Board Procurement and Tender Committee ("BPTC")

The BPTC was established on 16 December 2013 to oversee the procurement process and contract management of the Group. No meeting was held during the financial year.

The composition of the BPTC is as follows:-

Name	Directorate
Datuk Samsul Husin	Executive Deputy Chairman
Ang Hsin Hsien	Non-Independent Non-Executive Director
Satria Ahmad	Independent Non-Executive Director

2.4 Employee Share Option Scheme ("ESOS") Committee

The ESOS Committee was established on 23 November 2015 to implement and administer the ESOS in accordance with the provisions of the ESOS By-Laws. The ESOS Committee shall comprise such persons duly appointed and authorised by the Board from time to time.

During the financial year, the ESOS Committee comprises of four (4) Directors and two (2) senior managements. The composition of the ESOS Committee is as follows:-

Name	Designation	Directorate/ Position held
Norlila Hassan	Chairperson	Independent Non-Executive Director
Datuk Samsul Husin	Member	Executive Deputy Chairman
Zainal 'Abidin Abd Jalil	Member	Group Managing Director
Dato' Wong Kam Yin	Member	Executive Director
Zahid Mohammad Sham	Member	Chief People Officer, Group Human Resource
Lim Kek Siang	Member	Chief Financial Officer

The ESOS Committee meets as and when required. No meeting was held during the financial year. Approvals on matters requiring the sanction of the ESOS Committee are sought by way of circular resolutions.

3. DIRECTORS' REMUNERATION

The remuneration for the Executive Directors link rewards to corporate and individual performances.

Non-Executive Directors are remunerated in the form of directors' fees which are approved annually by the shareholders at Annual General Meeting ("AGM") and an attendance allowance of RM1,500 for each Board meeting that they attend.

Based on the existing fees structure which was last revised in 2017 and approved by the shareholders at the 48th AGM for the financial year 2018, directors' fees are at RM10,000 per month for the Non-Executive Chairman and RM5,000 per month for each Non-Executive Director.

At Board Committee level, directors' fees are at RM4,000 per month for the Non-Executive Chairman of the Board Audit Committee and RM2,000 per month for each Non-Executive Director who are members of the Board Audit Committee.

Non-Executive Directors who are members of Board Committees are paid attendance allowance for each Committee meeting they attend, at RM1,000 per meeting for the Board Committee Chairman and RM750 per meeting for the members of Board Committee.

In addition to the above, Non-Executive Directors including the Non-Executive Chairman are entitled to medical and hospitalisation coverage.

The details of remuneration for the Directors of DNeX (including their remuneration for services rendered on group basis) during the financial year ended 31 December 2018 are presented in the table below:-

(a) Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2018 are as follows:

Company

	RM'000				
	Salaries	Directors' fees	Allowance and other emoluments	EPF and benefits in kind	Total
Executive Director					
Dato' Wong Kam Yin	600	-	-	248	848
Datuk Samsul Husin	1,130	-	-	681	1,811
Zainal 'Abidin Abd Jalil	1,316	-	-	549	1,865
Azman Karim	-	-	-	-	-
Non-Executive Directors					
Tan Sri Abd Rahman Mamat	-	120	10	-	130
Rosli Abdullah	-	108	29	-	137
Norlila Hassan	-	84	19	-	103
Ang Hsin Hsien	-	84	15	-	99
Satria Ahmad	-	60	12	-	72
Datuk Johar Che Mat	-	50	5	-	55
Total	**3,046**	**506**	**90**	**1,478**	**5,120**

Corporate Governance Overview Statement

Group

	RM'000				
	Salaries	Directors' fees	Allowance and other emoluments	EPF and benefits in kind	Total
Executive Director					
Dato' Wong Kam Yin	600	-	-	248	848
Datuk Samsul Husin	1,130	-	-	681	1,811
Zainal 'Abidin Abd Jalil	1,316	-	-	549	1,865
Azman Karim	-	-	-	-	-
Non-Executive Directors					
Tan Sri Abd Rahman Mamat	-	120	10	-	130
Rosli Abdullah	-	108	29	-	137
Norlila Hassan	-	84	19	-	103
Ang Hsin Hsien	-	84	15	-	99
Satria Ahmad	-	60	12	-	72
Datuk Johar Che Mat	-	50	5	-	55
Total	**3,046**	**506**	**90**	**1,478**	**5,120**

(b) Details of the remuneration of key senior management personnel within the Group (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year 2018, are as follows:

Range of Remuneration	Name of Key Senior Management	Designation
RM50,000 and below	-	-
RM300,001 to RM350,000	Chong Yoke Ching	Chief Executive Officer, DNeXPORT Sdn. Bhd.
RM350,001 to RM400,000	Zaridan Ridzuan Rodney Lee Yat Nam	Chief Executive Officer, DNeX Solutions Sdn. Bhd. Chief Executive Officer, DNeX Technology Sdn. Bhd.
RM500,001 to RM550,000	Mohd Ismail Khan Wazir Khan Wan Ahmad Syatibi Wan Abd Manan	Chief Executive Officer, DNeX Telco Services Sdn. Bhd. Chief Executive Officer, Dagang Net Technologies Sdn. Bhd.
RM550,001 to RM600,000	Mohamed Hazli Mohamed Hussain	Executive Chairman, Global Market eCommerce Sdn. Bhd.
RM600,001 to RM650,000	Jasbendarjit Kaur Lim Kek Siang	Group Chief Technology Officer Group Chief Financial Officer
RM650,001 to RM700,000	Zahid Mohammad Sham	Group Chief People Officer
RM750,001 to RM800,000	Wan Azryn Wan Ab Rashid	Chief Executive Officer, DNeX Oilfield Services Sdn. Bhd.
RM800,001 to RM850,000	Mohd Hasery Abu Bakar Nuraslina Zainal Abidin	Chief Executive Officer, DNeX Energy Sdn. Bhd. Chief Executive Officer, Genaxis Group Sdn. Bhd.

4. REINFORCE INDEPENDENCE

4.1 Annual Assessment of Independent Directors

The Board, through the NRC, carries out an annual assessment of the independent directors with the aim of strengthening the role of independent directors to facilitate independent and objective decision making in the Company, free from undue influence and bias.

The concept of independence adopted by the Board is in tandem with the definition of an independent director in paragraph 1.01 of the MMLR of Bursa Securities. The key element for fulfilling the criteria is the appointment of an independent director who is not a member of management and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board has also adopted the assessment criteria provided in the corporate governance guide issued by Bursa Securities.

Based on the recommendation of the NRC, the Board is satisfied that our independent non-executive directors have continued to exercise independent judgement and acted in the best interests of the Company and the Company's stakeholders during the financial year.

4.2 Tenure of Independent Director

MCCG 2017 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director.

As at the date of this Statement, none of the Independent Directors of the Company has served the Board for a cumulative term of nine (9) years.

4.3 Chairman to be a Non-Executive Director

The Chairman of the Board, Tan Sri Abd Rahman Mamat has been an Independent Non-Executive Director since his appointment to the Board on 12 December 2013.

5. FOSTER COMMITMENT

5.1 Time commitment

The Directors are aware of the time commitment expected from each of them to attend to matters of the Group generally, including attendance at Board, Board Committee and other types of meetings. The annual Board meeting calendar is planned and agreed with the Directors prior to the commencement of each new financial year.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The Board meets at least four (4) times a year.

During the financial year 2018, the Board met six (6) times (including two (2) special board meetings). The Board Committees also convened their respective meetings in accordance with their terms of reference.

Details of the Board meetings convened during the year and the attendance of each member at Board meetings held in 2018 are as follows:-

Name of Director	Directorate	Attendance
Tan Sri Abd Rahman Mamat	Chairman/Independent Non-Executive Director	6/6
Datuk Samsul Husin	Executive Deputy Chairman	6/6
Dato' Wong Kam Yin	Executive Director	6/6
Rosli Abdullah	Senior Independent Non-Executive Director	6/6
Norlila Hassan	Independent Non-Executive Director	6/6
Ang Hsin Hsien	Non-Independent Non-Executive Director	6/6
Satria Ahmad	Independent Non-Executive Director	6/6
Zainal 'Abidin Abd Jalil	Group Managing Director	6/6
Datuk Johar Che Mat (appointed on 28 February 2018)	Independent Non-Executive Director	3/4
Azman Karim (resigned on 28 February 2018)	Non-Independent Executive Director	2/2

In between Board Meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions which contain all relevant information to enable the Board to make informed decisions. All circular resolutions that are approved by the Board are tabled for notation and confirmation at the subsequent Board Meetings.

5.2 Directors' Training

All Directors had attended and completed the Mandatory Accreditation Programme (MAP) as required by the MMLR of Bursa Securities.

The Board is mindful of the need for directors to attend continuous education programmes to keep them abreast of new developments pertaining to legislations, regulations, current commercial issues and changing commercial risks that may affect business operations and compliance matters. Appropriate training and education programmes are identified and arranged for directors' participation from time to time to further enhance their skills and knowledge, and the Company allocates a dedicated training budget to support the continuous development of the directors.

During the year under review, the Directors have attended and participated in training programmes, seminars, conferences and forums that covered the areas of corporate governance, financial, relevant industry updates and global business developments which they considered as useful in contributing to the effective discharge of their duties as Directors. The development and training programmes attended by the Directors in 2018 are as follows:-

Name of Director	Training/Seminar/Conference Attended	Date	Organiser/Co-ordinator
Tan Sri Abd Rahman Mamat	Internal Capital Adequacy Assessment Process (ICAAP) workshop	10 January 2018	PwC Malaysia
	Forum Dialogue : Managing Cyber Risks in Financial Institutions	22 January 2018	Bank Negara Malaysia/ Financial Institutions Directors' Education (FIDE)
	Breakfast Talk on Industrial Revolution 4.0	6 February 2018	Malaysian Institute of Corporate Governance
	Knowledge Sharing on Islamic Stockbroking Window	22 February 2018	Shariah/Bursa Malaysia
	1.5 days in-house training program on Corporate Governance	9 and 10 April 2018	Malaysian Institute of Corporate Governance
	4.0 Next Gen Manufacturer Conference 2018	12 April 2018	Intel
	In-house training for Directors	16 April 2018	Lion Group
	Emerging Risk, the Future Board and Return on Compliance	19 July 2018	The Iclif Leadership and Governance Centre/FIDE
	DNeX Group Leadership Symposium	25 October 2018	DNeX
Datuk Samsul Husin	MIA International Accountants Conference 2018	9 and 10 October 2018	Malaysian Institute of Accountants
	ASEAN Board of Directors Conference: Future-Proof Your Boardroom!	18 and 19 October 2018	Management Events
	DNeX Group Leadership Symposium	25 October 2018	DNeX

Corporate Governance Overview Statement

Name of Director	Training/Seminar/Conference Attended	Date	Organiser/Co-ordinator
Dato' Wong Kam Yin	Cryptocurrency, Blockchain & Beyond: A Cautionary Tale	29 March 2018	Securities Industry Development Corporation
	DNeX Group Leadership Symposium	25 October 2018	DNeX
Rosli Abdullah	Audit Committee Conference 2018 entitled "Internal Auditing in the Age of Disruption"	27 March 2018	Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia
	Seminar on Financial Reporting By Listed Issuers	16 July 2018	Malaysian Institute of Corporate Governance
	AMLATFPUAA : Cryptocurrency and Money Laundering Activities	28 September 2018	Securities Industry Development Corporation
	Khazanah Megatrends Forum 2018 (KMF2018)	8 and 9 October 2018	Khazanah Nasional Berhad
	ACI Asia-Pacific Small and Emerging Airports Seminar (SEAS) 2018	10 to 12 October 2018	Malaysia Airports Holdings Berhad
	In-house training on Corporate Liability and Adequate Procedure	24 October 2018	Capitaland Malaysia Mall REIT Management Sdn. Bhd.
	DNeX Group Leadership Symposium	25 October 2018	DNeX
	World Congress of Accountants 2018 in Sydney, Australia	5 to 8 November 2018	Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia
Norlila Hassan	EPF Global Private Equity Summit 2018	26 September 2018	Kumpulan Wang Simpanan Pekerja (KWSP)
	DNeX Group Leadership Symposium	25 October 2018	DNeX
Ang Hsin Hsien	PIKOM Strategic Planning Session (SPS) 2018	19 and 20 January 2018	PIKOM
	Malaysia Digital Economy Forum (MyDEF2018)	8 February 2018	Ministry of International Trade and Industry (MITI)
	Productivity Nexus ICT Round Table Discussion	7 March 2018	Malaysia Productivity Corporation (MPC) and PIKOM
	Corporate Governance Briefing Session: MCCG reporting & CG Guide	15 March 2018	Bursa Malaysia
	AI-Imagining Different Futures	23 May 2018	PIKOM
	INSEAD Masterclass Event – Corporate Entrepreneurship	28 Aug 2018	INSEAD

Corporate Governance Overview Statement

Name of Director	Training/Seminar/Conference Attended	Date	Organiser/Co-ordinator
Ang Hsin Hsien (Cont'd)	NextBig Tech Asia 2018	2 and 3 October 2018	Knowledge Group of Companies
	DNeX Group Leadership Symposium	25 October 2018	DNeX
Satria Ahmad	DNeX Group Leadership Symposium	25 October 2018	DNeX
	Institute of Corporate Directors Malaysia ("ICDM") Powertalk with Professor C K Low "Would A Business Judgment Rule Helps Directors Sleep Better At Night?"	17 December 2018	ICDM
Zainal 'Abidin Abd Jalil	MGA-ExxonMobil Industry Talk	13 March 2018	Malaysian Gas Association (MGA)
	Offshore Technology Conference Asia ("OTC Asia") 2018	20 March 2018	OTC Asia
	Chief Executive Officer Sharing Session Top 30 SME Leaders	13 April 2018	Leaderonomics
	MGA Quarterly Industry Talk "Digital Reshaping The Energy Sector"	15 May 2018	Malaysian Gas Association
	EIC Connect Energy Vietnam 2018	17 May 2018	Energy Industries Council
	DNeX Group Leadership Symposium	25 October 2018	DNeX
	Forum on Women In Energy (FOWIE 2018)	6 December 2018	Malaysian Gas Association (MGA)
	ICDM Powertalk With Professor C K Low "Would A Business Judgement Rule Helps Directors Sleep Better At Night?"	17 December 2018	ICDM
Datuk Johar Che Mat	Islamic Finance for Board of Directors Programme	19 and 20 September 2018	ISRA Consultancy @ International Shari'ah Research Academy for Islamic Finance (ISRA)
	DNeX Group Leadership Symposium	25 October 2018	DNeX
	Financial Institutions Directors' Education Programme (FIDE)	October 2018	The Iclif Leadership and Governance Centre

6. UPHOLD INTEGRITY IN FINANCIAL REPORTING

6.1 Compliance with Applicable Financial Reporting Standards

The financial statements of the Group were prepared under the historical cost convention and modified to include other bases of valuation as disclosed therein under significant accounting policies, and in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

The Board is responsible for the quality and completeness of publicly disclosed financial reports. This ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and its future prospects, through the issuance of annual audited financial statements and quarterly financial reports and corporate announcements on significant developments affecting the Company in accordance with the MMLR of Bursa Securities.

The Board is committed to continuously provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects. In order to fulfill the commitments to stakeholders, the Company ensures that the recording and reporting of financial and business information is as fair and accurate as determinable.

6.2 Statement of Directors' Responsibility

The Directors are responsible in ensuring that the financial statements of the Company and its subsidiaries are properly drawn up in accordance with the requirement of the approved financial reporting standards in Malaysia, the MMLR of Bursa Securities and the provisions of the Companies Act, 2016 so as to give a true and fair view of the state of affairs of the Company and its subsidiaries for the financial year then ended.

The Directors also have a general responsibility to take steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement of Directors' Responsibility in respect of the preparation of the annual audited financial statements of the Group pursuant to Section 251 of the Companies Act, 2016 is set out on pages 92 to 97 of this Annual Report.

6.3 Relationship with Auditors and Independence of External Auditors

Through the Audit Committee, the Board maintains a transparent and professional relationship with the Company's auditors, both external and internal. The Audit Committee met the external auditors once during the year under review without the presence of the Executive Directors and the Management to allow the Audit Committee and the external auditors to exchange independent views on matters which require the Audit Committee's attention.

The external auditors, Crowe Malaysia PLT, provide an independent opinion, based on audit performed on the financial statements of the Group and report the same to the shareholders of the Company in accordance with Section 266 of the Companies Act 2016. The external auditors also attend each AGM in order to assist in giving clarifications to shareholders on the audited financial statements.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Risk Management and Internal Control Framework

The Board is assisted by the Audit Committee in reviewing the adequacy of the risk management and internal control system of DNeX Group.

The Board acknowledges its responsibility for maintaining a sound system of internal control which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations and to safeguard shareholders' investment and its assets and interests in compliance with the relevant law and regulations as well as the Group's internal financial administration procedures and guidelines. The Statement on Risk Management and Internal Control furnished on pages 69 and 71 of this Annual Report provides an overview on the state of internal controls and level of risks and the effectiveness of risks mitigation plans within the DNeX Group.

Further to this, the external auditors conduct annual statutory audit on the financial statements. Areas for improvement identified during the course of statutory audit by the external auditors are brought to the attention of the Board accordingly.

Corporate Governance Overview Statement

2. Internal Audit Function

The Board recognises the importance of risk management and is committed in maintaining a sound system of risk management and internal control in conduct of its business operations. The internal audit function has been outsourced to Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") since March 2014.

Baker Tilly reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities. Further details of the activities of the internal audit function are set out on page 74 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Conduct of General Meetings

The AGM is the principal platform of communication with shareholders of the Company. The Annual Report together with the Notice of AGM is sent to registered shareholders within the prescribed period as allowed under the Company's Memorandum and Articles of Association (Constitution) and the MMLR of Bursa Securities as the case may be.

At the AGM, the Chairman briefed members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of AGM.

In accordance with the MMLR of Bursa Securities, resolutions set out in the notice of AGM or in any notice of general meeting are voted by poll.

The Board encourages shareholders' participation during question and answer sessions at the AGM and provides sufficient opportunity for shareholders to communicate their concerns. The external auditors are invited to the meeting to provide their professional and independent view to shareholders, if required.

While members of the media are not invited into the AGM meeting hall, a media conference is usually held immediately after the AGM where the Chairman, Executive Deputy Chairman and Group Managing Director update media representatives on the resolutions passed and answer questions on matters related to the Group. This approach provides the Company with a more efficient way to address both the shareholders and the media.

2. Communication with Stakeholders

The Board acknowledges the need for the Company's shareholders and investors to be informed of all material business and corporate developments concerning the Group in a timely manner. In accordance with the Group's Media and Investor Relations Policy, the Company publishes all material information as required by the regulators via the Bursa LINK as well as other publications such as the Annual Report, quarterly financial reports and media releases. The Company's Investor Relations is discussed in a dedicated segment of this Annual Report on page 75.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board is committed to use its best endeavour to provide accurate and complete information on a timely and even basis to enable shareholders to make informed investment decision.

The Company's website is regularly updated and provides relevant information on the Company's announcements, business, corporate, financial information and annual reports which is accessible to the public.

COMPLIANCE STATEMENT

The Board is committed to achieving a high standard of Corporate Governance throughout the organisation and would endeavour to apply the recommendations of the MCCG 2017.

This Corporate Governance Overview Statement has been approved by the Board of DNeX on 27 February 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Audit and Non-Audit Fees

During the financial year, the total audit and non-audit fees incurred by the Company and the Group are as follows:-

	Company (RM'000)	Group (RM'000)
Audit Fees	110	366
Non-Audit Fees	15	115

3. Recurrent Related Party Transactions

During the financial year 2018, the Company did not enter into any recurrent related party transaction that requires the shareholders' mandate.

4. Material Contracts

Save as disclosed in the Audited Financial Statements for the year ended 31 December 2018, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

5. Contracts Relating To Loans

During the financial year, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving the Directors, chief executive who is not a director or major shareholders.

6. ESOS

The Employees' Share Option Scheme ("ESOS") implemented on 14 September 2016 is the only ESOS in existence during the financial year ended 31 December 2018. During the financial year, a total of 2,663,200 new ordinary shares were issued and allotted pursuant to the exercise of the ESOS Options.

Brief details on the number of ESOS Options granted, exercised, forfeited and outstanding since commencement on 14 September 2016 to 31 December 2018 are set out in the tables below:-

For the period from 14 September 2016 to 31 December 2017

	Number of Options ('000)	
Description	Grand Total	Directors and Chief Executive
Granted	38,892	7,500
Exercised	(22,481)	(2,500)
Forfeited	(170)	-
Outstanding	16,241	5,000

For the period from 1 January 2018 to 31 December 2018

	Number of Options ('000)	
Description	Grand Total	Directors and Chief Executive
Granted	-	-
Exercised	(2,663)	-
Forfeited	(56)	-
Outstanding	13,522	5,000

Percentages of options applicable to Directors and Senior Management under the ESOS during the financial year and since its commencement up to the financial year ended 31 December 2018 are set out below:

	Percentage	
Directors and Senior Management	During the financial year	Since commencement up to 31 December 2018
(i) Aggregate maximum allocation	-	58%
(ii) Actual options granted	-	54%

The Non-Executive Directors of the Company are not eligible to participate in the ESOS.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors of Listed Issuer is required to include in their annual report, a statement on the position of risk management and internal control system and practises of the listed issuer. Accordingly, the Board is pleased to present the following statement which was prepared in guidance by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia Securities Berhad. The statement outlines the nature and scope of risk management and internal control of the Group during the year under review.

RESPONSIBILITIES AND ACCOUNTABILITIES

The Board acknowledges its overall responsibility in the establishment and oversight of the Group's risk management framework and internal controls system to safeguard shareholders' investments and Group's assets. The Board has set the tone and culture towards managing key risks that may impede the achievement of the Group's business objectives amidst the dynamic and challenging business environment and increasing regulatory requisite.

DNeX Group has established a governance structure and embedded the system of risk management and internal control into management processes to complement all day to day business activities of the Group excluding Associate Companies which are not within the Group's control. The Board is assisted by Board Audit Committee ("AC") in reviewing the adequacy of the risk management and internal control system of DNeX Group. The management actively reports to the AC on activities that may have an impact on the Group's risks.

The Board delegates to the Management team the authority for the management of the Group. The Management is accountable to the Board for the Group's performance and are required to report on quarterly basis to the Board the key business risks and its mitigating activities. Delegation of responsibilities and accountability is delegated to other leaders of the Group and formalised through Discretionary Authority Limit ("DAL"). It acts as the Group's governance framework as the Board formally delegates functions and powers to the Management with specific oversight and supervisory functions. This enables the Board to facilitate a control environment encompassing clear lines of responsibilities, accountability and authority limits that are aligned with the Group's business operations.

However, in view of the inherent limitations, the risk management and internal control system can only provide reasonable assurance that the significant risks impacting the Group's strategies and objectives are managed within the risk appetite, rather than completely eliminate the risks of failure. The Group will continue to take measures to strengthen the risk management and internal controls system.

The following depicts the Board's and key parties within the Group responsibilities in relation to risk management and internal control.

Board of Directors

- Maintains an effective risk management and internal controls
- Approves all new and updates to existing policies and framework including the risk management framework and risk appetite
- Receives, assess and approves updates by AC on risk management and internal controls

Board Audit Committee

- Assist the Board in evaluating the effectiveness of risk management and internal controls
- Reviews risk management and internal audit updates and advises and/or updates the Board for approval

Top Management

- Enforces all policies and framework approved by the Board
- Manages all strategic and operational risks and consults the Board before major undertakings
- Gives assurance to the Board that risks and internal controls are being managed effectively
- Delegates responsibilities and accountability to the leadership team as formalised through DAL

Risk Management Department

- A unit within the Group Finance Department which maintains a risk register for the Group
- Identifies, reviews and monitors all risk movement and updates the management and Board
- Undertakes regular "gap analysis" to review the effectiveness of internal controls and updates policies and procedures to improve its efficacy
- Communicates with management and risk owners on risk exposure and risk management progress
- Ensures that the Board and management receives adequate information for decision making purposes

Statement on Risk Management and Internal Control

RISK MANAGEMENT

Risk management is embedded by the Board as part of the business operation activities of the Group. It has been the Board's priority to ensure that strategic and investment risks particularly in new ventures are managed in order to safeguard the Group's assets. The Group has established the risk management framework, based on the principles of Committee of Sponsoring Organisations of the Treadway Commission ("COSO") and benchmarked against ISO 31000:2009 across the Group as a standardised approach to meticulously identify, analysing, measuring, managing, monitoring and reporting risks that may affect the Group. The risk identification process takes effect as early as the initial junctures of investments and key operational activities.

Delegation of Authority

A risk reporting structure has been established to ensure prompt communication to Audit Committee and the Board. Collectively, the Board and Executive Deputy Chairman oversees and reviews the strategic level risk management whilst the Group Managing Director and Chief Financial Officer are accountable for the conduct of the Group's businesses and execute measures and controls to ensure that the risks are managed effectively. The risk management processes in identifying, evaluating and managing significant risks facing the Group are embedded in the operating and business processes and recorded in a group wide risk register which is reviewed and reported to the Board on quarterly basis.

Risk Appetite

The Group's risk appetite is a key consideration in decision making. The Management team and Chief Financial Officer as the patrons of risk management receives sufficient support at Group level in reporting the key risks identified and assist the Board in ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group. Key features of the Group's risk appetite cover strategic, operational, financial and regulatory parameters. It guides the Management team and Chief Financial Officer on balancing opportunities and risk management amongst others on assessment of investment proposals, disposals of assets, working capital, cash flows and gearing, project risk and policies to manage the overall risk exposures of the Group to ensure that the strategies are implemented aligned to the Board's approval. The risk owners are responsible to ensure preventative, detective and corrective controls were in place to address these risks.

Gaps in controls and continual improvements were implemented through management action plans. During the reviews, justifications for performances are discussed in order to identify the appropriate measures to manage risks and an informed decision making or evaluation of opportunities and risks were made at strategic level.

INTERNAL CONTROL ACTIVITIES

In discharging the governance responsibility, the Board delegates the oversight of internal control and risk management. The Management acknowledges their responsibility to the achievement of business goals and is responsible for implementing Board-approved risk management frameworks, compliance to policies and procedures and keeping the Board apprised of new or emerging risk when required. The Management is expected to provide assurance to the Board that the Group's risk management and internal controls system are operating adequately and effectively based on the risk management framework adopted by the Group through the Audit Committee.

Audit Committee

Besides reviewing the system of internal control, the Audit Committee also reviews the following key processes and information:-

- financial information covering financial performance and quarterly financial results;
- annual report and audited financial statements before recommending to the Board for approval and before presentation of the financial information to the shareholders, investors and public;
- periodic review of Group's management accounts and performance analysis of the Management team, subsidiaries companies and supporting units; and
- audit findings and reports on the review of systems of internal control provided by the appointed independent internal auditors and status of Management's implementation of the audit recommendations.

Role of Auditors

The scope of work of the internal audit function is carried out based on the approved internal audit plan by the Audit Committee. For the year under review, the auditor has checked for compliance with policies and procedures and the effectiveness of the internal control system and highlight findings of non-compliance or process improvement during the quarter Audit Committee meetings. The auditor plays a significant role in verifying and validating whether the management has met its responsibilities and determining the level of internal controls compliances. This is carried out by evaluating controls, risk management, business objectives performances, governance processes as well as monitoring whether agreed action plans are in line with recommendations for improvements. The Board also received assurance from the internal auditor that the Group has satisfactorily complied with the guidelines by the Malaysian Code on Corporate Governance, the Board Charter and Term of Reference for the Board of Directors of the Group.

Further to this, the external auditors conduct annual statutory audit on the financial statements. Areas for improvement identified during the course of statutory audit by the external auditors are brought to the attention of the Board accordingly.

Statement on Risk Management and Internal Control

Budgeting, Forecasting and Performance Management

A comprehensive budgeting and forecasting system is in place where each operating unit submits an annual budget for review by the Management team prior to submission to the Board for approval. An annual exercise involving all business units to prepare a comprehensive budget for succeeding five (5) years period using a detailed budgeting and brainstorming process is in place.

The Group's business strategic directions in terms of financial and major initiatives are then further reflected in the respective corporate, subsidiaries and support unit performance scorecard. A monthly review by Management team, serves as a performance management tool of actual performance against approved budgets, activities and performance of prior period are carried out, allowing for timely response and corrective action to be taken to catch up to the targeted plan and the final results of the evaluation of the performance of the Corporate and Business Leaders across DNeX Group at the end of the financial year end.

The Audit Committee reviews the Groups' quarterly financial results and subsequently reports to the Board for deliberation and approval, prior to submission to Bursa Securities for release to shareholders and stakeholders. The annual audited financial statements by external auditors provide further assurance on the credibility of DNeX's financial reports are issued to the shareholders within the stipulated time prescribed under the Main Market Listing Requirement ("MMLR") of Bursa Securities.

Financial and Operating Policies

The Group adopts the generally accepted accounting principles and the Malaysian Financial Reporting Standards. Policies and procedures covering financial matters such as procurement, accounts payable, accounts receivables, and treasury; and others such as information security, business continuity, risk management, code of conduct, whistleblowing and compliance are clearly documented.

A set of Group level internal policies and procedures are maintained and accessible to employees via internal portal. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and to meet new compliance requirements.

Human resource management and talent development

Group Human Resource has throughout the year revisited and improvised the following in order to have an integral talent development strategy at a more realistic and achievable pace i.e. skill building, transitioning client relationships, developing leadership competencies and others:

i. Succession Planning ("SP") Process Flow and Framework
ii. SP List of Position Identification or Leadership Team
iii. Data Collection for SP Competencies for each position particularly Technical & Leadership positions

Manpower planning requirement is carried out, mirroring the approved budget planning in order to optimise manpower and increase productivity. Employee training needs are also assessed regularly to close any competency gap.

Communication and feedback

Communication remains the key in embedding a risk conscious culture amongst our internal and external stakeholders. Regular Groups' briefings with Investment Analysts are conducted to apprise the shareholders, stakeholders and general public of the Group's performance whilst promoting transparency and open discussion. All feedbacks are regularly collated and analysed with appropriate follow up action taken by Media and Investor Relations and Customer Service Engagement Unit, whom which act as a point of contact to respond to various enquiries and feedback.

MANAGEMENT COMMITMENT

The Board received assurance from the Executive Deputy Chairman, Group Managing Director and Chief Financial Officer that to the best of their knowledge, the Group's risk management and internal control system is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations. Where weaknesses are identified, rectification steps have been put in place to strengthen the system of risk management and internal control so as to safeguard shareholders' investments, the interests of customers, regulators and employees, and the Group's assets.

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

In accordance with Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

This statement is made in accordance with a resolution of the Board dated 27 February 2019.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 December 2018.

1. COMPOSITION AND MEMBERSHIP

The Audit Committee during the financial year ended 31 December 2018 comprised of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:-

Chairman : **Rosli Abdullah**
Senior Independent Non-Executive Director
(member of the Malaysian Institute of Accountants)

Members : **Norlila Hassan**
Independent Non-Executive Director

Ang Hsin Hsien
Non-Independent Non-Executive Director

The composition of the Audit Committee complies with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Terms of Reference of the Audit Committee.

2. MEETINGS AND ATTENDANCE

There were four (4) meetings held during the financial year 2018. The details of attendance of each member at the Audit Committee Meetings are as follows:-

	Attendance
Rosli Abdullah	4/4
Norlila Hassan	4/4
Ang Hsin Hsien	4/4

3. AUTHORITY

In carrying out its duties and responsibilities, the Audit Committee is vested with the following authority:-

(i) Explicit authority to investigate any matter within its Terms of Reference.

(ii) Equipped with resources required to perform its duties.

(iii) Have full, free and unrestricted access to any information, records, personnel and properties of the Company and any other companies in the Group.

(iv) Have direct communication channels with the external auditors and persons carrying out the internal audit function or activity. Head of Internal Audit should report directly to the Audit Committee.

(v) Obtain external professional advice and secure the attendance of outside parties with relevant experience and expertise, if deemed necessary.

(vi) Convene meetings with external auditors, internal auditors or both without the presence of the Management, whenever deemed necessary.

Audit Committee Report

4. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

A summary of the work of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31 December 2018 is as follows:-

(i) Financial Reporting

(a) Reviewed the Group's quarterly unaudited financial results and the related announcements before recommendation to the Board of Directors (the "Board") for consideration and approval for release to Bursa Securities. When reviewing the report, the Audit Committee received assurance from the Management that the condensed consolidated interim financial statements were prepared in accordance with Malaysian Financial Reporting Standards 134 : Interim Financial Reporting, paragraph 9.22 of the MMLR of Bursa Securities and International Accounting Standards 34 : Interim Financial Reporting issued by the International Accounting Standards Board.

(b) The Audit Committee had also reviewed the audited financial statements of the Company and the Group for the financial year ended 31 December 2018 which covers the financial position and performance for the year and ensure that it complied with all disclosures and regulatory requirements and recommended the audited financial statements to the Board for approval.

(c) Reviewed and approved the Report of the Audit Committee for inclusion in the Company's Annual Report.

(d) Reviewed the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities for Board's approval.

(ii) External Audit

(a) Considered the audit fees and re-appointment of Crowe Malaysia PLT as external auditors of the Group.

(b) Reviewed and approved the external auditors' Audit Planning Memorandum, audit approach and scope of audit work for the year.

(c) Met with the external auditors without the presence of executive Board members and Management to discuss the Group's practices to enhance compliance in all law and regulations imposed by relevant regulatory bodies.

(d) The declaration of independence of the external auditors was noted.

(iii) Internal Audit

(a) Reviewed and approved the Internal Audit Plan for DNeX Group to ensure adequate scope and comprehensiveness of the activities and coverage on auditable entities with significant high risks.

(b) Reviewed the progress of audit assignments carried out in accordance with the Internal Audit Plan for the year 2018.

(c) Reviewed the Internal Audit Reports issued during the year 2018 as follows:-
1. Fixed Asset Management
2. Sales Processes for OGPC Sdn. Bhd.
3. Corporate Governance Compliance
4. Customer Service Management and Service Level Agreement for Dagang Net Technologies Sdn. Bhd.
5. Billing and Collection and Implementation of New Billing System for Dagang Net Technologies Sdn. Bhd.

(d) Reviewed the Follow-up Internal Audit Reports issued during the year 2018 as follows:-
1. Centralised Procurement and Vendor Management
2. Project Management for DNeX Oilfield Services Sdn. Bhd.
3. Fixed Assets Management
4. Sales Processes for OGPC Sdn. Bhd.
5. Compliance with Malaysian Code on Corporate Governance for DNeX

(e) Assess the effectiveness of the internal audit functions.

(iv) Risk Management

Reviewed the consolidated risk management report and mitigation action plans for identified risks on a quarterly basis.

(v) Related Party Transactions

Reviewed the related party transactions and recurrent related party transactions entered into by the Company and its subsidiaries on a quarterly basis.

Audit Committee Report

5. INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to an independent professional consultancy firm. The internal audit function is carried out by Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") since March 2014. It is headed and led by Mr. Kuan Yew Choong, who is a member of the Association of Chartered Certified Accountants (UK), the Institute of Internal Auditors, Malaysia and also, the Malaysian Institute of Accountants. There were a total of three (3) internal auditors, including the Head of the internal audit function, who were deployed by Baker Tilly for the internal audit works performed for DNeX Group during the financial year ended 31 December 2018. All the personnel deployed by Baker Tilly are free from any relationships or conflicts of interest in DNeX Group, which could impair their objectivity and independence during the course of their work.

Baker Tilly reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities.

The internal audit function is carried out by Baker Tilly based on the annual audit plan that is reviewed and approved by the Audit Committee. The audit plan includes review of the adequacy of operational controls, risk management, compliance with established policies, procedures, law and regulations and management efficiency. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.

Baker Tilly undertakes the internal audit activities based on Baker Tilly audit methodology which is closely consistent with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

A summary of the work of the internal audit function for the financial year ended 31 December 2018 is as follows:

(i) Prepared the Internal Audit Plan for approval of the Audit Committee.

(ii) Issued Internal Audit Reports to the Audit Committee and Management, identifying weaknesses and issues as well as highlighting recommendations for improvement. Such recommendations were acted upon by Management within agreed timelines.

(iii) Attended all Audit Committee meetings to table and discuss the audit reports and followed up on matters raised.

(iv) Acted on suggestions made by the Audit Committee on concerns over operations or control.

(v) Followed up on management corrective actions on audit issues raised during their course of audit. Determined whether corrective actions taken had generally achieved the desired results.

As at 31 December 2018, the total cost incurred for the internal audit function was RM70,000 which relates to personnel cost on audit assignments (excluding out-of-pocket expenses and Sales and Services Tax).

INVESTOR RELATIONS

During the year, the Group continued to dedicate efforts to deliver a high level of inclusion and disclosure by keeping an open line of communications with members of the investing and media community.

Our Investor Relations unit has in place an extensive and dedicated programme that provides investors and stakeholders the opportunity to gain comprehensive insights on the Group's operations, financial performance, corporate developments, and strategy from the senior management team through regular engagement activities.

The Investor Relations progamme is spearheaded by Executive Deputy Chairman Datuk Samsul Husin, and supported by the Investor Relations team as well as members of senior management, as and when required.

To maintain visibility levels with the investing community, we actively participated in various investor conferences, large group meetings and conference calls held in Malaysia as well as abroad. In addition to that, we conducted one-on-one meetings and quarterly results briefings to keep analysts and fund managers abreast with the Group's latest developments.

The Group continues to uphold best practices in terms of providing fair and equal distribution of information to all stakeholders, which includes the retail investing community. The Group reached out to retail investors by participating in retail conferences in Malaysia and Singapore organised by investment banks.

To enhance media publicity on DNeX, the Group regularly publishes media releases and organises media interviews and media conferences to improve the understanding of the Group's businesses and developments among media practitioners, whose coverage reaches out to investors as well as the general public.

As a member of the Malaysian Investor Relations Association ("MIRA"), our employees are accorded access to training and resources designed for improvement and knowledge sharing of Investor Relations best practices.

In an effort to ensure a wider reach of audience, we have a dedicated Investor Relations portal on the company's website at www.dnex.com.my, which hosts communication materials such as financial results, media releases, annual reports, stock information, disclosures to Bursa Malaysia Securities Berhad, Annual General Meeting information and key contact point for feedbacks and enquiries.

The Group continued to receive regular independent analyst coverage in 2018. Research reports on DNeX were issued by CIMB Investment Bank Berhad, TA Securities Holdings Berhad and BIMB Securities Sdn. Bhd.

The Group's efforts have not gone unnoticed, as DNeX was once again nominated for multiple award categories at the 2018 Investor Relations Awards organised by MIRA as follows :

- Best Company for Investor Relations (Small Cap)
- Best Chief Executive Officer for Investor Relations (Small Cap)
- Best Investor Relations Professional (Small Cap)
- Best Quality of Annual Reports / Formal Disclosure (All Malaysian Companies)

DNeX remains committed in establishing transparency and instilling confidence in investors, allowing them to make informed and timely investment decisions.

MAKING THINGS
BETTER.
TOGETHER

SUSTAINABILITY REPORT

OUR IDENTITY

DNeX is a leading service provider in Malaysia's trade facilitation and energy sector. Set up in 1970, our core businesses stem into a myriad of sectors that encompasses a family of specialised companies, each providing customised services, solutions and infrastructures, engineered and led by industry experts. Listed on the Main Market of Bursa Malaysia Securities Berhad, the company currently operates in two business segments - IT & eServices, and Energy.

Through our IT & eServices arm, we offer solutions related to Trade Facilitation, Systems Integration, and Cyber Security, Global Halal Services and Financial Technology.

Our Energy arm is involved in providing Drilling & Oilfield services, Upstream Oil & Gas, and Equipment and Maintenance services.

With a cumulative experience spanning close to 50 years in construction engineering, telecommunications and Information Technology, we are synonymous with Malaysia's National Single Window ("NSW"), a Trade Facilitation system we designed, implemented and operated for the Government of Malaysia for over 25 years. We continue to exclusively operate and maintain the system for the Government and have earned numerous industry recognitions, including, amongst others, the Industry Excellence Award for eCommerce at the ASEAN Business Awards 2016 and the Sin Chew 2017 Business Excellence Award in the Digital and Technology category.

We pride ourselves on offering effective, workable and commercially realistic solutions to meet our clients' requirement. Our reputation for pragmatic services is the result of the emphasis we place on understanding our clients' objectives, priorities and requirements. An important element of this is the close working relationship we foster with them – we place a premium on understanding their commercial strategies and goals, and defend their competitive edge.

OUR APPROACH

1. **Depth of Technological Know-How, Breadth of Technical Expertise**

   We leverage on the technological expertise of our highly qualified teams of certified engineers and security analysts, and draw upon our engineers, consultants and project managers' industry experience with regulatory bodies, promoters and financiers to provide added value in our ideas and input.

2. **Domestic and Regional Expertise**

   Our technology driven experience and problem solving skills in the industry extend not only to large scale projects in Malaysia, but also to a number of mission critical assignments internationally in Indonesia, Laos, Myanmar, the United Kingdom, Vietnam and Senegal.

3. **Holistic and Integrated Approach**

   We have extensive experience in engaging, consulting and advising sponsors, intermediaries and end users across the spectrum of projects to devise workable and realistic solutions for our clients. For example, we house our IT infrastructure solutions, application development team and cyber security services under one roof, so that our clients benefit from a one stop, full service facility and seamless delivery of services.

4. **Quality Assurance**

   To ensure consistent quality of service standards, we place emphasis on standard operating procedures in our workflow. This ensures that all deliverables are produced and presented in a timely manner, and documents and advice we provide are reviewed and approved by superiors with relevant expertise and one who is a subject matter expert. We also go to great lengths to preserve data confidentiality to safeguard the interests of our clients.

OUR VISION

To be a leading multinational corporation that is trusted for its world class services and expertise

OUR MISSION

We are vibrant talents who are committed to deliver business innovation that creates value for stakeholders

OUR CORE VALUES

LEAN

We are a performance driven culture that strives to do more with less – creating enduring value for our markets, people and shareholders.

AGILE

We are a merit based organisation that stays ahead through learning, inclusiveness, and change.

CLEAN

We are committed to the highest standards of business ethics – infusing trust in all business relationships and doing the right thing, even when no one is looking.

ENTERPRISING

We put our imagination to test and continuously invest in disruptive innovative solutions that achieve efficiency for our customers, people and communities.

OUR PROFIT

Our profit strategy

1. We build competitiveness for our customers through our products, solutions and services;
2. We identify effective mechanism that maximise productivity, creativity and results;
3. We take the initiative to work with our stakeholders to manage project and reputational risks and identify relevant business trends; and
4. We adhere to the highest compliance standards and promote integrity as one of our core values and code of conduct, which fights corruption and fraud.

Building long term value in the markets where we operate

Across our business units, our core mission is to deliver solutions that enable our customers to operate at peak efficiency and performance. We help customers to automate processes, maximise reliability, increase productivity, reduce waste, and avoid unexpected issues. Similarly, we focus on the same priorities within our own business operations, thus enabling us to shape a future that is sustainable and ideal for our stakeholders and the communities we work within.

Advancing Process Excellence

We believe that business profitability and process excellence go hand in hand in ensuring sustainable business operations, profitability and growth. By establishing operational "best practices" standards on serving our customers and operating the business, our officers and employees will be guided in conforming to our practices on sustainability.

LEADING BUSINESS INNOVATION AND GROWTH

DNeX underwent a solid year of immense growth and business innovation in financial year 2018, with total growth of 5 new companies.

Incorporation	Acquisition
DNeX VMS Sdn. Bhd. PT Dagang Net Indonesia DNeX Clean Utilities Sdn. Bhd.	Genaxis Group Sdn. Bhd. Innovation Associates Consulting Sdn. Bhd.

AN OVERVIEW OF OUR BUSINESS INVESTMENTS, MILESTONES AND STRATEGIES IN FISCAL 2018

INVESTMENT IN GROWTH
New Business Lines

- DNeX acquired exclusive rights to offer EC-Council Global Services cyber security services in Malaysia, whereby DNeX will be able to provide cyber security consultancy and advisory services based on the delivery model, methodology and brand of EC-Council Global Services. (2 Jan 2018)
- Dagang Net acquired two leading consulting and accounting system services companies. Through the acquisition, Dagang Net now owns 51% equity interest of Genaxis, and this acquisition gives Dagang Net an indirect equity interest of 60% in Innovation Associates Consulting Sdn. Bhd. ("IAC"). (26 Jan 2018)
- Dagang Net and Audatex has signed a memorandum to offer a system for automotive insurance repair. The system is aimed to offer transparency and efficiency to automative claims process by providing more accurate vehicle collision damage estimation and insurance claims handling, and comprehensive repair estimate including parts, labour and paint. (9 Aug 2018)

STRENGTHEN BUSINESS PLATFORMS
New Contracts

- DNeX, through subsidiary company DNeX Oilfield Services Sdn. Bhd., signed a contract agreement to provide directional drilling equipment to Baker Hughes Malaysia Sdn. Bhd. ("BHGE"). Under the agreement, DNeX will serve as an equipment support provider to BHGE for its directional drilling operations in Asia Pacific and Middle East Countries. (26 Feb 2018)
- DNeX's associate company, Ping Petroleum Limited ("Ping") received two licences in the North Sea. The approval was given by the Oil and Gas Authority of the United Kingdom to Ping, who has partnered with two established oil and gas companies in the UK namely Summit Petroleum Ltd and Azinor Catalyst Limited on these licences. The licences gave access to three blocks, adding significant breadth in diversity to Ping's existing portfolio. (20 Jun 2018)

(Continued next page)

STRENGTHEN BUSINESS PLATFORMS
New Contracts

- DNeX signed an agreement to develop a Halal hub in the Philippines. Under the agreement, undertaken in cooperation with the Department of Education Division of Naga City and the Local Government of Naga City of the Philippines, DNeX will be given the opportunity to implement overall initiatives for the Halal hub including the development of its blueprint, systems and framework for the Halal hub. (30 Jun 2018)
- DNeX was awarded ICT hardware equipment and facilities subcontract for teaching hospital (14 Aug 2018)
- DNex was awarded USD6.3 million marine cable installation project for Telkom Infra in Indonesia. (28 Aug 2018)
- DNeX, through subsidiary DNeX Telco Services Sdn. Bhd., was awarded two contracts for marine fibre optic cable repair worth a total of USD2.8 million by PT Bina Nusantara Perkasa. The first contract, worth about USD1.4 million, is for repair works of SEA-US cable System in Davao, Philippines. Also worth about USD1.4 million, the second contract is for repair works of Indonesia Global Gateway ("IGG") Segment off Palu, Makassar and Segment 15 off Manado, Indonesia. (28 Aug 2018)
- DNeX's associate company Ping completed its drilling works of the GUA-P2 side-track ("P2-ST") oil well in Guillemot A field of the Anasuria Cluster in the UK Central North Sea. The P2-ST well can achieve a gross production rate of 4,750 barrels of oils per day, and is also targeting untapped volumes of oil in the Forties reservoir. (3 Sep 2018)
- DNeX was awarded a contract for the provision of solid expandable tubulars from HESS Exploration and Production Malaysia BV. The contract is for a period of one year with another year renewal option, and meant to service HESS' North Malay Basin project. The contract is for on call basis, and it has an estimated total contract value of up to USD5 million. (23 Oct 2018)
- DNeX, through its newly acquired subsidiary company, IAC, has been awarded an information and communication technology maintenance project worth RM59.4 million from Accountant General's Department Malaysia. The project, named "Perkhidmatan Penyenggaraan Perkakasan, Peralatan Rangkaian dan Perisian iGFMAS", is for a period of one year, starting from 10 Aug 2018 to 9 Aug 2019. (26 Oct 2018)

DRIVE INNOVATION & BUSINESS EFFICIENCY
New Strategies & Products

- After serving the nation for 25 years, Dagang Net introduced a new visual identity to reflect its dynamic community and the values it stands for – innovation and pushing the boundaries. Extending its reach beyond the trade and facilitation landscape, Dagang Net now serves customers within various verticals including clients from top tier financial institutions, regional telecommunication providers, transportation agencies, Halal service providers and many more. (6 Dec 2018)
- Dagang Net launched *AIIVA*, a web-based Halal Logistics Management System. AIIVA is aimed to secure Halal integrity in the flow and storage of goods, services and related components from the point of origin to consumption. (5 Apr 2018)
- DNeX and Asia-Pacific Model E-Port Network ("APMEN") have officially launched and made SmartFTAX, a one-stop Free Trade Agreement ("FTA") service live. The service is now operational for users in Malaysia and China. The primary aim of this service is to provide support for small and medium enterprises ("SMEs") in Malaysia and China especially for businesses in the Trade Facilitation and logistics sector. With this one-stop service, businesses will benefit from greater cross border trade efficiency and cost savings as it allows them to check and compare FTA tariff rates from various countries, while also enabling them to check the rules of origins, document requirements, latest policies and calculate tariff savings on one single platform. (6 Nov 2018)
- DNeX, through subsidiary Dagang Net, launched a new service for cargo clearance via air mode. Called *Pre Alert Manifest*, the service can facilitate efficient trade documentation processing and cargo movement into the country. Pre Alert Manifest is a fully integrated solution with an automated platform processing of common assessments and validation criteria to expedite cargo processing and clearance. (24 Jan 2018)
- While it has been an exciting 10 years for DNeX in Bangsar South, the Management decided to relocate the company's headquarters to Cyberjaya. The decision was made as a long term strategy to increase operational performance and business profitability, and converting operational expenses to assets. (20 Aug 2018)

OUR STAKEHOLDERS

At DNeX, we make it our mission to be our clients' preferred partner. We strive to be a leader in the industries we are in, and we work to contribute a positive impact on all our stakeholders and create a better future. Our chosen mission: "*We are vibrant talents who are committed to* ***deliver business innovation that creates value for our stakeholders***", highlights our dedication and commitment to continuously and proactively change and offer our stakeholders innovative solutions that adds competitive value.

At the back of this is our strategy of engaging in constant dialogue with all our stakeholders. We ensure that each and every one of the Group's business lines and operations are involved in this process and contribute with a proactive and constructive approach.

An overview of our stakeholder strategy

Employees

Concerns
- Talent retention
- Employee health & safety
- Work & workplace satisfaction
- Matters covered by Code of Conduct, legal issues, accounting or audit matters

Engagement strategy
- Performance Measurement Review
- Employee engagement survey
- Townhall
- Management messages
- LACE (employee recreational programme) activities
- Whistleblowing channel

Customers

Concerns
- Customer satisfaction
- Consumer data and privacy
- Business continuity

Engagement strategy
- Careline, mobile app, live chat
- Business engagement programmes, roadshows
- Business continuity plan (refer to page 83 for more information)
- Customer satisfaction surveys

Shareholders and investment communities

Concerns
- Business continuity
- Customer satisfaction
- Consumer data and privacy

Engagement strategy
- Analysts briefings
- Investor relations engagements
- Annual general meetings
- Shareholder updates
- Quarterly reports

Government and regulators

Concerns
- Regulatory compliance
- Customer satisfaction
- Consumer data and privacy
- Business continuity

Engagement strategy
- Meetings
- Performance reports
- Discussions and brainstorming
- Business continuity plan

Business Partners

Concerns
- Product quality
- Innovation
- Regulatory compliance
- Consumer data and privacy

Engagement strategy
- Meetings and training
- Annual report
- Signing ceremonies and MOUs

Suppliers

Concerns
- Supply chain management
- Compliance and anti-corruption standards / integrity
- Customer satisfaction

Engagement strategy
- Purchasing and tendering policies and procedures
- Meetings/briefings
- Vendor evaluation survey

Media

Concerns
- Innovation
- Customer satisfaction
- Consumer data and privacy

Engagement strategy
- Press releases
- Media coverage
- Press conferences, question and answer session

Society and communities

Concerns
- Innovation
- Customer satisfaction
- Consumer data and privacy

Engagement strategy
- Website
- Annual report
- Corporate social responsibility programmes

Customer Satisfaction

As a company that serves over 25,000 users in the trade facilitation and logistics fraternity, we are constantly working on enhancing our customer experience, making sure that their expectations are met and often surpassed in order to maintain customer loyalty. Our company continually invests in employee training to ensure a positive customer experience across all touch points of our operations.

On the customer support front, we have Careline, a taskforce fully dedicated to assisting our customers with their problems and queries via phone and email, 24/7. We also regularly conduct training for our stakeholders. We launched the Dagang Net mobile application in 2017 to provide our valued customers an easier way to access a wealth of information on our services, solutions and announcements, anywhere and anytime. The free application is available on both iOS and Android platforms. Customers can also access the same features available on the app through www.mydagangnet.com website.

Meanwhile, to measure the level of our customers' satisfaction, we are guided by ratings and inputs collated by our regular Customer Satisfaction Index survey. This is crucial as we rely on our customer's feedback to gauge the effectiveness of our initiatives, such as the Customer Excellence Programme that we implemented in 2016. Since the implementation of the programme, the average processing time has been reduced by 50%. In fiscal 2018, we conducted two customer surveys, and the results showed a 6% increase in customer satisfaction from last year, due to improved service quality and time. We also successfully maintained our SIRIM's Customer Service Management Best Practices Recognition Scheme after completion of audit exercise by SIRIM. Renewable annually, this certification covers customer service and operations of Dagang Net.

Customer Privacy and Data Protection

We take our responsibilities in protecting the privacy and security of data entrusted to us very seriously. This includes securing the confidentiality of our customer's personal communications, respecting their permissions and preferences, and protecting and securing other customer information. We have pledged to protect all personal data in respect of commercial transactions that relates directly or indirectly to our customers, which was collected, processed and retained by Dagang Net, under our Privacy Policy, which was formulated pursuant to the Personal Data Protection Act ("PDPA") 2010 in Malaysia. We are also ISO 27001:2013 certified for Information Security Management System.

Corporate Governance & Whistleblowing Policy

In embracing our vision to be a leading multinational corporation that is trusted for its world class services and expertise, we strive to be an organisation that is not only profitable but also one that stands true to our "Clean" core value, in which we seek to conduct transparent business, and to instil a culture of integrity.

Our Board is committed to achieving a high standard of Corporate Governance throughout the organisation and has applied the principles and recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission Malaysia and provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). For an overview of our Corporate Governance Overview Statement, please refer to pages 54 to 67 of this Annual Report.

We have also incorporated several policies in managing the operations of the company, such as the Code of Conduct ("Code"), which require all officers and employees to observe high standards of business and ethics in carrying out duties and responsibilities. In addition, our Whistleblowing policy has been formulated and updated with a view to provide a mechanism for officers and employees of the company to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Code. The types of malpractices covered under the policy include soliciting or accepting bribe or any illegal gratification, participating in unauthorised financial transactions and breach of fiduciary relationship.

Our implementation of the Whistleblowing Policy is also in line with Section 587 of the Companies Act 2016 where provisions have been made to protect Company Officers who make disclosures on breach or non-observance of any requirement of provisions of the Act or on any serious offence involving fraud and dishonesty. The complete Whistleblowing Policy is available on www.dnex.com.my/whistleblowing-policy.

Business Continuity Plan

As a company that is responsible in managing and operating the National Single Window, it is imperative that we implement a robust and comprehensive Business Continuity Plan ("BCP"), one that also refers to a Crisis Management Plan and a Disaster Recovery Plan. The BCP sets out several possible scenarios as well as guidelines for BCP Training, Awareness and Testing. We conduct BCP tests periodically to ensure that, amongst others – procedures are complete and workable, resources available at the alternative site are usable and ready, and relevant personnel are competent and aware of their responsibilities. By maintaining a comprehensive BCP, we can ensure the recovery of critical business processes and continuity of its day-to-day business operations amid threats, disasters and calamities.

Sustainability Report

Supply chain management

Our Procurement Unit are guided by the DNeX Purchasing and Tendering Policies and Procedures. As an investment focused company, our Procurement unit mainly source for goods and services for information technology, general office management, travel, events, and other miscellaneous items to support our day to day operations. In 2018, DNeX procured goods and services worth RM95.8 million, an increase of RM19.2 million from 2017's RM76.6 million. This increase is attributable to the purchase of assets related to project requirements for iGFMAS following our acquisition of Genaxis Group, without which we would have only spent RM53.5 million due to the cost cutting measures put in place in 2018.

Furthermore, in line with DNeX Vendor and Contract Management Policies and Procedures, our Procurement Unit conducts an annual DNeX Group Vendor Evaluation online survey to evaluate the vendor services and performance for purchases made within that year. Accordingly, the results from the evaluation determines which vendor will be channelled into, maintained or removed from DNeX's Approved Vendor List.

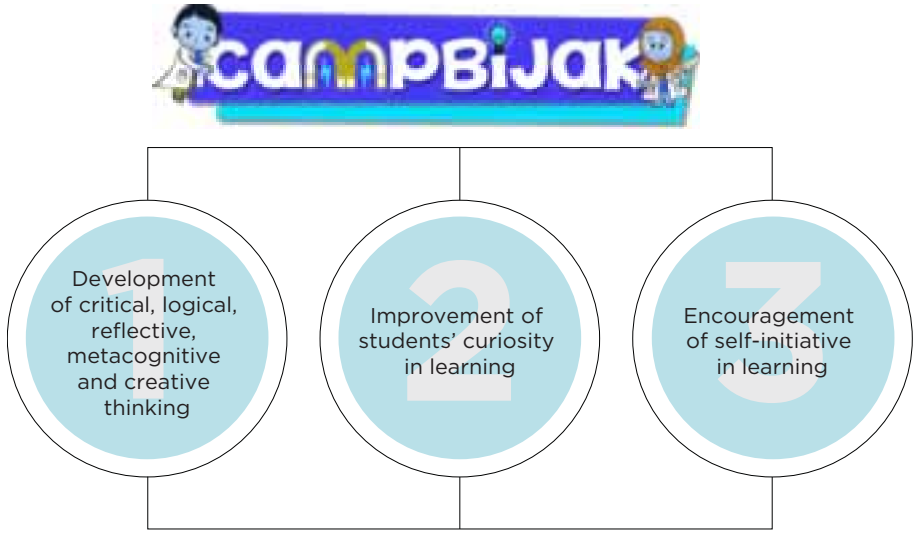
OUR PLANET & SOCIETY

Our planet and society strategy

1. We enable our customers to increase energy efficiency, save resources and reduce carbon emissions through digitised technology; and
2. We minimise the environmental impact of our operations through waste reduction initiatives.

RM291,100

Total charitable contribution



Corporate Citizenship

As a company that places high regards for technology and innovation, it follows that our strategy for sustaining communities revolve around supporting the younger generation, promoting affinity to technology-related education, unleashing creativity and entrepreneurship.

We find ways to contribute. Our zakat disbursement covers financial aid for select shelters, development of *tahfiz*, educational support, and helping employees undergoing difficult circumstances. In Ramadhan 2018, we initiated DNeX Cares - a charitable activity that enabled us to pledge food and drinks for the needy. A total of 97 cartons of Imizu Chia Seed drinks and 84 cartons of Sambal Abadi were distributed to 21 schools and shelter.

Our social and environmental commitment also includes support towards humanitarian emergency aid and financial assistance in the wake of natural disasters. We also extend our corporate patronage to arts, culture, and environmental stewardship. In 2017, we hosted Muzik4Humanity, a humanitarian concert aimed at raising funds for programmes organised by Medical Relief Society Malaysia ("MERCY"). In 2018, we continued on this path and collaborated with PeJAM, a social organisation, to bring humanitarian relief to the Palu earthquake and tsunami victims.

CampBijak™

CampBijak™ is DNeX's flagship Corporate Social Responsibility programme designed to support the nation's youth through scientific education and entrepreneurship. Now in its 4th year, it continues to be a supplementary syllabus programme aimed to help educate and instil deep interest in Mathematics and Science subjects through a structured but fun learning environment.

In 2018, the CampBijak™ ecosystem has truly seen a growth in the development of its participants in all areas. In Mathematics, English, Science and Entrepreneurship and Innovation, all 60 students gained extensive growth through the experiential modules. With a 32% growth in the students' capacity of Mathematics and Science, as well as a heightened sense of direction for their post-secondary school opportunities, the CampBijak™ ecosystem has proven to be effective in achieving its objectives.

To further encourage and nurture the students' love for science and technology, DNeX also entered and sponsored the students into the Young Inventor's Challenge organised by the Association of Science, Technology and Innovation. The competition gathered the brightest secondary students from around the region to showcase their inventions. CampBijak™ sent two teams to showcase their invention for the assigned case studies.

CAMPBIJAK™ 2018 OVERVIEW

November 2017 - September 2018

BENEFICIARY

Sekolah Menengah Kebangsaan (SMK) Bandar Baru Salak Tinggi, Jalan Dahlia Pewira, Bandar Baru Salak Tinggi, 43900 Sepang, Selangor

60
Malay Students

Income of parents
B40
(<RM3,900, also categorised as Asnaf)

feb
CampBijak™
Easy English (EEE)

apr
CampBijak™
Easy English (EEE2)

may
CampBijak™
Science

june
CampBijak™
Premier

july
CampBijak™
Entrepreneurship Carnival

sept
CampBijak™
Young Inventors Challenge

Sustainability Report

Sabah Parks

In February 2018, we organised a corporate expedition to Mount Kinabalu comprising 33 staff and top management officers. The expedition, called "#DNeXtakesKinabalu2018" forms part of our employee engagement programme to promote work life balance and volunteerism spirit within the workforce.

In conjunction with this expedition and aligned to our commitment towards environmental conservation, the company pledged RM1,000 for each hiker who succeeded to reach Low's Peak on 11 February. The expedition succeeded in pledging RM30,000 to Sabah Parks, particularly towards the conservation and maintenance effort for Mount Kinabalu and/or Kinabalu Park. This is the first such initiative undertaken by DNeX, and one that we hope to emulate again in the future.

Going beyond borders...

Palu Relief Golf

In response to the 2018 earthquake and tsunami in Sulawesi, Indonesia, DNeX co-hosted a charity golf event to raise funds to provide aid to the survivors. Dubbed Palu Relief Golf, the event was held at Glenmarie Golf and Country Club in Shah Alam, Malaysia. The charity event was organised in collaboration between DNeX and PeJaM where a sum of RM500,000 will be channelled to MERCY Malaysia's Tabung Bantuan Bencana Palu to bring humanitarian relief to affected communities in Palu, Sulawesi. The sum will be disbursed to MERCY over a period of five years. In 2018, we have completed the first contribution amounting to RM100, 000.

In addition, DNeX, through its GoHalal eMarketplace, pledged food products - namely ready-to-cook Sambal Abadi worth RM50,000 - to Insaf Malaysia, another non-profit organisation that also carried out relief work in Palu. The co-host of the charity golf event, PeJaM, is a social alliance of golf enthusiasts from Glenmarie who also pursue community work.

Nurturing Environmental Protection

As a company that operates on an extensive know-how, asset-light strategy, DNeX integrates and develops commercially sustainable energy businesses leveraging on strategic technology partnerships and alliances. Additionally, our facilitative, integrated technology services contribute to fully digitised work systems, allowing our customers and stakeholders to minimise environmental impact and carbon footprint.

Waste reduction

- Reduced stationery consumption, and
- default printing configuration to reduce paper usage and toner wastage.

Operational management

- Utilisation of electronic cards for festive greetings,
- minimising travel for meetings,
- leveraging on email and teleconferencing as mode of communication, and
- utilising green bags and recycling bins.

Reduce, reuse and recycle

- Recycling non-hazardous waste like paper, newspaper and magazines, and
- where disposal is necessary, waste is managed in an environmentally responsible manner, at convenient recycling points within our buildings.

Energy and water saving

- Reminders to "Turn Off When Not in Use" for common areas such as the pantry, washroom, meeting rooms, prayer rooms and nursing room to encourage energy and water savings, and
- cultivating healthy habits to decrease our carbon footprint and utility bills.

OUR PEOPLE & WORKPLACE

Our People and Workplace strategy

1. We recruit, train and recompense our people to organise our business effectively;
2. We develop our people's skills and grow their leadership capabilities;
3. We enhance employee performance through employee engagement; and
4. We cultivate social and environmental stewardship through mutual involvement with social enterprises, NGOs, communities and the Government.

Code of Conduct ("Code")

Our people commit and adhere to a set of ethical values through the maintenance of the Code. It sets down the rules for all DNeX officers and employees, enabling them to act in the highest standards of business and personal ethics when carrying out their duties and responsibilities, and maintain discipline and order in the workplace. In summary, the Code:

- is designed to maintain discipline and order in the work place amongst all employees;
- sets out the circumstances in which such employees would be deemed to have breached the Code and the actions that can be taken against them if they do so; and
- the specific procedures on the application of the policies referred to in the Code spells out in the Company's policies and procedures manual.

Safety & Health

Our workplace's safety and health is overseen by DNeX's Corporate Safety and Health Committee, who works at identifying and improving key areas to work on. They are also responsible in instilling a safe and responsible culture within the organisation, which begins immediately after a new hire joins the company. During this session, new hires are briefed on the relevant safety and health objectives and protocols. This ensures that everyone will play their part in ensuring a safe and healthy working environment.

In fiscal 2018, we had to bemoan two injurious accidents on the same day (21 September 2018). One case involved a DNeX employee in a road accident while he was on his way to work. while another met with an accident while delivering work documents. While investigations have concluded that there were no elements of recklessness involved, unfortunately accidents still causes grief for families, friends and colleagues, and is a call for us as a company to be further committed in ensuring a safe working environment for all our employees.

Nurturing Talent, Promoting Growth and Retention

Performing competitively in the evolving technology and energy landscape requires competent and empowered people working together to achieve the same vision and mission. Our workforce is our greatest asset. We work at adjusting backward norms and conditions for them to succeed not just at work, but in the fields they are passionate in. Our Group Human Resource ("GHR") is constantly working to promote DNeX as an employer of choice based on competitive wages and benefits, the quality of our workplace, and the opportunities our group of companies provide.

DNeX provide equal opportunity in recruitment, career development, promotion, training and rewards for all its employees. Our focus is to help our employees focus on clear, aligned and measurable goals, and we do this by conducting midyear planning and performance reviews, and year end performance reviews. This process provides a channel to receive feedback and coaching, and to develop skills and capabilities through the execution of each individual's development plan.

Alongside our aim to offer competitive salary and benefits, we also increased our efforts in identifying and hiring the right talent from the beginning. We seek to attract and employ exceptionally skilled talents who share our values. We do this by adhering to talent acquisition processes to avoid and minimise the occurrence of talent mismatch which could potentially lead to work frustration.

Each year, our GHR participated and collaborated with colleges, universities and career fairs to increase employer branding and awareness amongst undergraduates, graduates and experienced job seekers. We also collaborate with various universities and colleges for internship programmes to provide a good platform to kick start young talents' career development.

Employee Engagement

During the third quarter of 2018, we performed a DNeX People Survey designed to assess the degree of employee affiliation and commitment to DNeX, and as a means to address issues raised by employees. The survey garnered 72% response and provided insight into our employees' views on, amongst others, work support, benefits, career opportunities, company practices, corporate branding and culture. Strong employee engagement is especially critical in maintaining strong business delivery in times of great change.

Total employees

624

Interns

2018:
19

2017: 17 interns
2016: 5 interns

Attrition rate

2018:
9.77%

2017: 15.43%

Our average employee engagement score is 52%, and 38% indicated "near engagement". The results suggested an opportunity for our GHR to fine-tune the employee engagement strategy, to convert the "nearly engaged" demographic to "engaged".

Whistleblowing channel

DNeX's Whistleblowing Policy has been formulated with a view to provide a mechanism for officers and employees of the Company to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Company's code of conduct or ethics policy. This Policy is administered by the Group Human Resource Division and overseen by the Chairman of the Board Audit Committee. See "Corporate Governance and Whistleblowing Policy" on page 83 for more information.

Promoting Work Life Balance and Empowering Women

DNeX wants to be an employer of choice, one that promotes business and personal life achievements. We believe that by offering the right support and empowerment to our employees, we are directly embedding human rights and encouraging a healthy work-life balance across all our business. Our working environment is one where all employees are treated with respect, feel safe from discrimination and harassment, and can thrive in a supportive and conducive atmosphere.

Our Group Human Resource strives to create an employer of choice environment within the industry we are in. We offer competitive salary and benefit packages, promotions, transfers, compensation, career mentoring, company sponsored training, tuition assistance, eligibility to fitness amenities, and social and recreational programmes for our employees.

DNeX also believes that women play an important role, socially and economically. By empowering women and promoting gender equality, we can enable communities, economies and businesses, including our own, to prosper. A lack of support during pregnancy and the challenge of balancing childcare with work account for many women's decision to leave paid employment. Some women experience difficulties in returning to work after a career break, while others return to work to find fewer opportunities for promotion and progression versus their male counterparts.

With this in mind, our Group Human Resource undertake special consideration for our female employees to allow them the freedom and empowerment to build the career and life they want, so that they are not hindered by harmful norms and stereotypes. Some of these special considerations include a nursing room in the office, a separate Muslim praying and ablution area, and work from home arrangement when necessary.

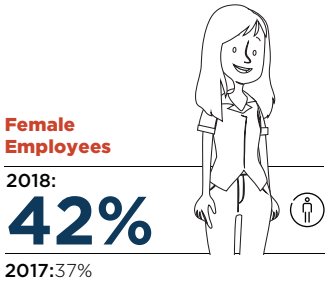
In 2018, the percentage of female employees in DNeX increased from 37% to 42%. However, female employees in management positions have decreased to 8%. We aspire to bring about further improvements in gender balance and are committed to promoting women at all levels in the company, and intend to increase the percentage of women in its top management positions.

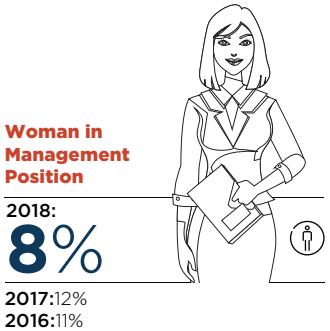
We offer support for our female employees through:

- Equal work empowerment
- Two months fully paid maternity leave
- A return to work at the same level after maternity leave
- Remote where (where applicable) that allows workers to work anytime, anywhere as long as business needs are fully met
- A nursing room
- Zero tolerance for sexual or aggressive harassment in the workplace

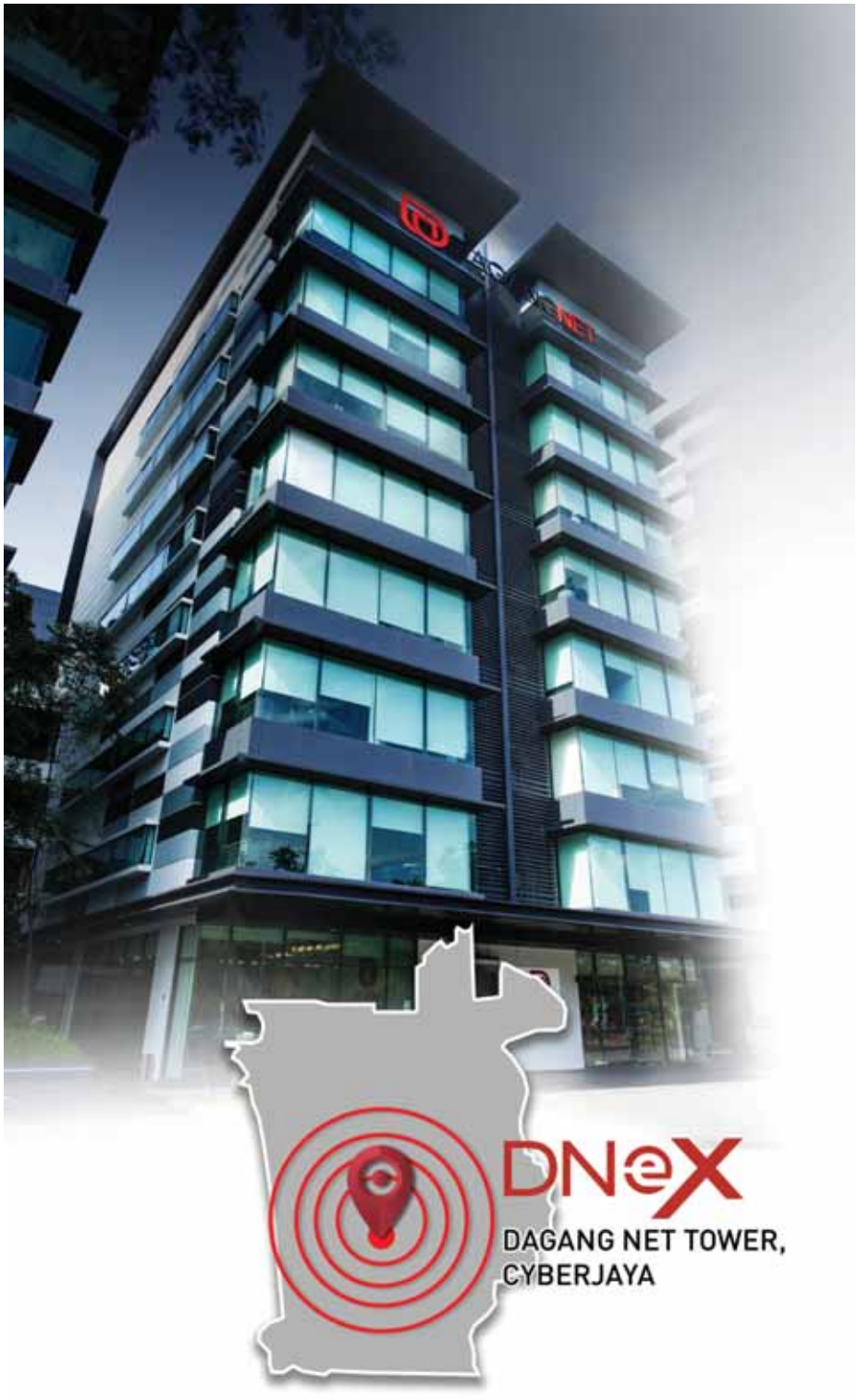
DNeX provides numerous benefits to its employees beyond salary. We are constantly striving to provide our team with the highest quality benefits

Eligibility of full-time DNeX employees
Employee Share Option Scheme (ESOS)
Sponsorship of employee engagement activities/team sports
100% company paid medical insurance
Dental and vision care reimbursement
2 months fully paid maternity leave
Merit-based performance bonus
Remote work when applicable
Hardship allowance where applicable
Dedicated prayer rooms and ablution area
Nursing room and sick bay





Sustainability Report



Relocation of DNeX Headquarters

During the second quarter of 2018, DNeX relocated its headquarters in Bangsar South, Kuala Lumpur to Star Central, Cyberjaya. The relocation is part of DNeX's long term strategy to increase operational performance and business profitability:

- **Space:** With a built up area of 31,136 square feet, the new headquarters provided the space for renovation and fit-for-purpose design that will accommodate the needs of our workforce better. The new open plan layout fosters better working ties between employees and allows better flexibility of movement.

- **Strategic location:** Cyberjaya is an emerging global technology hub and home to more than 800 companies, of which 40 are global and regional multinationals. Located just 30 minutes away from Kuala Lumpur, the new office is accessible via a network of highways and expressways such as MEX, SKVE, LDP, ELITE and Kajang Silk.

- **Client Servicing:** One of our key businesses is ideating, engineering and delivering customised trade processing solutions to the Government. The relocation places DNeX in close proximity to the Government Administrative Centre in Putrajaya, and also home to some of our key clients and partners – giving us the advantageous opportunity to connect, collaborate and serve them faster and better.

We took into account the higher cost of travelling expenses and hardship that may be incurred during work travel for some of our employees. To ease their financial burden, hardship allowances for qualified employees are disbursed for a management-specified period of time.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	35,345	19,028
Non-controlling interests	16,547	-
	51,892	19,028

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year under review are disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the financial year.

A final dividend of 0.5 sen per ordinary share totalling RM8,790,177 was recommended by the Directors in respect of the financial year ended 31 December 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2019.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Abd Rahman Mamat (Chairman)
Datuk Samsul Husin
Zainal 'Abidin Abd Jalil*
Dato' Wong Kam Yin
Rosli Abdullah
Norlila Hassan
Ang Hsin Hsien
Satria Ahmad
Datuk Johar Che Mat (Appointed on 28 February 2018)
Azman Karim (Resigned on 28 February 2018)

* Encik Zainal 'Abidin Abd Jalil retired as Group Managing Director of Dagang NeXchange Berhad on 22 January 2019 upon attaining the retirement age of 60. Subsequently, he was appointed as Executive Director on 11 February 2019.

The name of the Directors of subsidiaries are set out in the respective subsidiaries' statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Interests in the Company:				
Datuk Samsul Husin				
- Direct	1,000,000	-	-	1,000,000
- Indirect *	285,056,609	-	-	285,056,609
Zainal 'Abidin Abd Jalil				
- Indirect **	363,676,000	-	-	363,676,000
Datuk Johar Che Mat				
- Direct	5,000	-	-	5,000

* Deemed interest through Censof Holdings Berhad pursuant to Section 8(4) of the Companies Act, 2016.
** Indirect/deemed interest by virtue of his 78% shareholdings in Arcadia Acres Sdn. Bhd. (360,000,000 ordinary shares).
** Indirect/deemed interest through his spouse, Puan Rusmin binti Jaafar (3,676,000 ordinary shares).

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

	Number of options over ordinary shares			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
Interests in the Company:				
Datuk Samsul Husin	1,250,000	-	-	1,250,000
Zainal 'Abidin Abd Jalil	2,250,000	-	-	2,250,000
Dato' Wong Kam Yin	1,500,000	-	-	1,500,000

None of the other Directors holding office at 31 December 2018 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employee Share Option Scheme ("ESOS").

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the Directors of the Group and of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of the Company and its subsidiaries are covered under the Directors and Officers Liability Insurance Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of indemnity coverage and insurance premium paid for the Directors and certain Officers of the Company and of the Group were RM15,000,000 and RM16,228 respectively.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up capital from RM353,502,381 to RM354,322,647 by way of issuance of 2,663,200 new ordinary shares from the exercise of options under the Company's ESOS at the exercise prices as disclosed in Note 15 to the financial statements which amounted to RM820,266.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 27 January 2016. The ESOS is to be in force for a period of five (5) years effective from 25 August 2016.

The details of the ESOS are disclosed in Note 15 to the financial statements.

WARRANTS 2016/2021

The Warrants were constituted by the Deed Poll dated 27 January 2016 ("Deed Poll").

On 1 August 2016, a total of 711,396,809 Warrants were issued by the Company.

The details of the Warrants are disclosed in Note 15 to the financial statements.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and that adequate allowance had been made for impairment losses on receivables, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would further render the amount written off for bad debts, or the additional allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

The contingent liability is disclosed in Note 33 to the financial statements. At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 35 to the financial statements.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to accept re-appointment.

The auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Samsul Husin

Rosli Abdullah

Kuala Lumpur,

Date: 27 February 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	68,190	65,279	88	106
Goodwill	4	60,220	49,740	-	-
Intangible assets	5	41,933	44,688	-	-
Investments in subsidiaries	6	-	-	273,773	249,413
Investments in associates	7	200,907	175,660	-	-
Other investments	8	4,633	4,233	-	-
Deferred tax assets	9	226	-	-	-
Total non-current assets		376,109	339,600	273,861	249,519
Inventories	10	3,021	2,770	-	-
Contract assets	11	76,935	-	-	-
Trade and other receivables	12	129,475	105,923	692	667
Amount due from subsidiaries	13	-	-	72,451	60,297
Current tax assets		3,530	2,740	-	-
Cash and cash equivalents	14	38,998	51,834	2,482	1,145
Total current assets		251,959	163,267	75,625	62,109
Total assets		628,068	502,867	349,486	311,628
Equity					
Share capital	15	354,322	353,502	354,322	353,502
Warrant reserve	15	5,691	5,691	5,691	5,691
Share option reserve	15	831	998	831	998
Translation reserve	15	(2,264)	(6,150)	-	-
Fair value reserve	15	(734)	-	-	-
Retained earnings/(Accumulated losses)		96,750	72,864	(44,282)	(56,643)
Total equity attributable to owners of the Company		454,596	426,905	316,562	303,548
Non-controlling interests	16	(13,086)	(2,548)	-	-
Total equity		441,510	424,357	316,562	303,548
Liabilities					
Deferred tax liabilities	9	7,524	9,249	-	-
Loans and borrowings	17	17,964	18,680	-	-
Total non-current liabilities		25,488	27,929	-	-
Trade and other payables	18	125,028	44,113	2,559	3,761
Loans and borrowings	17	29,611	1,320	18,000	-
Amount due to subsidiaries	13	-	-	12,215	593
Current tax liabilities		6,431	5,148	150	3,726
Total current liabilities		161,070	50,581	32,924	8,080
Total liabilities		186,558	78,510	32,924	8,080
Total equity and liabilities		628,068	502,867	349,486	311,628

The notes on pages 105 to 181 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	19	293,452	203,938	11,542	39,238
Cost of sales		(154,033)	(96,977)	-	-
Gross profit		139,419	106,961	11,542	39,238
Sales and marketing expenses		(4,871)	(4,932)	-	-
Administrative expenses		(10,649)	(7,533)	(1,013)	(862)
Net (loss)/gain on impairment of financial instruments and contract assets	20	(1,596)	(329)	10,876	-
Other operating expenses		(83,314)	(57,365)	(15,647)	(14,322)
Other operating income	21	8,217	7,070	14,778	14,922
Results from operating activities		47,206	43,872	20,536	38,976
Finance costs	22	(3,128)	(694)	(519)	(253)
Finance income	22	562	1,213	2,072	2,891
Share of profit of equity-accounted associates, net of tax		22,007	22,200	-	-
Profit before tax	23	66,647	66,591	22,089	41,614
Zakat		(405)	(500)	-	-
Tax expense	24	(14,350)	(10,900)	(3,061)	-
Profit for the year		51,892	55,191	19,028	41,614
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Fair value changes of equity instruments		(734)	-	-	-
		(734)	-	-	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		92	(561)	-	-
Share of other comprehensive income of equity-accounted associates		3,867	(16,916)	-	-
		3,959	(17,477)	-	-
Other comprehensive income for the year, net of tax		3,225	(17,477)	-	-
Total comprehensive income for the year		55,117	37,714	19,028	41,614
Profit attributable to:					
Owners of the Company		35,345	56,599	19,028	41,614
Non-controlling interests		16,547	(1,408)	-	-
Profit for the year		51,892	55,191	19,028	41,614
Total comprehensive income attributable to:					
Owners of the Company		38,570	39,122	19,028	41,614
Non-controlling interests		16,547	(1,408)	-	-
Total comprehensive income for the year		55,117	37,714	19,028	41,614
Earnings per ordinary share (sen)	25				
- Basic		2.01	3.24		
- Diluted		1.99	3.20		

The notes on pages 105 to 181 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the owners of the Company							
	Non-distributable				Distributable			
Group	**Share capital RM'000**	**Warrant reserve RM'000**	**Share option reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2017	346,578	5,691	2,415	11,327	25,031	391,042	(1,884)	389,158
Profit for the year	-	-	-	-	56,599	56,599	(1,408)	55,191
Foreign currency translation differences for foreign operations	-	-	-	(561)	-	(561)	-	(561)
Share of other comprehensive income of equity-accounted associates	-	-	-	(16,916)	-	(16,916)	-	(16,916)
Total comprehensive income for the year	-	-	-	(17,477)	56,599	39,122	(1,408)	37,714
Contributions by and distributions to owners of the Company								
- Effect of acquisition of subsidiaries	-	-	-	-	-	-	94	94
- Issue of shares of subsidiaries to non-controlling interests	-	-	-	-	-	-	650	650
- Share options exercised	6,924	-	(1,417)	-	-	5,507	-	5,507
- Dividends to owners of the Company	-	-	-	-	(8,766)	(8,766)	-	(8,766)
Total transactions with owners of the Company	6,924	-	(1,417)	-	(8,766)	(3,259)	744	(2,515)
At 31 December 2017	353,502	5,691	998	(6,150)	72,864	426,905	(2,548)	424,357
	Note 15	Note 15	Note 15	Note 15			Note 16	

Statements Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	**Note**	**Share capital RM'000**	**Warrant reserve RM'000**	**Share option reserve RM'000**	**Translation reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 31 December 2017/ 1 January 2018		353,502	5,691	998	(6,150)	-	72,864	426,905	(2,548)	424,357
Adjustment on initial application of MFRS 9, net of tax	36	-	-	-	-	-	(4,273)	(4,273)	-	(4,273)
At 1 January 2018, restated		353,502	5,691	998	(6,150)	-	68,591	422,632	(2,548)	420,084
Profit for the year		-	-	-	-	-	35,345	35,345	16,547	51,892
Fair value changes of equity instruments		-	-	-	-	(734)	-	(734)	-	(734)
Foreign currency translation differences for foreign operations		-	-	-	92	-	-	92	-	92
Share of other comprehensive income of equity-accounted associates		-	-	-	3,867	-	-	3,867	-	3,867
Total comprehensive income for the year		-	-	-	3,959	(734)	35,345	38,570	16,547	55,117
Contributions by and distributions to owners of the Company										
- Effect of acquisition of subsidiaries		-	-	-	-	-	-	-	(29,844)	(29,844)
- Effect of disposal of subsidiaries		-	-	-	(73)	-	-	(73)	2,263	2,190
- Share options exercised		820	-	(167)	-	-	-	653	-	653
		820	-	(167)	(73)	-	-	580	(27,581)	(27,001)
Changes in a subsidiary's ownership interests that do not result in a loss of control		-	-	-	-	-	(7,186)	(7,186)	496	(6,690)
Total transactions with owners of the Company		820	-	(167)	(73)	-	(7,186)	(6,606)	(27,085)	(33,691)
At 31 December 2018		354,322	5,691	831	(2,264)	(734)	96,750	454,596	(13,086)	441,510
		Note 15	Note 15	Note 15	Note 15	Note 15			Note 16	

Statements Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Attributable to owners of the Company				
			Non-distributable			
Company	**Note**	**Share capital RM'000**	**Warrant reserve RM'000**	**Share option reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2017		346,578	5,691	2,415	(89,491)	265,193
Profit for the year		-	-	-	41,614	41,614
Total comprehensive income for the year		-	-	-	41,614	41,614
Contributions by and distributions to owners of the Company						
- Share options exercised		6,924	-	(1,417)	-	5,507
- Dividends to owners of the Company	26	-	-	-	(8,766)	(8,766)
Total transactions with owners of the Company		6,924	-	(1,417)	(8,766)	(3,259)
At 31 December 2017/1 January 2018		353,502	5,691	998	(56,643)	303,548
Adjustment on initial application of MFRS 9, net of tax	36	-	-	-	(6,667)	(6,667)
At 1 January 2018, restated		353,502	5,691	998	(63,310)	296,881
Profit for the year		-	-	-	19,028	19,028
Total comprehensive income for the year		-	-	-	19,028	19,028
Contributions by and distributions to owners of the Company						
- Share options exercised		820	-	(167)	-	653
Total transactions with owners of the Company		820	-	(167)	-	653
At 31 December 2018		354,322	5,691	831	(44,282)	316,562
		Note 15	Note 15	Note 15		

The notes on pages 105 to 181 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Dividends received from investees	627	-	16,543	34,237
Management fee received from subsidiaries	-	-	14,574	16,374
Cash receipts from customers	295,420	191,188	-	-
Cash payments to suppliers	(129,683)	(91,794)	-	-
Cash payments to employees and for expenses	(107,043)	(81,522)	(33,257)	(15,711)
Cash flows generated from/(used in) operating activities	59,321	17,872	(2,140)	34,900
Net taxation	(18,659)	(14,506)	(6,425)	-
Interest and other income received	-	-	10	154
Zakat paid	(336)	(521)	-	-
Net cash generated from/(used in) operating activities	40,326	2,845	(8,555)	35,054
Cash flows from investing activities				
Advances to subsidiaries	-	-	(10,250)	(35,773)
Interest received	562	1,213	2,062	2,737
Proceeds from disposal of property, plant and equipment	1,361	140	-	72
Purchase of property, plant and equipment, and intangible assets	(22,321)	(31,102)	(54)	-
Acquisition of subsidiaries	(3,564)	-	-	-
Deposit for acquisition of investments	-	(1,000)	-	-
Net cash used in investing activities	(23,962)	(30,749)	(8,242)	(32,964)
Cash flows from financing activities				
Drawdown of loans and borrowings	32,893	21,619	18,000	-
Proceeds from share options exercised	653	5,507	653	5,507
Dividend paid to owners of the Company	-	(17,440)	-	(17,440)
Payment of loans and borrowings interests	(3,128)	(612)	(519)	(253)
Repayment of loans and borrowings principal	(66,656)	(1,619)	-	-
Increase in pledged deposits and restricted cash	(5,149)	(1,487)	-	-
Net cash (used in)/generated from financing activities	(41,387)	5,968	18,134	(12,186)

Statements Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net change in cash and cash equivalents		(25,023)	(21,936)	1,337	(10,096)
Cash and cash equivalents at 1 January		44,693	66,629	1,145	11,241
Cash and cash equivalents at 31 December	(i)	19,670	44,693	2,482	1,145

Notes to the statements of cash flows

i) *Cash and cash equivalents*

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current				
Restricted and pledged				
- Cash and bank balances	2,203	185	-	-
- Deposits with licensed banks	10,087	6,956	-	-
	12,290	7,141	-	-
Unrestricted				
- Cash and bank balances	26,708	20,400	2,482	1,145
- Deposits with licensed banks	-	24,293	-	-
	26,708	44,693	2,482	1,145
	38,998	51,834	2,482	1,145
Less: Bank overdrafts	(7,038)	-	-	-
Less: Cash and cash equivalents pledged as security	(12,290)	(7,141)	-	-
	19,670	44,693	2,482	1,145

Dagang NeXchange Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business is as follows:

Registered office and principal place of business
Dagang Net Tower
Block 10(A&B) Corporate Park, Star Central,
Lingkaran Cyberpoint Timur, Cyber 12,
63000 Cyberjaya, Selangor

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 February 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements, except as follows:

(i) MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 36 to the financial statements.

Notes to the Financial Statements

(CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, ie. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 36 to the financial statements.

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currencies

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as follows:

(i) Revenue

The Group's contract for the implementation of National Single Window ("NSW") will be ending in August 2019. Thus, there can be no assurance that the Group will be able to continue to enjoy similar level of revenue when the NSW contract expires.

(ii) Impairment of goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 4 to the financial statements.

(iii) Impairment of property, plant and equipment, intangible assets and investments in associates

The Group determines whether its property, plant and equipment, intangible assets and investments in associates are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount such as discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment, intangible assets and investments in associates as at the reporting date are disclosed in Notes 3, 5 and 7 to the financial statements respectively.

(iv) Impairment of contract assets and trade receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all contract assets and trade receivables. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of contract assets and trade receivables. The carrying amounts of contract assets and trade receivables as at the reporting date are disclosed in Notes 11 and 12 to the financial statements respectively.

Notes to the Financial Statements

(CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(v) Impairment of non-trade receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgements in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amount due from subsidiaries as at the reporting date are disclosed in Notes 12 and 13 to the financial statements respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Group's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising from acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the date of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is in a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(j)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year (continued)

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment (see note 2(j)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” or “other operating expenses” respectively in profit or loss.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Office renovations	5 - 10 years
• Plant and machinery	3 - 8 years
• Motor vehicles	5 years
• Office equipment, furniture and fittings	5 - 10 years
• Computer equipment	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets, comprises licences and customer bases, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives of capitalised development costs, software and licence are 3 - 6 years respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined on the first-in, first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note (2)(j)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts, pledged deposits and restricted cash.

(j) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets/liabilities) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Warrants

Amount allocated in relation to the issuance of warrants are credited to the warrant reserve which is non-distributable. The warrant reserve is transferred to the share capital account upon the exercise of the warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrant period will be transferred to the retained earnings.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at grant date is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(a) Sale of customised equipment

Revenue from sale of customised equipment is recognised at a point in time in the period in which the customer accepts the delivery of the goods.

Contracts that bundle the design, sale and installation of customised equipment are recognised as a single performance obligation as the design and installation includes significant integration services. Revenue is recognised progressively in proportion to the stage of completion determined by reference to technical milestones.

(b) Sale of merchandise goods

Revenue from sale of merchandise goods is recognised at a point in time in the period in which the customer accepts the delivery of the goods.

(c) Rendering of services

Contracts from services that comprises multiple deliverables represents a combined output for which the customer has contracted for that are substantially the same and that have the same pattern of transfer to the customer and are therefore recognised as a single performance obligation. The Group recognises revenue from the rendering of services over time, using an output method determined by surveys of works performed to measure progress towards complete satisfaction of the services.

Otherwise, revenue from rendering of services is recognised at a point in time upon performance of services, such services include the services rendered from National Single Window and its related contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(i) Revenue (continued)

(d) Rental of equipment

Rental of equipment is recognised in profit or loss on a straight-line basis over the term of the lease.

(e) Subscriptions

Subscription fees are recognised over the period that access to the required services is being provided.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iii) Rental income

Rental income from sub-lease property is recognised in profit or loss on a straight-line basis over the term of the lease as other income.

(iv) Management fee

Management fee is recognised at a point in time when services are rendered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants and share options granted to employees.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Deputy Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Government grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other operating income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Office renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2017	7,669	2,539	6,200	28,147	2,174	3,909	42,031	2,808	95,477
Additions	-	-	344	2,777	546	151	2,917	32,765	39,500
Disposals	-	-	-	-	(1,065)	-	(8)	-	(1,073)
Written off	-	-	-	-	-	-	(786)	-	(786)
Reclassifications	16,873	5,624	-	-	-	64	1,362	(23,923)	-
Adjustment	-	-	-	-	-	13	-	(58)	(45)
At 31 December 2017/ 1 January 2018	24,542	8,163	6,544	30,924	1,655	4,137	45,516	11,592	133,073
Acquisitions through business combinations (Note 27)	-	1,014	566	-	1,375	454	1,053	54	4,516
Disposal of a subsidiary	-	-	-	-	-	(1)	(4)	-	(5)
Additions	-	-	147	-	-	172	857	11,834	13,010
Disposals	-	-	-	(11,194)	-	(6)	(51)	-	(11,251)
Written off	-	-	(336)	-	-	(3)	-	-	(339)
Reclassifications	-	-	5	11,354	-	38	-	(11,397)	-
Adjustment	-	-	-	-	-	-	-	3,000	3,000
At 31 December 2018	24,542	9,177	6,926	31,084	3,030	4,791	47,371	15,083	142,004

Notes to the Financial Statements

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Freehold land RM'000	Buildings RM'000	Office renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss									
At 1 January 2017									
Accumulated depreciation	-	916	4,348	8,931	1,847	2,188	40,182	-	58,412
Accumulated impairment loss	-	-	-	4,810	-	-	-	-	4,810
	-	916	4,348	13,741	1,847	2,188	40,182	-	63,222
Depreciation charge	-	83	360	2,084	138	351	3,413	-	6,429
Disposals	-	-	-	-	(1,065)	-	(6)	-	(1,071)
Written off	-	-	-	-	-	-	(786)	-	(786)
At 31 December 2017/ 1 January 2018									
Accumulated depreciation	-	999	4,708	11,015	920	2,539	42,803	-	62,984
Accumulated impairment loss	-	-	-	4,810	-	-	-	-	4,810
	-	999	4,708	15,825	920	2,539	42,803	-	67,794
Acquisitions through business combinations (Note 27)	-	133	439	-	890	413	889	-	2,764
Disposal of a subsidiary	-	-	-	-	-	(1)	(4)	-	(5)
Depreciation charge	-	201	515	2,394	379	373	2,502	-	6,364
Disposals	-	-	-	(2,812)	-	(6)	(37)	-	(2,855)
Written off	-	-	(245)	-	-	(3)	-	-	(248)
At 31 December 2018									
Accumulated depreciation	-	1,333	5,417	10,597	2,189	3,315	46,153	-	69,004
Accumulated impairment loss	-	-	-	4,810	-	-	-	-	4,810
	-	1,333	5,417	15,407	2,189	3,315	46,153	-	73,814
Carrying amounts									
At 1 January 2017	7,669	1,623	1,852	14,406	327	1,721	1,849	2,808	32,255
At 31 December 2017/ 1 January 2018	24,542	7,164	1,836	15,099	735	1,598	2,713	11,592	65,279
At 31 December 2018	24,542	7,844	1,509	15,677	841	1,476	1,218	15,083	68,190

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Total RM'000
Cost				
At 1 January 2017	308	75	89	472
Transfer to a subsidiary	(101)	-	-	(101)
At 31 December 2017/1 January 2018	207	75	89	371
Additions	-	2	52	54
At 31 December 2018	207	77	141	425
Accumulated depreciation				
At 1 January 2017	77	73	85	235
Depreciation charge	56	1	2	59
Transfer to a subsidiary	(29)	-	-	(29)
At 31 December 2017/1 January 2018	104	74	87	265
Depreciation charge	51	1	20	72
At 31 December 2018	155	75	107	337
Carrying amounts				
At 1 January 2017	231	2	4	237
At 31 December 2017/1 January 2018	103	1	2	106
At 31 December 2018	52	2	34	88

(a) The freehold land and buildings of the Group amounting to approximately RM23,238,000 (2017: RM22,488,000) have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 17 to the financial statements.

(b) Included in the property, plant and equipment of the Group at the end of the reporting period were certain motor vehicles and other office equipment with total carrying amounts of RM314,000 (2017: nil), which were acquired under finance lease terms. These assets have been pledged as security for the related finance lease liabilities of the Group as disclosed in Note 17 to the financial statements.

Notes to the Financial Statements

(CONTINUED)

4. GOODWILL

	Group	
	2018 RM'000	2017 RM'000
Cost		
1 January	49,740	49,740
Acquisitions through business combinations (Note 27)	15,716	-
Disposal of a subsidiary	(1,636)	-
31 December	63,820	49,740
Accumulated impairment loss		
1 January	-	-
Impairment loss	3,600	-
31 December	3,600	-
Carrying amounts		
1 January	49,740	49,740
31 December	60,220	49,740

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:

	Group	
	2018 RM'000	2017 RM'000
OGPC Sdn. Bhd. and OGPC O & G Sdn. Bhd. ("OGPC Group")	44,504	48,104
Genaxis Group Sdn. Bhd. and Innovation Associates Consulting Sdn. Bhd. ("Genaxis Group")	15,716	-
Other cash-generating units	-	1,636
	60,220	49,740

4. GOODWILL (CONTINUED)

(b) An impairment loss of RM3,600,000 was recognised on OGPC Group in "other operating expenses" line item of the statement of profit or loss and other comprehensive income after determining the recoverable amount of the cash-generating unit.

The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	Average Gross Margin		Average Growth Rate		Discount Rate		Terminal Growth Rate	
	2018	2017	2018	2017	2018	2017	2018	2017
OGPC Group	33.00%	33.00%	5.00%	5.68%	8.29%	16.97%	0%	0%
Genaxis Group	28.00%	n/a	5.00%	n/a	14.74%	n/a	0%	n/a

The key assumptions represent management's assessment based on past operating results and management's expectations of market conditions and assessment of future trends derived from both external and internal sources.

Management has determined the average gross profit margin and weighted average growth rate based on past performance and its expectation of market development. The discount rate used are computed based on the weighted average cost of capital of the industries that the Group operates in.

(c) Sensitivity to changes in assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount other than as disclosed below:

Following an impairment in the OGPC Group cash-generating unit, the above estimate is particularly sensitive in the following area:

- An increase in 1.3 percentage point in the pre-tax discount rate used would have resulted in an impairment loss of approximately RM2,870,000.

Notes to the Financial Statements

(CONTINUED)

5. INTANGIBLE ASSETS

Group	Software in progress RM'000	Software RM'000	Development expenditure RM'000	License and others RM'000	Total RM'000
Cost					
At 1 January 2017	3,213	15,075	315	48,106	66,709
Additions	2,776	83	-	-	2,859
Adjustment	(392)	-	-	-	(392)
Reclassification	(2,165)	2,165	-	-	-
At 31 December 2017/1 January 2018	3,432	17,323	315	48,106	69,176
Additions	4,093	500	-	4,718	9,311
Adjustment	(1,000)	-	-	-	(1,000)
At 31 December 2018	6,525	17,823	315	52,824	77,487
Accumulated amortisation and impairment loss					
At 1 January 2017					
Accumulated amortisation	-	14,390	315	2,781	17,486
Accumulated impairment loss	-	192	-	-	192
	-	14,582	315	2,781	17,678
Amortisation for the year	-	783	-	6,027	6,810
At 31 December 2017/1 January 2018					
Accumulated amortisation	-	15,173	315	8,808	24,296
Accumulated impairment loss	-	192	-	-	192
	-	15,365	315	8,808	24,488
Amortisation for the year	-	1,495	-	9,571	11,066
Accumulated amortisation	-	16,668	315	18,379	35,362
Accumulated impairment loss	-	192	-	-	192
At 31 December 2018	-	16,860	315	18,379	35,554
Carrying amounts					
At 1 January 2017	3,213	493	-	45,325	49,031
At 31 December 2017/1 January 2018	3,432	1,958	-	39,298	44,688
At 31 December 2018	6,525	963	-	34,445	41,933

Notes to the Financial Statements

(CONTINUED)

5. INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	9
Accumulated amortisation	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	9
Carrying amounts	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	-

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	319,168	294,808
Less: Impairment loss	(45,395)	(45,395)
	273,773	249,413

The movements in the allowance for impairment losses of investments in subsidiaries during the financial year were:

	Company	
	2018 RM'000	2017 RM'000
At 1 January/31 December	45,395	45,395

Notes to the Financial Statements

(CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Information Technology				
Dagang Net Technologies Sdn. Bhd.	Malaysia	Development, management and provision of business to government (B2G) e-commerce and computerised transaction in trade facilitation services.	100	100
DNeX RFID Sdn. Bhd.*	Malaysia	Research and development, design, manufacturing and trading of radio-frequency technology.	51	51
Global eCommerce Limited *~	Federal Territory of Labuan, Malaysia	Yet to commence business.	100	100
MyCall Gateway Sdn. Bhd.*	Malaysia	Providing of eWork Permit System and other related services.	100	100
DNeX Telco Services Sdn. Bhd. *	Malaysia	Providing of services for infrastructure works for telecommunication industry.	51	51
Global Market eCommerce Sdn. Bhd. *	Malaysia	Dealing in the business for online marketing and e-market place.	100	100
DNeX Imizu Sdn. Bhd.**	Malaysia	Trading, dealing in any manner whatsoever in all type of drinking water and beverages on retail as well as on wholesale basis in Malaysia or elsewhere.	55	55
DNeXPORT Sdn. Bhd. *	Malaysia	Providing technical consultancy, implementation, training, maintenance and technical support services related to eBusiness and the operation of business to business (B2B) eCommerce portal.	80	80
DNeX GIS Sdn. Bhd.***	Malaysia	Yet to commence business.	41	41
Genaxis Group Sdn. Bhd.*	Malaysia	Providing consultancy and advisory in computer hardware, software, peripherals and other IT based products.	51	-

* *The subsidiaries interest are held under Dagang Net Technologies Sdn. Bhd.*
** *The subsidiary's interest is held under Global Market eCommerce Sdn. Bhd.*
*** *The subsidiary's interest is held under DNeXPORT Sdn. Bhd.*
~ *This subsidiary was audited by member firms of Crowe Global of which Crowe Malaysia PLT is a member.*

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Information Technology				
Innovation Associates Consulting Sdn. Bhd.****#	Malaysia	Providing advisory and consultancy services in relation to strategy, business improvement, computers, telecommunication and information technology.	31	-
DNeX VMS Sdn. Bhd.*	Malaysia	Yet to commence business.	51	-
PT Dagang Net Indonesia*##	Indonesia	Yet to commence business.	99	-
DNeX Solutions Sdn. Bhd.	Malaysia	Providing expertise in IT project management and consultancy, supply of (ICT) hardware equipment, maintenance and asset management.	100	100
DNeX Technology Sdn. Bhd.	Malaysia	Providing IT solutions, cyber security, managed services and supply of computer hardware, software and peripherals.	100	100
Energy				
DNeX Energy Sdn. Bhd. (previously known as DNeX Petroleum Sdn. Bhd.)	Malaysia	Providing upstream oil and gas exploration and production.	100	100
Forward Energy Sdn. Bhd. +	Malaysia	Involved in power plant, engineering and energy related business specifically in the area of Independent Power Producer (IPP).	-	51
Forward Energy Ltd.^+	Federal Territory of Labuan, Malaysia	Holding of off-shore investments involved in power plant.	-	51

** The subsidiaries interest are held under Dagang Net Technologies Sdn. Bhd.*

***** The subsidiary's interest is held under Genaxis Group Sdn. Bhd.*

 # Although the Company owns less than half of the voting power in Innovation Associates Consulting Sdn. Bhd., the Company controls this subsidiary by virtue of an agreement with the other investors of Genaxis Group Sdn. Bhd.. Consequently the Company consolidate its investment in this subsidiary.

Not audited by member firms of Crowe Malaysia PLT.

^ The subsidiary's interest was held under Forward Energy Sdn. Bhd.

+ These companies have been disposed of during the year and no audit report was issued for the financial year ended 31 December 2018. The results of these companies (prior to disposal) were consolidated using management accounts.

Notes to the Financial Statements

(CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Energy				
Forward Energy Generation Ltd. ~	Federal Territory of Labuan, Malaysia	Design, develop, construct, operation and maintenance of power plant.	100	51
DNeX Oilfield Services Sdn. Bhd.	Malaysia	Involved in oil and gas oilfield services including supplies of products and equipment.	80	80
OGPC Sdn. Bhd.	Malaysia	Sale of oil and gas related equipment, provision of engineering and technical support services for the oil and gas industry.	100	100
OGPC O & G Sdn. Bhd.	Malaysia	Sale of oil and gas related equipment, provision of engineering and technical support services for the oil and gas industry.	100	100
DNeX Clean Utilities Sdn. Bhd.@##	Malaysia	Yet to commence business.	100	-

@ The subsidiary's interest is held under DNeX Energy Sdn. Bhd. (formerly known as DNeX Petroleum Sdn. Bhd.)
Not audited by member firms of Crowe Malaysia PLT.
~ This subsidiary was audited by member firms of Crowe Global of which Crowe Malaysia PLT is a member.

The Company assessed the recoverable amount of the investments in the subsidiaries and determined that no additional impairment loss is required as the recoverable amount is higher than the carrying amount. The recoverable amount of the cash-generating unit is determined using the fair value less costs of disposal approach, and this is derived from the net assets position of the respective subsidiaries as at end of the reporting period.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2018	2017
NCI percentage of ownership interest and voting interest		
- DNeX RFID Sdn. Bhd.	49.00%	49.00%
- DNeXPORT Sdn. Bhd.	20.00%	20.00%
- DNeX Oilfield Services Sdn. Bhd.	20.00%	20.00%
- Forward Energy Sdn. Bhd. and its subsidiaries	-	49.00%
- DNeX GIS Sdn. Bhd.	59.00%	59.00%
- DNeX Telco Services Sdn. Bhd.	49.00%	49.00%
- DNeX Imizu Sdn. Bhd.	45.00%	45.00%
- DNeX VMS Sdn. Bhd.	49.00%	-
- Genaxis Group Sdn. Bhd.	49.00%	-
- Innovation Associates Consulting Sdn. Bhd.	69.40%	-
- PT Dagang Net Indonesia	1.00%	-
Carrying amount of NCI (RM'000)	(13,086)	(2,548)
Profit/(Loss) allocated to NCI (RM'000)	16,547	(1,408)

Summarised financial information before intra-group elimination

	DNeX RFID Sdn. Bhd.		DNeXPORT Sdn. Bhd.		DNeX Oilfield Services Sdn. Bhd.		Forward Energy Sdn. Bhd. and its subsidiaries	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 31 December								
Non-current assets	3,789	2,046	217	300	15,599	27,754	-	4,233
Current assets	49,655	38,271	5,261	5,052	17,318	9,040	-	1,093
Current liabilities	(50,719)	(37,565)	(2,026)	(1,743)	(45,153)	(45,365)	-	(10,561)
Net assets/(liabilities)	2,725	2,752	3,452	3,609	(12,236)	(8,571)	-	(5,235)
Year ended 31 December								
Revenue	14,833	30,196	2,659	2,889	2,724	4,355	-	-
Profit/(Loss) for the year	405	2,812	3	944	(3,665)	(4,752)	(584)	(2,051)
Total comprehensive income/(loss)	405	2,812	3	944	(3,665)	(4,752)	(584)	(2,594)
Net cash flows (used in)/generated from operating activities	(7,772)	(6,967)	1,399	(797)	(2,353)	(13,742)	(602)	(1,738)
Net cash flows used in investing activities	(1,813)	(1,880)	(2,159)	(20)	(10,986)	(6,452)	(1)	-
Net cash flows generated from financing activities	9,573	8,794	1,070	219	13,115	17,768	603	1,738

Notes to the Financial Statements

(CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information before intra-group elimination (continued)

	DNeX GIS Sdn. Bhd.		DNeX Telco Services Sdn. Bhd.		DNeX Imizu Sdn. Bhd.		DNeX VMS Sdn. Bhd.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 31 December								
Non-current assets	-	-	3	-	16	5	458	-
Current assets	94	99	24,773	1,046	4,909	1,566	51	-
Current liabilities	(3)	(2)	(23,313)	(1,697)	(7,766)	(1,960)	(904)	-
Net assets/(liabilities)	91	97	1,463	(651)	(2,841)	(389)	(395)	-
Year ended 31 December								
Revenue	-	-	25,301	-	348	13	-	-
(Loss)/Profit for the year	(6)	(3)	2,114	(1,651)	(2,041)	(489)	(495)	-
Total comprehensive (loss)/income	(6)	(3)	2,114	(1,651)	(2,041)	(489)	(495)	-
Net cash flows used in operating activities	(5)	(1)	(3,131)	(2,609)	(3,623)	(2,028)	-	-
Net cash flows used in investing activities	-	-	(4)	-	(23)	(5)	(500)	-
Net cash flows generated from/ (used in) financing activities	5	2	3,158	2,616	3,651	2,033	(500)	-

	Genaxis Group Sdn. Bhd.		Innovation Associates Consulting Sdn. Bhd.		PT Dagang Net Indonesia	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 31 December						
Non-current assets	21,298	-	1,482	-	-	-
Current assets	6,194	-	81,712	-	715	-
Non-current liabilities	(447)	-	-	-	-	-
Current liabilities	(27,092)	-	(73,713)	-	-	-
Net (liabilities)/assets	(47)	-	9,481	-	715	-
Year ended 31 December						
Revenue	1,361	-	89,569	-	-	-
(Loss)/Profit for the year	(1,453)	-	26,236	-	-	-
Total comprehensive (loss)/income	(1,453)	-	26,236	-	-	-
Net cash flows (used in)/generated from operating activities	(2,252)	-	66,897	-	-	-
Net cash flows (used in)/generated from investing activities	(19,355)	-	3,969	-	-	-
Net cash flows generated from/(used in) financing activities	21,920	-	(53,825)	-	-	-

7. INVESTMENTS IN ASSOCIATES

	Group	
	2018 RM'000	2017 RM'000
At carrying amount		
Unquoted shares		
- outside Malaysia		
- at cost	41,955	41,955
- share of pre-acquisition gain of excess fair value	88,954	88,954
Share of post-acquisition profits	72,638	50,631
Net of dividend received	(627)	-
Share of post-acquisition other comprehensive income	(2,013)	(5,880)
	200,907	175,660

Details of the associates are as follows:

Name of associate	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Ping Petroleum Limited	Bermuda	Exploration, development and production of crude oil and natural gas.	30	30

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	Ping Petroleum Limited	
	2018 RM'000	2017 RM'000
Group		
Summarised financial information		
As at 31 December		
Non-current assets	1,166,101	1,121,023
Current assets	233,258	181,088
Non-current liabilities	(678,205)	(667,265)
Current liabilities	(51,226)	(49,313)
Net assets	669,928	585,533

Notes to the Financial Statements

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7. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Ping Petroleum Limited	
	2018 RM'000	2017 RM'000
Group (continued)		
Summarised financial information		
Year ended 31 December		
Revenue	315,300	269,910
Profit for the year	73,358	74,001
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets/carrying amount in the statement of financial position	200,907	175,660
Group's share of results for the year ended 31 December		
Group's share of profit for the year	22,007	22,200
Group's share of other comprehensive income	3,867	(16,916)
Group's share of total comprehensive income	25,874	5,284
Other information		
Dividend received by the Group	627	-

8. OTHER INVESTMENTS

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares, at fair value (2017: at cost)	4,633	4,233

Equity investments designated at fair value through other comprehensive income

(a) At 1 January 2018, the Group designated its investments in unquoted shares to be measured at fair value through other comprehensive income. In the previous financial year, these investments were classified as available-for-sale financial assets and measured at cost.

8. OTHER INVESTMENTS (CONTINUED)

Equity investments designated at fair value through other comprehensive income (Continued)

(b) The fair value of each investment is summarised below:

	Group 2018 RM'000
Unquoted shares of entity A	3,577
Unquoted shares of entity B	1,056
	4,633

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) of the Group are attributable to the following:

	Assets		Liabilities		Net	
Group	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment, intangible assets	-	-	(7,524)	(9,249)	(7,524)	(9,249)
Provisions	226	-	-	-	226	-
Net deferred tax assets/(liabilities)	226	-	(7,524)	(9,249)	(7,298)	(9,249)

Movement in temporary differences during the year

Group	At 1.1.2017 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2017 RM'000	Recognised in profit or loss (Note 24) RM'000	Arising from business combinations RM'000	At 31.12.2018 RM'000
Property, plant and equipment, intangible assets	(12,056)	2,807	(9,249)	1,925	(200)	(7,524)
Provisions	-	-	-	-	226	226
	(12,056)	2,807	(9,249)	1,925	26	(7,298)

Notes to the Financial Statements

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9. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	24,606	14,254	-	-
Unabsorbed capital allowances	17,183	15,810	-	204
Property, plant and equipment, intangible assets	(1,851)	(3,055)	(47)	(48)
Provisions	11,144	9,809	406	406
Others	(7)	33	-	-
	51,075	36,851	359	562
Unrecognised deferred tax assets	12,258	8,844	86	135

(a) Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be allowable against which the Group and the Company can utilise the benefits.

(b) The comparative figures have been restated to reflect the actual tax losses and capital allowances available to the Group and to the Company.

(c) With effect from year of assessment 2019, the unutilised tax losses in a year of assessment of the Group and the Company can only be carried forward for a maximum period of 7 consecutive years of assessment to be utilised against income from any business source. The unabsorbed capital allowances do not expire under the current tax legislation.

10. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Trading merchandise in transit	632	2,071
Goods held for resale	1,910	699
Consumables	479	-
	3,021	2,770
Recognised in profit or loss:		
Inventories recognised as cost of sales	33,945	39,028

11. CONTRACT ASSETS

	Group	
	2018 RM'000	2017 RM'000
Contract assets		
Contract assets relating to contracts with customers	76,985	-
Less: Impairment loss	(50)	-
	76,935	-

(a) The contract assets primarily relate to the Group's right to consideration for work completed and services provided on contracts but not yet billed as at the reporting date. The amount will be invoiced within 6 (2017: nil) months.

(b) Significant changes to contract assets balances during the period are as follows:

	Group	
	2018 RM'000	2017 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	18,067	-
Changes in contract assets due to business combinations during the period	49,255	-

12. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade receivables		82,232	61,951	-	-
Less: Impairment loss		(7,842)	(5,459)	-	-
		74,390	56,492	-	-
Unbilled receivables		-	12,812	-	-
Advance to supplies	12.1	-	2,978	-	-
		74,390	72,282	-	-
Non-trade					
Other receivables	12.2	36,045	17,535	639	708
Less: Impairment loss		(2,726)	(520)	(406)	(406)
		33,319	17,015	233	302
Deposits	12.3	14,390	13,241	428	348
Prepayments		7,376	3,385	31	17
		55,085	33,641	692	667
		129,475	105,923	692	667

Notes to the Financial Statements

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

12.1 The amount owing was recovered against future purchases from the suppliers.

12.2 Included in other receivables of the Group are proceeds receivable of RM12,630,000 (2017: nil) from disposal of machineries to a third party.

Included in other receivables of the Group is a grant receivable of RM2,084,000 (2017: RM6,371,000) from a government agency.

12.3 Included in deposits of the Group is a cash collateral of RM7,485,447 (2017: RM7,485,447) paid for the hardware, operating and maintenance of the Vehicle Entry Permit and Road Charge (VEP & RC) contracts.

Included in deposits of the Group is a cash deposit of RM3,000,000 (2017: nil) paid for a maintenance contract.

Included in deposits of the Group in the previous financial year was an amount of RM1,000,000 paid for the acquisition of investments.

13. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries consist of the following:

	Company	
	2018 RM'000	**2017 RM'000**
Amount due from subsidiaries		
- Non-trade	79,118	71,173
Less: Impairment loss	(6,667)	(10,876)
	72,451	60,297
Amount due to subsidiaries		
- Trade	(11)	(40)
- Non-trade	(12,204)	(553)
	(12,215)	(593)

The trade amount due to subsidiaries is subject to the normal trade terms.

Certain inter-company advances bear interest at 4% (2017: 4%) per annum with no fixed repayment terms.

14. CASH AND CASH EQUIVALENTS

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits with licensed banks	14.1	10,087	31,249	-	-
Cash and bank balances	14.2	28,911	20,585	2,482	1,145
		38,998	51,834	2,482	1,145
Bank overdrafts	17	(7,038)	-	-	-
Cash and cash equivalents in the statements of financial position		31,960	51,834	2,482	1,145

14.1 Included in deposits with licensed banks of the Group is an amount of RM10,087,000 (2017: RM6,956,000) which is pledged to licensed banks for credit facilities.

14.2 Included in cash and bank balances of the Group is an amount of RM2,203,000 (2017: RM185,000) held in a Sinking Fund Account and is pledged to licensed banks for credit facilities.

15. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2018 RM'000	Number of shares 2018 '000	Amount 2017 RM'000	Number of shares 2017 '000
Issued and fully paid:				
Ordinary shares				
At 1 January	353,502	1,755,372	346,578	1,732,891
Issuance of new shares pursuant to employee share option scheme	820	2,663	6,924	22,481
At 31 December	354,322	1,758,035	353,502	1,755,372

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

Notes to the Financial Statements

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15. CAPITAL AND RESERVES (CONTINUED)

Warrant reserve

On 1 August 2016, the warrant reserve arose from the following:

i) a renounceable rights issue of 465,146,809 new ordinary shares together with 465,146,809 free new detachable warrants;

ii) a special issue of 130,000,000 new ordinary shares together with 65,000,000 free new detachable warrants; and

iii) acquisition of certain subsidiaries through issuance of 362,500,000 new ordinary shares together with 181,250,000 free new detachable warrants.

The salient features of the Warrants are as follows:

i) Each Warrant entitles the registered holder ("Warrant holders") to subscribe for new ordinary shares in the Company at the exercise price of RM0.50, which may be exercised at any time from the date of issuance to the close of business on the market day immediately preceding the date which is the fifth anniversary from the date of the issuance of Warrants which falls on 30 July 2021 ("Exercise Period").

ii) Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.

iii) Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allocated and issued upon exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

iv) The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their warrants for new shares in the Company.

v) The Deed Poll and accordingly the Warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

The movement of the Warrants since the listing and quotation thereof is as follows:

	Entitlement for ordinary shares			
	At 1.1.2018	**Issued**	**Exercised**	**At 31.12.2018**
Number of unexercised Warrants	711,396,809	-	-	711,396,809

The fair value of RM0.008 per Warrant is determined using the Binomial Option pricing model based on the following key assumptions:

Interest rate	3.19%
Expected volatility of the Company's share price	39.85%

15. CAPITAL AND RESERVES (CONTINUED)

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share option expire, the amount from the share option reserve is transferred to retained earnings.

At an extraordinary general meeting held on 27 January 2016, the Company's shareholders approved the establishment of an Employee Share Option Scheme (ESOS) of up to 5% of the issued and paid-up share capital of the Company, to eligible Directors and employees of the Company and of its subsidiaries ("Eligible Persons"). A total of 38,912,800 ESOS options were offered to Eligible Persons as defined in the ESOS By-Laws to subscribe for new ordinary shares in the Company under its ESOS. On 14 September 2016, the Group granted share options to qualified employees and Executive Directors to purchase shares in the Company.

The salient features of the above ESOS are, inter alia, as follows:

i) The ESOS shall be in force for a period of five (5) years from the implementation date of 25 August 2016. The unexercised ESOS will become null and void after the date of expiry on 24 August 2021.

ii) Subject to compliance with the Listing Requirements, guidelines or directives issued by Bursa Malaysia Securities Berhad and/or any of the relevant authorities, the Company may at any time during the duration of the ESOS terminate the ESOS and shall immediately announce to Bursa Malaysia Securities Berhad the effective date, number of ESOS and reasons for the termination.

The options offered to take up unissued ordinary shares and the exercise price is as follows:

		Number of options over ordinary shares			
Date of offer	**Exercise price**	**At 1.1.2018**	**Exercised**	**Forfeited**	**At 31.12.2018**
14 September 2016	RM0.245	16,241,414	(2,663,200)	(55,600)	13,522,614

The fair values of the share options granted were estimated using the Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:

Fair value of share options at the grant date	RM0.063
Weighted average ordinary share price	RM0.275
Exercise price of share option	RM0.245
Expected volatility	39.85%
Expected life	5 years
Risk free rate	3.25%
Expected dividend yield	11.13%

Notes to the Financial Statements

(CONTINUED)

15. CAPITAL AND RESERVES (CONTINUED)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the Group's share of associates' foreign currency translation differences whose functional currencies are different from the Group's presentation currency.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at fair value through other comprehensive income until the assets are derecognised or impaired.

16. NON-CONTROLLING SHAREHOLDERS' INTERESTS

This consists of the non-controlling shareholders' proportion of share capital and reserves in subsidiaries.

17. LOANS AND BORROWINGS

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Term loans	17.1	17,664	18,680	-	-
Finance lease liabilities	17.2	300	-	-	-
		17,964	18,680	-	-
Current					
Term loans	17.1	1,478	1,320	-	-
Finance lease liabilities	17.2	202	-	-	-
Revolving credits	17.3	18,000	-	18,000	-
Other bank facilities	17.4	2,893	-	-	-
Bank overdrafts	14, 17.5	7,038	-	-	-
		29,611	1,320	18,000	-
		47,575	20,000	18,000	-

17.1 The term loans bore effective interest rates ranging from 5.75% to 7.15% (2017: 5.50%) per annum and are secured by:

(i) a first party legal charge over certain freehold land and buildings as disclosed in Note 3 to the financial statements;

(ii) a corporate guarantee of the Company; and

(iii) a guarantee by a director of the Group.

17. LOANS AND BORROWINGS (CONTINUED)

17.2 Finance lease liabilities are payable as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Minimum lease payments:		
- not later than 1 year	224	-
- later than 1 year and not later than 5 years	358	-
	582	-
Less: Future finance charges	(80)	-
Present value of lease payments	502	-

The finance lease liabilities bore effective interest rates ranging from 4.46% to 7.37% (2017: nil) per annum and are secured by certain of the Group's motor vehicles and office equipment as disclosed in Note 3 to the financial statements.

17.3 The revolving credits bore effective interest rates ranging from 5.85% to 6.10% (2017: nil) per annum and are secured by a Clean Facility arrangement as the principal instrument.

17.4 Other bank facilities represents import line which bore effective interest rate of 8.49% (2017: nil) per annum and are secured by a marginal deposit and a corporate guarantee of the Company.

17.5 The bank overdrafts bore effective interest rates ranging from 5.50% to 8.35% (2017: nil) per annum and are secured by:

(i) pledges of deposits with licensed banks as disclosed in Note 14 to the financial statements;

(ii) a standing instruction against sinking funds account;

(iii) a corporate guarantee of the Company; and

(iv) a joint and several guarantee of certain directors of the Group.

17. LOANS AND BORROWINGS (CONTINUED)

17.6 Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1.1.2018 RM'000	Acquisitions through business combinations (Note 27) RM'000	Proceeds from drawdown RM'000	Repayment of borrowing principal RM'000	Repayment of borrowing finance charges RM'000	At 31.12.2018 RM'000
Term loans	20,000	143	-	(1,001)	-	19,142
Finance lease liabilities	-	763	-	(227)	(34)	502
Revolving credits	-	-	18,000	-	-	18,000
Other bank facilities	-	-	2,893	-	-	2,893
Murabahah revolving facility	-	57,609	-	(57,609)	-	-
Bank overdrafts	-	3,609	12,000	(7,819)	(752)	7,038
	20,000	62,124	32,893	(66,656)	(786)	47,575

	At 1.1.2017 RM'000	Proceeds from drawdown RM'000	Repayment of borrowing principal RM'000	At 31.12.2017 RM'000
Term loans	-	21,619	(1,619)	20,000

Company	At 1.1.2018 RM'000	Proceeds from drawdown RM'000	At 31.12.2018 RM'000
Revolving credits	-	18,000	18,000

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		35,695	13,501	-	-
Non-trade					
Other payables and accrued expenses	18.1	89,079	30,530	2,428	3,761
Interest payable					
- Borrowing		254	82	131	-
		89,333	30,612	2,559	3,761
		125,028	44,113	2,559	3,761

18.1 Included in other payables of the Group is an amount of RM3,473,000 (2017: RM3,160,000) for operating and maintaining the VEP & RC system.

Included in other payables of the Group is an amount of RM13,647,000 (2017: nil) for a maintenance contract.

Included in other payables of the Group is an amount of RM17,373,000 (2017: nil) for work done on a submarine telecommunication cable installation, repair and maintenance project.

Included in other payables of the Group is an amount of RM4,116,000 (2017: nil) for the subcontract of hardware equipment and ICT facilities project.

Included in other payables of the Group is an amount of RM16,703,000 (2017: nil) owing to related parties, of which are unsecured interest-free advances with no fixed repayment terms.

Included in other payables of the Group in the previous financial year was an amount of RM10,269,000 for purchase of directional drilling machines.

Notes to the Financial Statements

(CONTINUED)

19. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of customised equipment	48,608	68,447	-	-
Sale of merchandise goods	2,190	3,468	-	-
Rendering of services	227,398	113,447	-	-
Rental of equipment	2,799	4,355	-	-
Subscriptions	12,457	14,221	-	-
Gross dividend income from:				
- subsidiaries	-	-	11,542	39,238
	293,452	203,938	11,542	39,238

(a) The information on the disaggregation of revenue is disclosed in Note 29 to the financial statements.

(b) The transaction price allocated to the remaining performance obligations under the contract for services rendered over time that are unsatisfied or partially unsatisfied as at the end of the reporting period are summarised below (other than contracts for original periods of one year or less):

	Group				
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Sale of customised equipment	711	446	-	-	1,157
Rendering of services *	56,391	8,180	5,467	5,060	75,098
Rental of equipment	169	-	-	-	169
Subscriptions *	990	900	-	-	1,890
	58,261	9,526	5,467	5,060	78,314

* The services to be rendered from National Single Window contract and its related services are excluded from the above transaction price allocation.

Comparative information is not presented by virtue of the exemption given in MFRS 15.C5(d).

20. NET LOSS/(GAIN) ON IMPAIRMENT OF FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment losses during the year:				
- Individually impaired under MFRS 139				
- trade receivables	-	415	-	-
- Additions under MFRS 9				
- trade receivables	590	-	-	-
- other receivables	1,031	-	-	-
- contract assets	(25)	-	-	-
Reversal of impairment losses	-	(86)	(10,876)	-
	1,596	329	(10,876)	-

21. OTHER OPERATING INCOME

Included in other operating income are the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bad debts recovered	58	58	-	-
Gain on disposal of property, plant and equipment	3,356	138	-	-
Gain/(Loss) on disposal of subsidiaries	1,815	-	(508)	-
Gain on foreign exchange:				
- realised	22	22	1	-
- unrealised	1	-	-	-
Management fee	145	-	15,283	14,922
Rental income	48	32	-	-

Notes to the Financial Statements

(CONTINUED)

22. FINANCE COSTS/(INCOME)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance charges on:				
Loans and borrowings	3,082	568	131	-
Advances from subsidiaries	-	-	388	253
Others	46	126	-	-
	3,128	694	519	253
Finance income:				
Investment in deposits placed with licensed banks	(562)	(1,213)	(10)	(154)
Advances to subsidiaries	-	-	(2,062)	(2,737)
	(562)	(1,213)	(2,072)	(2,891)

23. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging/(crediting):				
Amortisation of intangible assets	11,066	6,810	-	-
Auditors' remuneration:				
- audit fees				
- Crowe Malaysia PLT	360	319	110	110
- local affiliate of Crowe Malaysia PLT	6	18	-	-
- non-audit fees				
- Crowe Malaysia PLT	115	115	15	15
Bad debts written off	16	-	-	-
Depreciation of property, plant and equipment	6,364	6,429	72	59
Directors' remuneration	5,253	5,929	5,120	5,775
Impairment loss on goodwill	3,600	-	-	-
Personnel expenses:				
- contributions to Employees Provident Fund	7,182	4,605	652	442
- wages, salaries and others	67,269	43,742	6,669	5,390
- termination benefits	-	36	-	-
Property, plant and equipment written off	91	-	-	-
Realised loss on foreign exchange	176	145	-	-
Rental of premises	4,070	3,875	-	-
Rental of site and equipment	663	628	22	25
Rental of storage and others	74	90	37	35
Unrealised (gain)/loss on foreign exchange	(5)	45	-	6

24. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recognised in profit or loss				
Current tax expense				
- Current year	14,524	13,402	2,000	-
- Underprovision in prior year	1,751	305	1,061	-
Total current tax expense	16,275	13,707	3,061	-
Deferred tax expense (Note 9)				
- Current year	(1,925)	(2,807)	-	-
- Overprovision in prior year	-	-	-	-
Total deferred tax expense	(1,925)	(2,807)	-	-
Total tax expense	14,350	10,900	3,061	-
Reconciliation of tax expense				
Net profit after tax	51,892	55,191	19,028	41,614
Total tax expense	14,350	10,900	3,061	-
Zakat payment	405	500	-	-
Net profit excluding tax and Zakat	66,647	66,591	22,089	41,614
Income tax using Malaysian tax rate of 24% (2017: 24%)	15,995	15,982	5,301	9,987
Income not subject to tax	(2,595)	(1,861)	(4,532)	(10,591)
Expenses not deductible for tax purposes	1,049	1,545	1,280	643
Share of profit of equity-accounted associates	(5,282)	(5,328)	-	-
Tax exempt income due to pioneer status	(24)	(239)	-	-
Effect of unrecognised deferred tax assets	3,714	1,237	-	-
Recognition of previously unrecognised deferred tax assets	(300)	(734)	(49)	(39)
Effects of differential in tax rate of subsidiary	42	(7)	-	-
	12,599	10,595	2,000	-
Underprovision of tax expense in prior year	1,751	305	1,061	-
Total tax expense	14,350	10,900	3,061	-

A subsidiary of the Group has been granted the MSC Malaysia status. This qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities from 16 July 2014 to 15 July 2019.

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25. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2018	**2017**
Profit for the year attributable to owners of the Company (RM'000)	35,345	56,599

	Group	
	2018	**2017**
Weighted average number of ordinary shares (in'000):		
Ordinary shares at 1 January	1,755,372	1,732,892
Effect of new ordinary shares issued	1,954	14,377
	1,757,326	1,747,269
Basic earnings per ordinary share (sen)	2.01	3.24

Diluted earnings per ordinary share

	Group	
	2018	**2017**
Profit for the year attributable to owners of the Company for diluted earnings per ordinary share computation (RM'000)	35,345	56,599
Weighted average number of ordinary shares for basic earnings per ordinary share (in'000)	1,757,326	1,747,269
Shares deemed to be issued for no consideration:		
- exercise of Warrants*	-	-
- exercise of share options	15,080	24,123
Weighted average number of ordinary shares for diluted earnings per ordinary share computation	1,772,406	1,771,392
Diluted earnings per ordinary share (sen)	1.99	3.20

* The potential conversion of Warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share.

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Interim 2017 ordinary	0.5	8,766	2 October 2017

A final dividend of 0.5 sen per ordinary share totaling RM8,790,177 was recommended by the Directors in respect of the financial year ended 31 December 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2019.

27. ACQUISITION/INCORPORATION OF SUBSIDIARIES

During the financial year, the Group acquired/incorporated:

(i) a 51% equity interest in DNeX VMS Sdn. Bhd. ("DNeX VMS") comprising 100,000 ordinary shares for a total cash consideration of RM51,000 which represents 51% issued and paid up capital of DNeX VMS. The non-controlling interests of DNeX VMS are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

(ii) a 99% equity interest in PT Dagang Net Indonesia ("PT Dagang") comprising 2,500 shares for a total cash consideration of IDR2,500,000,000 (RM708,321).

(iii) a 100% equity interest in DNeX Clean Utilities Sdn. Bhd. ("DCU") comprising 100,000 ordinary shares for a total cash consideration of RM100,000.

(iv) a 51% equity interest in Genaxis Group Sdn. Bhd. comprising 510,000 ordinary shares and a 60% equity interest in Innovation Associates Consulting Sdn. Bhd. through Genaxis Group Sdn. Bhd. (collectively known as "Genaxis Group") to be satisfied by a total cash consideration of RM10,000,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed of Genaxis Group at the acquisition date:

(a) Fair value of consideration transferred

	Group 2018 RM'000
Cash and cash equivalents	10,000

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27. ACQUISITION/INCORPORATION OF SUBSIDIARIES (CONTINUED)

(b) Identified assets acquired and liabilities assumed

	Note	Group 2018 RM'000
Property, plant and equipment	3	1,752
Other investments		1,056
Contract assets		111,687
Trade and other receivables		4,125
Cash and cash equivalents		5,436
Trade and other payables		(72,976)
Loans and borrowings	17	(62,124)
Current tax liabilities		(3,712)
Deferred consideration		(20,660)
Deferred tax liabilities		(200)
Total identifiable net liabilities		(35,616)

(c) Net cash outflow arising from the acquisition of Genaxis Group

	Group 2018 RM'000
Purchase consideration settled in cash and cash equivalents	(10,000)
Cash and cash equivalents acquired	5,436
	(4,564)

(d) Goodwill arising from acquisition

	Note	Group 2018 RM'000
Total consideration transferred		10,000
Fair value of identifiable net liabilities		35,616
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree		(29,900)
Goodwill	4	15,716

The goodwill is attributable mainly to the skills and technical talent of Genaxis Group's workforce, and the synergies to be achieved from integrating the subsidiaries into the Group's existing Information Technology segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

27. ACQUISITION/INCORPORATION OF SUBSIDIARIES (CONTINUED)

(e) Impact of Acquisition on the Group's results

The acquired subsidiaries have contributed the following results to the Group:

	Group 2018 RM'000
Revenue	90,930
Profit after taxation	24,782

If the acquisition had taken place at the beginning of the current financial year, the Group's revenue and profit after taxation would have been RM290,612,000 and RM24,870,000 respectively.

28. DISPOSAL OF SUBSIDIARIES

During the financial year, the Group disposed of its entire equity interests in Forward Energy Sdn. Bhd. and Forward Energy Ltd.. The financial effect arising from disposal was not presented as the gain on disposal was not material to the Group.

29. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which represent the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technical expertise and marketing strategies. For each of the strategic business unit, the Executive Deputy Chairman of the Group reviews internal management report at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) Corporate

The Company is an investment holding company. The segment is in provision of corporate services to the entities within the Group.

(b) Information technology

Supply, delivery, installation, testing, commissioning and maintenance of IT hardware, development, management and provision of business to government (B2G) e-commerce and computerised transaction in trade facilitation services, providing of cyber security solutions, managed services, project fulfilment, assets maintenance and contact centres, research and development, design, manufacturing and trading of radio-frequency technology, providing consultancy services in relation to strategy and business improvements and infrastructure works for telecommunication industry.

(c) Energy

Providing upstream oil and gas exploration, production, sale of oil and gas related equipment and services, provision of engineering, technical support and involvement in power plant and energy related business.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Executive Deputy Chairman of the Group. Segment total assets is used to measure the return of assets of each segment.

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29. OPERATING SEGMENTS (CONTINUED)

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Executive Deputy Chairman of the Group.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

Business segment **2018**	**Information Technology RM'000**	**Energy RM'000**	**Corporate RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Business segments					
Revenue from external customers	241,536	51,916	-	-	293,452
Inter-segment revenue	3,381	-	11,542	(14,923)	-
Total revenue	244,917	51,916	11,542	(14,923)	293,452
Represented by:					
Revenue recognised at a point in time					
- Sale of customised equipment	1,350	36,449	-	-	37,799
- Sale of merchandise goods	2,192	-	-	(2)	2,190
- Rendering of services	93,378	2,304	-	(2,784)	92,898
- Rental of equipment	75	1,513	-	-	1,588
- Subscriptions	6,281	-	-	-	6,281
- Gross dividend income from subsidiaries	-	-	11,542	(11,542)	-
Revenue recognised over time					
- Sale of customised equipment	6,20	10,189	-	-	10,809
- Rendering of services	134,845	2,50	-	(595)	134,500
- Rental of equipment	-	1,211	-	-	1,211
- Subscriptions	6,176	-	-	-	6,176
	244,917	51,916	11,542	(14,923)	293,452
By geographical market:					
Domestic	218,706	51,812	11,542	(14,923)	267,137
Egypt	370	-	-	-	370
Indonesia	22,160	-	-	-	22,160
Philippines	3,141	-	-	-	3,141
Singapore	540	-	-	-	540
The United States of America	-	104	-	-	104
	244,917	51,916	11,542	(14,923)	293,452

Notes to the Financial Statements

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29. OPERATING SEGMENTS (CONTINUED)

Business segment 2018	Information Technology RM'000	Energy RM'000	Corporate RM'000	Eliminations RM'000	Consolidated RM'000
Segment result					
Profit/(Loss) from operations	55,271	(6,183)	20,536	(22,418)	47,206
Finance costs	(2,966)	(1,759)	(519)	2,116	(3,128)
Finance income	289	264	2,072	(2,063)	562
Share of profit of equity-accounted associates, net of tax	-	22,007	-	-	22,007
Profit before tax	52,594	14,329	22,089	(22,365)	66,647
Zakat					(405)
Tax expense					(14,350)
Net profit after tax					51,892
Attributable to:					
Owners of the Company					35,345
Non-controlling interests					16,547
Profit for the year					51,892
Segment assets	384,245	390,187	356,152	(502,516)	628,068
Segment liabilities	273,929	72,230	32,924	(192,525)	186,558
Capital expenditure	16,664	5,603	54	-	22,321
Depreciation and amortisation	4,460	12,898	72	-	17,430
Impairment loss:					
- trade and other receivables	701	895	-	-	1,596
Impairment loss on goodwill	-	3,600	-	-	3,600
Reversal of impairment losses	-	-	(10,876)	(10,876)	-
Gain on disposal of property, plant and equipment	(1)	(3,355)	-	-	(3,356)

Notes to the Financial Statements

(CONTINUED)

29. OPERATING SEGMENTS (CONTINUED)

Business segment 2017	Information Technology RM'000	Energy RM'000	Corporate RM'000	Eliminations RM'000	Consolidated RM'000
Business segments					
Revenue from external customers	140,193	63,745	-	-	203,938
Inter-segment revenue	2,107	-	39,238	(41,345)	-
Total revenue	142,300	63,745	39,238	(41,345)	203,938
Segment result					
Profit/(Loss) from operations	43,831	303	38,976	(39,238)	43,872
Finance costs	(527)	(2,816)	(253)	2,902	(694)
Finance income	462	597	2,891	(2,737)	1,213
Share of profit of equity-accounted associates, net of tax	-	22,200	-	-	22,200
Profit before tax	43,766	20,284	41,614	(39,073)	66,591
Zakat					(500)
Tax expense					(10,900)
Net profit after tax					55,191
Attributable to:					
Owners of the Company					56,599
Non-controlling interests					(1,408)
Profit for the year					55,191
Segment assets	181,787	368,588	311,628	(359,136)	502,867
Segment liabilities	103,649	83,484	7,715	(116,338)	78,510
Capital expenditure	24,512	17,847	-	-	42,359
Depreciation and amortisation	3,960	9,220	59	-	13,239
Impairment loss:					
- trade receivables	415	-	-	-	415
Reversal of impairment losses	(83)	(3)	-	-	(86)

The information on the disaggregation of revenue is not presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

29. OPERATING SEGMENTS (CONTINUED)

Geographical segment

No geographical segment information has been prepared as all the business operations of the Group are located in Malaysia.

Major customers

The following are major customers with revenue equal to or more than 10% of the Group's revenue:

	Revenue		Segment
	2018 RM'000	2017 RM'000	
Customer A	83,041	33,661	Information Technology
Customer B	32,846	30,196	Information Technology

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost ("AC"); and
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")

2018	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
Financial assets			
Group			
Other investments	4,633	-	4,633
Contract assets	76,935	76,935	-
Trade and other receivables (excluding prepayments)	122,099	122,099	-
Cash and cash equivalents	38,998	38,998	-
	242,665	238,032	4,633
Company			
Trade and other receivables (excluding prepayments)	661	661	-
Amount due from subsidiaries	72,451	72,451	-
Cash and cash equivalents	2,482	2,482	-
	75,594	75,594	-

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Categories of financial instruments (continued)

2018	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
Financial liabilities			
Group			
Trade and other payables (excluding deferred income)	124,075	124,075	-
Loans and borrowings	47,575	47,575	-
	171,650	171,650	-
Company			
Trade and other payables (excluding deferred income)	2,559	2,559	-
Amount due to subsidiaries	12,215	12,215	-
Loans and borrowings	18,000	18,000	-
	32,774	32,774	-

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL")

2017	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
Group			
Other investments	4,233	-	4,233
Trade and other receivables (excluding prepayments)	99,560	99,560	-
Cash and cash equivalents	51,834	51,834	-
	155,627	151,394	4,233
Company			
Trade and other receivables (excluding prepayments)	650	650	-
Amount due from subsidiaries	60,297	60,297	-
Cash and cash equivalents	1,145	1,145	-
	62,092	62,092	-

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Categories of financial instruments (continued)

2017	Carrying amount RM'000	FL RM'000
Financial liabilities		
Group		
Trade and other payables (excluding deferred income)	43,513	43,513
Loans and borrowings	20,000	20,000
	63,513	63,513
Company		
Trade and other payables (excluding deferred income)	3,761	3,761
Amount due to subsidiaries	593	593
	4,354	4,354

30.2 Net gains and losses from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Equity investments designated at fair value through other comprehensive income	(734)	-	-	-
Financial assets measured at amortised cost	(1,596)	-	10,876	-
Loans and receivables	-	(329)	-	-
	(2,330)	(329)	10,876	-

30.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

30.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially of full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and contract assets are represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

The exposure of credit risk for receivables and contract assets (excluding prepayments) as at the end of the reporting period by geographical region was:

	Group	
	2018 RM'000	**2017 RM'000**
Domestic	157,322	98,527
Singapore	4,343	-
China	12,630	-
Indonesia	24,739	-
Republic of Korea	-	843
India	-	190
	199,034	99,560

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Receivables and contract assets (continued)

Recognition and measurement of impairment losses

The following table provides information about the exposure to credit risk and the expected credit losses ("ECLs") for receivables and contract assets (excluding prepayments) as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	Gross-carrying amount RM'000	2018 Impairment loss allowances RM'000	Net balances RM'000
Current (not past due)	135,110	1,478	133,632
31 - 60 days past due	22,780	669	22,111
61 - 90 days past due	889	105	784
More than 90 days past due	43,808	1,301	42,507
	202,587	3,553	199,034
Credit impaired			
Individually impaired	7,065	7,065	-
	209,652	10,618	199,034
Trade and other receivables	132,667	10,568	122,099
Contract assets	76,985	50	76,935
	209,652	10,618	199,034

The movements in the allowance for impairment in respect of receivables and contract assets (excluding prepayments) during the financial year are shown below.

	2018			
	Receivables			
Group	Lifetime ECL RM'000	Credit impaired RM'000	Contract assets RM'000	Total RM'000
Balance at 1 January as per MFRS 139				5,979
Adjustments on initial application of MFRS 9				4,273
Balance at 1 January as per MFRS 9	2,386	7,791	75	10,252
Acquisition through business combination	-	241	-	241
Amounts written off	-	(1,471)	-	(1,471)
Net remeasurement of loss allowance	1,117	504	(25)	1,596
Balance at 31 December	3,503	7,065	50	10,618

Notes to the Financial Statements

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Receivables and contract assets (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The ageing of receivables as at 31 December 2017 was as follows:

	2017 Net RM'000
Group	
Not past due	81,135
Past due 31 - 60 days	7,017
Past due 61 - 90 days	3,310
Past due more than 90 days	8,098
	99,560
Company	
Not past due	650

The movements in the allowance for impairment losses of receivables during the financial year were:

	2017	
	Group RM'000	Company RM'000
At 1 January	5,650	406
Impairment loss recognised	415	-
Impairment loss reversed	(86)	-
At 31 December	5,979	406

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advances to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Company in full.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

	Gross-carrying amount RM'000	2018 Impairment loss allowances RM'000	Net balances RM'000
Company			
Low credit risk	79,118	(6,667)	72,451
Significant increase in credit risk	-	-	-
Credit impaired	-	-	-
	79,118	(6,667)	72,451

Notes to the Financial Statements

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Inter-company balances (continued)

Recognition and measurement of impairment loss (continued)

The movement in the allowance for impairment is respect of subsidiaries' loans and advances during the year are as follows:

	2018 Lifetime ECL RM'000
Company	
Balance at 1 January as per MFRS 139	10,876
Adjustment on initial application of MFRS 9	6,667
Balance at 1 January as per MFRS 9	17,543
Reversal of impairment losses	(10,876)
Net remeasurement of loss allowance	-
Balance at 31 December	6,667

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The movements in the allowance for impairment losses of inter-company loans and advances during the financial year were:

	2017 RM'000
Company	
At 1 January/31 December	10,876

30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	2 - 5 years RM'000	> 5 years RM'000
Group						
2018						
Non-derivative financial liabilities						
Trade and other payables (excluding deferred income)	124,075	-	124,075	124,075	-	-
Loans and borrowings	47,575	4.46 - 8.49	53,382	30,806	10,855	11,721
	171,650		177,457	154,881	10,855	11,721
2017						
Non-derivative financial liabilities						
Trade and other payables (excluding deferred income)	43,513	-	43,513	43,513	-	-
Loans and borrowings	20,000	5.50	26,062	2,171	10,418	13,473
	63,513		69,575	45,684	10,418	13,473
Company						
2018						
Non-derivative financial liabilities						
Trade and other payables (excluding deferred income)	2,559	-	2,559	2,559	-	-
Amount due to subsidiaries	12,215	-	12,215	12,215	-	-
Loans and borrowings	18,000	5.85 - 6.10	18,000	18,000	-	-
	32,774		32,774	32,774	-	-
2017						
Non-derivative financial liabilities						
Trade and other payables (excluding deferred income)	3,761	-	3,761	3,761	-	-
Amount due to subsidiaries	593	-	593	593	-	-
	4,354		4,354	4,354	-	-

Notes to the Financial Statements

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

30.6.1 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in the currency other than the functional currency, Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro, British Pound Sterling ("GBP") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in				
Group	**USD RM'000**	**Euro RM'000**	**GBP RM'000**	**SGD RM'000**	**Total RM'000**
2018					
Balances recognised in the statement of financial position					
Other investments	4,633	-	-	-	4,633
Trade and other receivables	42,967	-	-	224	43,191
Cash and cash equivalents	104	-	3	-	107
Trade and other payables	(23,090)	(701)	(1,682)	-	(25,473)
Net exposure	24,614	(701)	(1,679)	224	22,458
2017					
Balances recognised in the statement of financial position					
Other investments	4,233	-	-	-	4,233
Trade and other receivables	5,562	5	1,112	570	7,249
Cash and cash equivalents	296	161	895	-	1,352
Trade and other payables	(13,680)	(1,091)	(3,164)	(304)	(18,239)
Net exposure	(3,589)	(925)	(1,157)	266	(5,405)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.1 Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

Company	Denominated in USD	
	2018 RM'000	2017 RM'000
Balances recognised in the statement of financial position		
Cash and cash equivalents	13	13
Net exposure	13	13

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, remained constant.

	Group Profit or loss		Company Profit or loss	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD	(1,871)	273	(1)	(1)
Euro	53	70	-	-
GBP	128	88	-	-
SGD	(17)	(20)	-	-

A 10% (2017: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

30.6.2 Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Notes to the Financial Statements

(CONTINUED)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	2 – 5 years RM'000	> 5 years RM'000
Group					
2018					
Fixed rate instruments					
Deposits with licensed banks	2.95 - 3.35	10,087	10,087	-	-
Loans and borrowings	4.46 - 7.37	(502)	(202)	(300)	-
		9,585	9,885	(300)	-
Floating rate instruments					
Loans and borrowings	5.50 - 8.49	(47,073)	(29,409)	(7,250)	(10,414)
2017					
Fixed rate instruments					
Deposits with licensed banks	2.45 - 3.10	31,249	31,249	-	-
Floating rate instruments					
Loans and borrowings	5.50	(20,000)	(1,320)	(7,327)	(11,353)
Company					
2018					
Floating rate instruments					
Loans and borrowings	5.85 - 6.10	(18,000)	(18,000)	-	-

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant:

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2018				
Floating rate instruments	(358)	358	(137)	137
2017				
Floating rate instruments	(152)	152	-	-

30.6.3 Other price risk

Equity price risk arises from the Group's investments in quoted equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the quoted equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Equity price risk sensitivity analysis

The Group does not have investments in quoted equity securities at the end of the reporting date.

Notes to the Financial Statements

(CONTINUED)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
2018										
Financial assets										
Other investments:										
- unquoted shares	-	4,633	-	-	-	-	-	-	4,633	4,633
Financial liabilities										
Loans and borrowings	-	-	-	-	-	(47,575)	-	(47,575)	(47,575)	(47,575)
2017										
Financial assets										
Other investments:										
- unquoted shares	-	-	-	-	-	-	-	-	#	4,233
Financial liabilities										
Loans and borrowings	-	-	-	-	-	(20,000)	-	(20,000)	(20,000)	(20,000)
Company										
2018										
Financial liabilities										
Loans and borrowings	-	-	-	-	-	(18,000)	-	(18,000)	(18,000)	(18,000)

In the previous financial year, the fair value could not be reliably measured using valuation techniques due to the lack of marketability of the unquoted shares.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information (continued)

Level 2 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratio at the end of the reporting period are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Total loans and borrowings	47,575	20,000
Less: Cash and cash equivalents (Page 104)	(19,670)	(44,693)
Net debt/(cash)	27,905	(24,693)
Total equity	441,510	424,357
Debt-to-equity ratio	0.06	Not applicable

There were no changes in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the previous reporting period was not presented as the cash and cash equivalents exceeded the total loans and borrowings.

Notes to the Financial Statements

(CONTINUED)

32. COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised and contracted for within one year	7,825	9

33. CONTINGENT LIABILITY

On 10 July 2018, the Malaysia Competition Commission ("MyCC") issued a notice of proposed decision ("Proposed Decision") pursuant to Section 36 of the Competition Act 2010 ("the Act") against a subsidiary of the Company, Dagang Net Technologies Sdn. Bhd. ("Dagang Net"). The Proposed Decision is pursuant to the investigation on alleged infringement for engaging in conduct which amounts to an abuse of its dominant position in breach of Section 10(1) of the Act read with Section 10(2)(c) and Section 10(3) of the Act.

In the Proposed Decision, the MyCC proposed to impose a financial penalty of RM17,397,695, being the maximum allowable penalty pursuant to Section 40(4) of the Act. The Directors of the Company believe, based on legal advice, that the Proposed Decision can be successfully defended and therefore no provision is required to be made in the financial statements.

34. RELATED PARTIES

Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

34. RELATED PARTIES (CONTINUED)

Identities of related parties (continued)

The significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subsidiary companies				
Management fee income	-	-	15,283	14,922
Dividend income	-	-	11,542	39,238
Purchase of IT products and services	-	-	(29)	(25)
Purchase of other products	-	-	(217)	-
Other related parties*				
Secondment of manpower	(727)	161	-	-
Training contract charged	(385)	-	-	-
Advisory fee	(194)	-	-	-
Payroll processing fee	(95)	-	-	-
Management fee income	145	-	-	-
Sales of IT products	13	-	-	-

* The related parties and the Group are subject to common significant influence.

The terms and conditions for the above transactions are based on negotiated basis. Significant related party balances of the Group and of the Company are disclosed in Note 13.

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

In addition to their salaries, the Group also voluntarily provided additional Employees Provident Fund (EPF) contributions over the statutory requirement for a significant number of employees.

Notes to the Financial Statements

(CONTINUED)

34. RELATED PARTIES (CONTINUED)

Identities of related parties (continued)

There are no significant related party transactions of the Group and of the Company and its key management personnel of the Group and holding company, other than key management personnel compensation as disclosed below:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Key management personnel compensation				
Non-executive Directors				
- Fees	638	520	506	456
- Remuneration	68	147	67	57
- Others	23	-	23	-
Total short-term employee benefits	729	667	596	513
Executive Directors				
- Remuneration	3,046	3,491	3,046	3,491
- Short-term employee benefits				
- EPF	561	606	561	606
- Others	917	1,165	917	1,165
Total short-term employee benefits	4,524	5,262	4,524	5,262
Other key management personnel				
- Remuneration	10,912	7,563	1,888	1,159
- Short-term employee benefits				
- EPF	1,635	1,238	333	218
- Others	1,749	1,653	532	378
Total short-term employee benefits	14,296	10,454	2,753	1,755
	19,549	16,383	7,873	7,530

35. SIGNIFICANT EVENTS

Significant events during and subsequent to the financial year are as follows:-

(i) On 27 February 2018, a subsidiary of the Company incorporated a subsidiary known as PT Dagang Net Indonesia ("PT Dagang"). The issued share capital of PT Dagang is IDR2,500,000,000 (RM708,321) comprising 2,500 ordinary shares. The subsidiary had subscribed for 99% of the issued and paid up capital of PT Dagang in cash and the remaining 1% by Muhammad Suryadi, a citizen of Indonesia.

(ii) On 24 April 2018, a subsidiary of the Company acquired 800,000 ordinary shares representing 80% equity interest in DNeXPORT Sdn. Bhd. ("DNeXPORT") from the Company, for a total cash consideration of RM800,000 ("Internal Re-organisation").

(iii) On 4 May 2018, a 51% owned subsidiary, DNeX RFID Sdn. Bhd. ("DNeX RFID") accepted a letter of award of sub-contract works for the TnG eWallet for Local and Foreign Vehicles.

(iv) On 14 August 2018, a subsidiary of the Company accepted the award of sub-contract works for hardware equipment and ICT facilities.

(v) On 28 August 2018, a 51% owned subsidiary, DNeX Telco Services Sdn. Bhd. ("DNeX Telco") accepted a letter of award for the IGG Marine Installation Subcontract.

(vi) On 17 October 2018, DNeX Telco accepted a letter of award for the "CS KDDI Pacific Link" Segment 13 & 15 Cable Repair in Indonesia Water. DNeX Telco also on the same date, accepted a letter of award for the "CS KDDI Pacific Link" Sea US Cable Repair in Davao – Philippines.

(vii) On 23 October 2018, a 80% owned subsidiary, DNeX Oilfield Services Sdn. Bhd. ("DNeX Oilfield"), entered into a service contract with Hess Exploration and Production Malaysia B.V. for the provision of solid expandable tubulars for North Malay Basin.

(viii) On 26 October 2018, a deemed 60% owned subsidiary, Innovation Associates Consulting Sdn. Bhd. ("IAC") received a letter of award from the Accountant General's Department Malaysia and subsequently accepted a contract named "Perkhidmatan Penyenggaraan Perkakasan, Peralatan Rangkaian dan Perisian iGFMAS" for a contract sum of RM59,360,000 (inclusive of 6% Sales and Services Tax).

(ix) On 21 November 2018, a 51% owned subsidiary of the Company, Genaxis Group Sdn. Bhd. (formerly known as Genaxis Sdn. Bhd.), entered into a Joint Venture and Shareholders Agreement with Agorai Pte. Ltd. and Dynaniaga Sdn. Bhd. to regulate their relationship with each other in carrying out the business of a consultancy and advisory practice focused on artificial intelligence services and such other related businesses which the board of directors of the JV Company may approve from time to time.

(x) On 22 November 2018, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary, DNeX Clean Utilities Sdn. Bhd. ("DCU") by subscribing for 100,000 ordinary shares representing the entire issued and paid up capital of DCU.

Notes to the Financial Statements

(CONTINUED)

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 1(a) to the financial statements, the Group and the Company have adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of these accounting standards are summarised below:

Statements of financial position

	At 1 January 2018			
	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Group				
Assets				
Contract assets	-	-	12,812	12,812
Trade and other receivables	105,923	(4,273)	(12,812)	88,838
Equity				
Retained earnings	72,864	(4,273)	-	68,591
Company				
Assets				
Amount due from subsidiaries	60,297	(6,667)	-	53,630
Equity				
Accumulated losses	(56,643)	(6,667)	-	(63,310)

Initial application of MFRS 9

The Group has adopted MFRS 9 without restating any comparative information (transitional exemption). Therefore, the financial impacts arising from the new classification and measurement of financial instruments, and the new impairment requirements are not reflected in the statements of financial position as at 31 December 2017, but are recognised in the opening statements of financial position on 1 January 2018 (date of initial application of MFRS 9). The main impacts resulting from the changes made are summarised below:

	Classification and carrying amount		
	Under MFRS 139 RM'000	Under MFRS 9 RM'000	Transition adjustment RM'000
Group			
(a) Reclassification from available-for-sale financial assets ("AFS") to fair value through other comprehensive income ("FVOCI")	AFS 4,233	FVOCI 4,233	-

The Group intends to hold the investments in unquoted shares for long-term strategic purposes. These investments were measured at cost in prior periods. As permitted by MFRS 9, the Group has designated such investments as fair value through other comprehensive income, to be measured at fair value at each reporting date.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Initial application of MFRS 9 (continued)

(b) The Group has changed its impairment loss methodology from the 'incurred loss' approach to the 'expected credit loss' approach upon adoption of MFRS 9. Under this new approach, the Group has accounted for the expected credit losses of its financial assets measured at amortised cost and contract assets to reflect changes in credit risk since initial recognition. Also, the Group has applied a simplified approach to measure the loss allowance of its trade receivables and contract assets as permitted by MFRS 9.

Company

There were no material financial impacts upon the transition of MFRS 9 at the date of initial application other than an increase in the loss allowance for amount due from subsidiaries arising from the change in impairment loss assessment.

Initial application of MFRS 15

The Group has adopted MFRS 15 with modified retrospective application using the following practical expedients of which the cumulative financial impacts are recognised in the opening statements of financial position on 1 January 2018 (date of initial application of MFRS 15):

(i) The Group has chosen to apply MFRS 15 retrospectively only to contracts that were not completed at the date of initial application; and

(ii) For completed contracts that have variable consideration, the Group has chosen to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts.

The adoption of MFRS 15 did not have any material impact on the Group's financial statements as the timing and amount of revenue recognised under MFRS 15 are consistent to the Group's current practice.

37. Comparative figures

The following figures have been reclassified to conform with the adoption of MFRS 9 as disclosed in Note 1 to the financial statements:

	As previously reported RM'000	As restated RM'000
Statements of profit or loss and other comprehensive income		
Group		
Net loss on impairment of financial instruments and contract assets	-	(329)
Other operating expenses	(57,780)	(57,365)
Other operating income	7,156	7,070

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the financial statements set out on pages 98 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Samsul Husin

Rosli Abdullah

Kuala Lumpur,

Date: 27 February 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, **Lim Kek Siang**, being the Officer primarily responsible for the financial management of Dagang NeXchange Berhad, do solemnly and sincerely declare that the financial statements set out on pages 98 to 181 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 27 February 2019.

Lim Kek Siang

Before me:
Lai Din
License No: W 668
Commissioner of Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DAGANG NEXCHANGE BERHAD
(INCORPORATED IN MALAYSIA)
COMPANY NO. 10039-P

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dagang NeXchange Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Acquisition accounting for Genaxis Group Sdn. Bhd. and Innovation Associates Consulting Sdn. Bhd. ("Genaxis Group") under MFRS 3 - *Business Combinations*
Refer to Note 27 to the financial statements

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
The acquisition of Genaxis Group was accounted for as a business combination based on MFRS 3 - *Business Combinations* ("MFRS 3"). A purchase price allocation exercise was performed by management, assisted by an external expert and management determined that the fair value of the net identifiable liabilities for the acquisition is RM35.62 million. We focused on the fair value of the net liabilities acquired from the acquisition as it was a significant area of judgement. Goodwill of RM15.72 million was also highly dependent on the fair value of the net identifiable liabilities acquired at the acquisition date.	Our procedures included, amongst others:- ▪ Evaluating the objectively, independence and capabilities of the external expert and reviewing the terms of engagement of the expert appointed by the Company to determine whether there were any matters that might have affected their objectivity or limited their scope of their work; ▪ Assessing the methodology adopted by management and its appointed expert for calculating the fair values, key valuation assumptions and validating the key inputs used; and ▪ Reviewing the adequacy of disclosure of acquisition in the financial statements.

Independent Auditors' Report

TO THE MEMBERS OF DAGANG NEXCHANGE BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
COMPANY NO. 10039-P

Key Audit Matters (continued)

Goodwill impairment
Refer to Note 4 to the financial statements

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

As at 31 December 2018, the Group has goodwill of RM60.22 million.
 	
This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing.
 	
The judgements in relation to goodwill impairment relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.
	Our procedures included, amongst others:-
	
	▪ Enquiring of and challenging the management on the key assumptions made, including:
	  ▪ the consistent application of management's methodology;
	  ▪ assumptions in relation to terminal growth in the business at the end of the plan period; and
	  ▪ revenue growth, operating margin and discount rate.
	
	▪ Evaluating the reasonableness of management's estimate of expected future cash flows by taking into consideration the past performances of their CGUs;
	
	▪ Performing sensitivity analysis to assess the impact on the recoverable amount of the CGUs; and
	
	▪ Reviewing the adequacy of disclosure of goodwill in the financial statements.

Independent Auditors' Report

Key Audit Matters (continued)

Investments in associates
Refer to Note 7 to the financial statements

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Key Audit Matters in relation to Ping Petroleum Limited ("Ping") The Group's 30% interest in Ping is accounted for under the equity method. The Group's share of the profit after taxation from Ping for the financial year ended 31 December 2018 was RM22.01 million and the Group's share of Ping net assets was RM200.91 million as at 31 December 2018. The amounts noted below are those in the Ping financial statements (i.e. on a 100% basis). In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the profits and net assets of Ping are summarised below: i. Revenue recognition Ping's revenue amounted to RM315.30 million for the financial year ended 31 December 2018. Revenue is a presumed fraud risk area in the financial statements. Thus, the risk of material misstatement may be high and a good degree of professional scepticism is necessary. ii. Impairment of intangible assets and equipment ("upstream assets") The carrying amount of upstream assets as at 31 December 2018 was RM1,166.10 million. These upstream assets relate to the production fields of the Anasuria Cluster. We focused on this area as the recoverability of the carrying amount of the upstream assets is dependent upon the future cash flows of the business. In view of the long-term oil and gas price outlook, significant degree of management judgement is involved.	Ping is a significant associate of the Group and their statutory financial year end is 30 June. We have met with the statutory auditors' ("component auditors") and have discussed their identified audit risks and audit approach, results of their work and key audit matters identified; and have reviewed their working papers. In addition, we have met with Ping's management and have discussed with them and evaluated the impact on the Group financial statements of the key audit matters relating to Ping. Hence, we performed an audit for the financial year ended 31 December 2018 to address the audit risk areas: ▪ Obtaining an understanding and evaluating the revenue walkthrough process; ▪ Reviewing the crude oil and natural gas contracts and identifying their distinct performance obligations; and ▪ Performing transaction testing on sampling basis and revenue cut-off to support transfer of control of physical delivery of crude oil and gas sales to the customer and upon its acceptance. ▪ Assessing the indications for impairment by evaluating the financial indicators of Ping such as gross profit, shareholders' equity and net current position.

Independent Auditors' Report

TO THE MEMBERS OF DAGANG NEXCHANGE BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
COMPANY NO. 10039-P

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Chan Kuan Chee
02271/10/2019 J
Chartered Accountant

Kuala Lumpur
27 February 2019

LIST OF PROPERTIES

Location	Description	Tenure	Area (sq. feet)	Existing use	Approximate age of building	Fair Value as at 31 December 2018	Date of valuation ("R")/Date of acquisition ("A")
No 24, Jalan Astaka LU8/L Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor	Shop lot	Freehold	5,184	Vacant	20 years	RM1,434,663	2016 (R)
No 1, Jalan Riyal U3/37, iParc3@Shah Alam, 40150 Shah Alam, Selangor	Industry lot	Freehold	12,012	Occupied	6 years	RM4,195.528	2016 (R)
No 3, Jalan Riyal U3/37, iParc3@Shah Alam, 40150 Shah Alam, Selangor	Industry lot	Freehold	7,920	Occupied	6 years	RM3,517,981	2017 (R)
Block 10A & 10B, Star Central Corporate Park @ Cyberjaya 63000 Cyberjaya	Corporate office / Retail suites	Freehold	36,959	Occupied	2 year	RM22,374,978	2017(A)
Unit 907, Block E, Level 9 Phileo Damansara 1 Off Jalan Damansara 46350 Petaling Jaya Selangor	Office Unit		2,167	vacant	13 years	RM862,289	2018(R)
						RM32,385,439	

ISSUED SHARE CAPITAL

AS AT 29 MARCH 2019

The total number of issued shares of the Company as at 29 March 2019 stood at 1,758,035,478 ordinary shares.

The changes in the number of issued shares from 775,244,683 ordinary shares since 8 October 2009 to 1,758,035,478 ordinary shares as at 29 March 2019 are as set out in the table below:-

Date of Allotment	Number of Shares Allotted	Consideration	Total Number of Issued Shares
Up to 08.10.2009			775,244,683
01.08.2016	465,146,809	Rights Issue 3 : 5 at an issue price of RM0.21 per share [a]	1,240,391,492
01.08.2016	98,000,000	Special Issue Shares at an issue price of RM0.22 per share [b]	1,338,391,492
01.08.2016	362,500,000	Consideration Shares at an issue price of RM0.24 per share [c]	1,700,891,492
19.08.2016	32,000,000	Special Issue Shares at an issue price of RM0.22 per share [d]	1,732,891,492
03.01.2017	1,500,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,734,391,492
13.01.2017	500,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,734,891,492
06.03.2017	330,042	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,735,221,534
24.03.2017	6,210,100	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,741,431,634
07.04.2017	1,735,400	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,743,167,034
21.04.2017	1,411,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,744,578,034
09.05.2017	1,770,279	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,746,348,313
31.05.2017	2,111,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,748,459,313
07.06.2017	1,310,300	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,749,769,613
20.06.2017	1,191,100	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,750,960,713
18.07.2017	976,800	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,751,937,513
07.08.2017	1,202,100	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,753,139,613

Issued Share Capital

AS AT 29 MARCH 2019 (CONTINUED)

Date of Allotment	Number of Shares Allotted	Consideration	Total Number of Issued Shares
20.09.2017	887,700	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,754,027,313
11.10.2017	385,465	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,754,412,778
10.11.2017	245,100	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,754,657,878
24.11.2017	714,400	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,755,372,278
11.01.2018	133,400	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,755,505,678
06.03.2018	1,833,500	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,339,178
13.04.2018	207,200	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,546,378
11.06.2018	93,100	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,639,478
06.07.2018	70,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,709,478
07.08.2018	109,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,818,478
12.10.2018	130,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,757,948,478
30.10.2018	66,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,758,014,478
20.12.2018	21,000	Exercise of ESOS Option under DNeX ESOS at the subscription price of RM0.245 per share	1,758,035,478

Notes:-

(a) Issued pursuant to the renounceable rights issue of 465,146,809 new ordinary shares of RM0.20 each in DNeX ("Share(s)" or "DNeX Share(s)") ("Rights Share(s)") together with 465,146,809 new free detachable warrants ("Warrant(s)") at an issue price of RM0.21 per Rights Share on the basis of three (3) Rights Shares together with three (3) Warrants for every five (5) existing DNeX Shares.

(b) 1st tranche special issue shares issued pursuant to the special issue of 130,000,000 Shares ("Special Issue Share(s)") together with 65,000,000 Warrants on the basis of one (1) Warrant for every two (2) Special Issue Shares at an issue price of RM0.22 per Special Issue Share ("Special Issue").

(c) Issued pursuant to the acquisitions of OGPC Sdn Bhd and OGPC O & G Sdn Bhd satisfied via partial cash consideration of RM83 million and the remaining via issuance of 362,500,000 new DNeX Shares ("Consideration Share(s)") with 181,250,000 Warrants on the basis of one (1) Warrant for every two (2) Consideration Shares issued.

(d) 2nd tranche Special Issue Shares issued pursuant to the Special Issue.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

Total Number of Issued Shares	:	1,758,035,478
Issued Share Capital	:	RM352,648,574.970
Class of Shares	:	Ordinary Shares
Number of Shareholders	:	27,400
Voting Right	:	1 vote per Ordinary Share

ANALYSIS BY SIZES

Category	No. of Shareholders		No. of Shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 shares	620	7	9,318	176	0.00	0.00
100 to 1,000 shares	4,477	60	3,882,557	51,370	0.22	0.00
1,001 to 10,000 shares	12,237	162	66,420,704	841,733	3.78	0.05
10,001 to 100,000 shares	8,327	137	289,936,211	5,788,100	16.49	0.33
100,001 to less than 5% of issued shares	1,305	65	648,679,153	107,369,547	36.90	6.11
5% and above of issued shares	3	0	635,056,609	0	36.12	0.00
TOTAL	**26,969**	**431**	**1,643,984,552**	**114,050,926**	**93.51**	**6.49**

CLASSIFICATION OF SHAREHOLDERS

Category	No. of Shares	Percentage (%)	No. of Shareholders	Percentage (%)
Individuals	699,888,735	39.81	22,742	83.00
Nominee Companies	1,037,851,469	59.03	4,512	16.47
Industrial & Commercial Companies	16,864,974	0.96	127	0.46
Government Agencies	192,000	0.01	2	0.01
Banks/Finance Companies	3,150,300	0.18	10	0.04
Foundation/Investment Trusts/Charities	88,000	0.01	7	0.02
TOTAL	**1,758,035,478**	**100.00**	**27,400**	**100.00**

DIRECTORS' INTERESTS IN SHARES IN THE COMPANY

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
Tan Sri Abd Rahman Mamat	0	0.00	0	0.00
Datuk Samsul Husin	1,000,000	0.06	285,056,609*	16.22
Datuk Johar Che Mat	5,000	0.00	0	0.00
Dato' Wong Kam Yin	0	0.00	0	0.00
Rosli Abdullah	0	0.00	0	0.00
Norlila Hassan	0	0.00	0	0.00
Satria Ahmad	0	0.00	0	0.00
Zainal 'Abidin Abd Jalil	0	0.00	363,676,000**	20.69
Ang Hsin Hsien	0	0.00	0	0.00

Notes:-

* Deemed interest through Censof Holdings Berhad pursuant to Section 8(4)(c) of the Companies Act 2016.

** Indirect/deemed Interest through his spouse, Puan Rusmin Jaafar (3,676,000 shares) and by virtue of his 78% shareholdings in Arcadia Acres Sdn Bhd (360,000,000 shares).

Analysis Of Shareholdings

AS AT 29 MARCH 2019 (CONTINUED)

30 LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	BI Nominees (Tempatan) Sdn Bhd - Arcadia Acres Sdn Bhd	360,000,000	20.48
2.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Censof Holdings Berhad (MGN-CHB0003M)	158,000,000	8.99
3.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Censof Holdings Berhad	117,056,609	6.66
4.	Azman Karim	84,940,944	4.83
5.	Citigroup Nominees (Asing) Sdn Bhd - Exempt An For Citibank New York (Norges Bank 14)	51,743,000	2.94
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (PHEIM)	23,623,400	1.34
7.	Khoo Kok Seng	20,234,262	1.15
8.	Citigroup Nominees (Asing) Sdn Bhd - CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	10,626,796	0.60
9.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Censof Holdings Berhad (51401202116B)	10,000,000	0.57
10.	Derrick Wee Hoe Eng	8,661,500	0.49
11.	Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Small Cap Series	8,606,100	0.49
12.	Maybank Nominees (Tempatan) Sdn Bhd - Ling Soon Hing	8,170,000	0.46
13.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Fong Loong Tuck (CEB)	6,241,100	0.36
14.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Azman Karim	6,000,000	0.34
15.	M & A Nominee (Tempatan) Sdn Bhd - Pledged Securities Account For Derrick Wee Hoe Eng (JB)	5,703,400	0.32
16.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Erwin Selvarajah A/L Peter Selvarajah	5,600,000	0.32
17.	CIMB Group Nominees (Asing) Sdn. Bhd. - Exempt An For DBS Bank Ltd (SFS)	5,560,700	0.32
18.	Eashwary A/P Mageswaren	5,075,140	0.29
19.	Maybank Nominees (Tempatan) Sdn Bhd - Ng Kim Looi	4,000,200	0.23
20.	Lim Chaur Kuan	3,770,100	0.21
21.	Ng Chai Hock	3,570,000	0.20
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E)	3,300,000	0.19
23.	Fang Choon Ying	3,052,200	0.17
24.	Ho Khim Chan	3,020,000	0.17
25.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Celeste Assets Sdn Bhd	2,951,000	0.17
26.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Koh Chee Meng (Margin)	2,880,300	0.16
27.	Liang Chiang Heng	2,809,920	0.16
28.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank For Ng Chai Hock (MY0972)	2,792,600	0.16
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Yap Chee Kheng (8055840)	2,770,000	0.16
30.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Rusmin Jaafar (Margin)	2,736,000	0.16
	TOTAL	**933,495,271**	**53.09**

Analysis Of Shareholdings

AS AT 29 MARCH 2019 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	BI Nominees (Tempatan) Sdn Bhd - Arcadia Acres Sdn Bhd	360,000,000	20.48
2.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Censof Holdings Berhad (MGN-CHB0003M)	158,000,000	8.99
3.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Censof Holdings Berhad	117,056,609	6.66

ANALYSIS OF WARRANT HOLDINGS

AS AT 29 MARCH 2019

Number of Issued Warrants	:	711,396,809
Number of Warrants Exercised	:	0
Exercise Period	:	1 August 2016 to 30 July 2021
Exercise Price	:	RM0.50 each
Number of Warrant Holders	:	6,750
Rights of Warrant Holder	:	The Warrants do not entitle the registered holders thereof to any voting rights in any general meeting of the Company until and unless such holders of the Warrants exercise their Warrants for new DNeX Shares.

ANALYSIS BY SIZES

Category	No. of Warrant holders		No. of Warrants		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	30	0	1,562	0	0.00	0.00
100 to 1,000	320	2	211,381	1,600	0.03	0.00
1,001 to 10,000	1,931	20	10,851,487	117,100	1.53	0.02
10,001 to 100,000	3,269	27	141,729,339	1,123,900	19.92	0.16
100,001 to less than 5% of issued Warrants	1,136	15	549,610,920	7,749,520	77.26	1.08
5% and above of issued Warrants	0	0	0	0	0.00	0.00
TOTAL	**6,686**	**64**	**702,404,689**	**8,992,120**	**98.74**	**1.26**

CLASSIFICATION OF WARRANT HOLDERS

Category	No. of Warrants	Percentage (%)	No. of Warrant holders	Percentage (%)
Individuals	449,017,067	63.12	5,150	76.30
Nominee Companies	253,576,142	35.64	1,563	23.16
Industrial & Commercial Companies	4,236,700	0.60	28	0.41
Government Agencies	0	0.00	0	0.00
Banks/Finance Companies	4,554,900	0.64	8	0.12
Foundation/Investment Trusts/Charities	12,000	0.00	1	0.01
TOTAL	**711,396,809**	**100.00**	**6,750**	**100.00**

DIRECTORS' INTERESTS IN WARRANTS IN THE COMPANY

Name of Directors	Direct Interest		Indirect Interest	
	No. of Warrants	Percentage (%)	No. of Warrants	Percentage (%)
Tan Sri Abd Rahman Mamat	0	0.00	0	0.00
Datuk Samsul Husin	0	0.00	0	0.00
Datuk Johar Che Mat	0	0.00	0	0.00
Dato' Wong Kam Yin	0	0.00	0	0.00
Rosli Abdullah	0	0.00	0	0.00
Norlila Hassan	0	0.00	0	0.00
Satria Ahmad	0	0.00	0	0.00
Zainal 'Abidin Abd Jalil	0	0.00	0	0.00
Ang Hsin Hsien	0	0.00	0	0.00

Analysis Of Warrant Holdings

AS AT 29 MARCH 2019 (CONTINUED)

30 LARGEST WARRANT HOLDERS AS AT 29 MARCH 2019

No.	Name of Warrant holders	No. of Warrants	Percentage (%)
1.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Yap Chee Kheng (8055840)	13,500,000	1.90
2.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Ling Yoke Tek (10MG00001)	12,600,000	1.77
3.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Rajinder Kaur A/P Piara Singh (Margin)	12,525,100	1.76
4.	Tee Keng Jin	8,890,000	1.25
5.	Kenanga Nominees (Tempatan) Sdn Bhd - Olivia Lim Shiyun	8,700,000	1.22
6.	Piara Singh A/L Anokh Singh	6,000,000	0.84
7.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tee Gim Yaw	4,301,100	0.60
8.	Goh Chee Meng	4,275,000	0.60
9.	Fang Choon Ying	4,163,000	0.59
10.	Mohd Firdaus Yap	4,000,000	0.56
11.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Johnson Hii Chang Hium (E-PDG)	3,840,000	0.54
12.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Satvinder Singh (Margin)	3,800,000	0.53
13.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank For Minhat Mion (MY1530)	3,763,000	0.53
14.	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd For Tee Gim Yaw	3,590,000	0.51
15.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Asia Precise Technology Sdn Bhd (E-TJJ)	3,060,000	0.43
16.	Maybank Nominees (Tempatan) Sdn Bhd - Mohamed Suboh Yunus	3,045,000	0.43
17.	Maybank Nominees (Tempatan) Sdn Bhd - Tee Gim Yaw	2,870,000	0.40
18.	Lew Tin Yang @ Leu Ting Yeang	2,860,000	0.40
19.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tan Shu Kiat	2,850,000	0.40
20.	Lew Tin Yang @ Leu Ting Yeang	2,800,000	0.39
21.	Lim Chaur Kuan	2,769,900	0.39
22.	Maybank Nominees (Tempatan) Sdn Bhd - Goh Chee Meng	2,711,700	0.38
23.	Toh Chin Chong	2,700,000	0.38
24.	Chu Leong Lam	2,600,000	0.37
25.	Maybank Nominees (Asing) Sdn Bhd - Pledged Securities Account For Rustom Framroze Chothia	2,550,000	0.36
26.	Ching Eng Seong	2,500,000	0.35
27.	AmBank (M) Berhad - Pledged Securities Account For Wong Ah Yong (SMART)	2,500,000	0.35
28.	Maybank Nominees (Tempatan) Sdn Bhd - Mohamed Adzman Mohamed Sura	2,415,000	0.34
29.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Fong Kiah Yeow (Margin)	2,400,000	0.34
30.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Chua Meng Thong (E-TJJ)	2,340,000	0.33
	TOTAL	**136,918,800**	**19.24**

NOTICE OF FORTY NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty Ninth Annual General Meeting ("49th AGM") of Dagang NeXchange Berhad ("DNeX" or the "Company") will be held at Connexion Conference & Event Centre, Grand Nexus (Level 3A), Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 19 June 2019 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the reports of the Directors and Auditors thereon.

2. To approve the payment of a final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2018. **Resolution 1**

3. To re-elect the following Directors who retire by rotation pursuant to Article 94 of the Company's Constitution and who being eligible offer themselves for re-election:

   (a) Tan Sri Abd Rahman Mamat **Resolution 2**
   (b) Dato' Wong Kam Yin **Resolution 3**
   (c) Ang Hsin Hsien **Resolution 4**

4. To re-elect Zainal 'Abidin Abd Jalil who retires pursuant to Article 99 of the Company's Constitution and who being eligible offers himself for re-election. **Resolution 5**

5. To approve the following Directors' fees and benefits payable in respect of the financial year ending 31 December 2019: **Resolution 6**

   (a) Directors' fees of RM10,000 per month for the Non-Executive Chairman and RM5,000 per month for each of the Non-Executive Directors of which payments shall be made on a quarterly basis after the end of each quarter;

   (b) Directors' fees of RM4,000 per month for the Non-Executive Chairman of the Board Audit Committee and RM2,000 per month for each of the Non-Executive Directors who are members of the Board Audit Committee of which payments shall be made on a quarterly basis after the end of each quarter; and

   (c) the payment of Directors' remuneration to Non-Executive Directors which include meeting attendance allowance, medical and hospitalisation coverage, business travel and other claimable benefits as and when incurred.

6. To re-appoint Crowe Malaysia PLT as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution and Special Resolution, with or without modifications:

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** **Resolution 8**

   "THAT subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 of the Companies Act 2016 to issue and allot shares in the Company from time to time and upon such terms and conditions and for

Notice of Forty Ninth Annual General Meeting

(CONTINUED)

such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) percent of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED ALTERATION OR AMENDMENT OF THE CONSTITUTION OF THE COMPANY** **Special Resolution**

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 12 June 2019. Only a depositor whose name appears on the Record of Depositors as at 12 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the Company's shareholders at the 49th AGM to be held on 19 June 2019 or at any adjournment thereof, a final single-tier dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2018 will be paid on 31 July 2019 to depositors whose names appear in the Record of Depositors at the close of business on 10 July 2019.

A depositor shall qualify for entitlement to the dividend in respect of:

(a) ordinary shares transferred to the depositor's securities account before 4.00 p.m. on 10 July 2019 in respect of transfers; and

(b) ordinary shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
Keh Ching Tyng, MAICSA 7050134
Company Secretary

Selangor
30 April 2019

Notice of Forty Ninth Annual General Meeting

(CONTINUED)

NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy/proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
2. In the case of corporate member, the instrument appointing a proxy ("Form of Proxy") shall be either (a) under its Common Seal or (b) under the hand of duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member of the Company holding 1,000 shares or less in the Company shall be entitled to appoint one (1) proxy to attend and vote at the same meeting. A member holding more than 1,000 shares in the Company shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting and such appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee (EAN) as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. EAN is advised to list down the name of proxies and the particulars of their NRIC No. (both new and old) and attach it to the Form of Proxy.
6. Any alteration to the Form of Proxy must be initialised. The Form of Proxy duly completed must be deposited at the office of the Share Registrar, Mega Corporate Services Sdn. Bhd. at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than twenty four (24) hours before the time fixed for holding the meeting or any adjournment thereof.

7. **EXPLANATORY NOTES ON ORDINARY BUSINESS**

(I) **Audited Financial Statements for the financial year ended 31 December 2018**

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

(II) **Final Single-Tier Dividend**

On 27 February 2019, the Board of Directors of the Company ("Board") recommended a final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2018 for the shareholders' approval at the 49th AGM. If Resolution 1 is passed, the dividend will be paid on 31 July 2019 to those shareholders whose names appear in the Record of Depositors at the close of business on 10 July 2019.

(III) **Re-election of Directors who retire in accordance with Article 94 and Article 99 of the Company's Constitution**

Article 94 of the Company's Constitution provides that an election of Directors shall take place at an Annual General Meeting of the Company. All Directors shall retire from office once at least in every 3 years, but shall be eligible for re-election. With the current Board size, three (3) Directors are to retire in accordance with Article 94 of the Company's Constitution. The shareholders' approval is sought under Resolutions 2, 3 and 4.

Article 99 of the Company's Constitution provides that where a person has been appointed as Director either to fill a casual vacancy or as an additional Director, he shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Tan Sri Abd Rahman Mamat, Dato' Wong Kam Yin and Ang Hsin Hsien are standing for re-election as Directors of the Company. The Nomination and Remuneration Committee ("NRC") and the Board have considered the assessment of the three (3) Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as Directors, as prescribed by Paragraph 2.20A of the MMLR. The profiles of these Directors are set out on pages 34, 37 and 40 of the Company's Annual Report for the financial year ended 31 December 2018. The Board, through

the NRC had carried out an assessment of the independence of Tan Sri Abd Rahman Mamat pursuant to the criteria as prescribed by the MMLR and Malaysian Code on Corporate Governance and are satisfied that he meets the criteria for independence. Tan Sri Abd Rahman Mamat was appointed as Director and Chairman of the Company on 12 December 2013 and 16 December 2013, respectively and does not exceed the tenure of nine (9) years.

The retiring Directors had abstained from deliberation and decision on their own eligibility to stand for re-election at the relevant NRC and Board meetings, where applicable.

(IV) **Directors' fees and benefits payable to Non-Executive Directors**

The proposed Resolution 6 is intended to seek mandate from the shareholders to allow the Company to pay Directors' fees to the Non-Executive Directors on a quarterly basis after the end of each quarter. The Directors' fees and benefits payable to the Non-Executive Directors for the financial year ending 31 December 2019 are based on the existing rates as approved by the shareholders during the 48th Annual General Meeting held on 6 June 2018.

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to Non-Executive Directors, details of which are as follows:-

(a) Meeting attendance allowance (per meeting)
- Chairman of the Board – RM1,500
- Member of the Board – RM1,500
- Chairman of Board Committees – RM1,000
- Member of Board Committees – RM750

(b) Other benefits
- Medical and hospitalisation coverage, business travel and other claimable benefits.

Payment of the Directors' remuneration (excluding Directors' fees) to Non-Executive Directors will be made by the Company as and when incurred if the proposed Resolution 6 has been passed at the 49th AGM.

8. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

(I) **Authority to Issue Shares pursuant to Section 75 of the Companies Act, 2016**

The Company has not issued any new shares under the general mandate for allotment and issuance of shares up to 10% of the issued share capital of the Company ("General Mandate"), which was approved at the 48th Annual General Meeting ("48th AGM") held on 6 June 2018 and which shall lapse at the conclusion of the 49th AGM.

The proposed Resolution 8 is a renewal of the General Mandate obtained from the shareholders of the Company at the 48th AGM.

This resolution, if approved, will give the Directors of the Company the mandate to issue and allot shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for the time being, for such purposes as the Directors consider will be in the best interest of the Company without convening a general meeting subsequent to the 49th AGM. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

The General Mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

Notice of Forty Ninth Annual General Meeting

(CONTINUED)

(II) **Special Resolution: Proposed Alteration or Amendment of the Constitution of the Company**

The proposed amendments to the existing Memorandum and Articles of Association (Constitution) of the Company ("Proposed Amendments") are to ensure compliance and to bring the Constitution of the Company in line with the following law and regulations:-

(a) the Companies Act, 2016 which came into effect on 31 January 2017; and

(b) the amended MMLR and the prevailing statutory and regulatory requirements.

In view of the substantial amount of Proposed Amendments to the Constitution, the Board proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments (New Constitution) as set out in Appendix A.

In view of the above, the shareholders' approval is sought for the Company to alter or amend the whole of the existing Constitution by the replacement thereof with the New Constitution as per Appendix A in accordance with Section 36(1) of the Companies Act 2016. The Appendix A on the Proposed New Constitution of the Company, which is circulated together with the Notice of 49th AGM dated 30 April 2019, shall take effect once the proposed Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 49th AGM.

9. **ABSTENTION FROM VOTING**

(I) Any Director referred to in Resolutions 2, 3, 4 and 5, who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election at the 49th AGM.

(II) All the Non-Executive Directors of the Company who are shareholders of the Company will abstain from voting on Resolution 6 concerning remuneration to the Non-Executive Directors at the 49th AGM.

STATEMENT ACCOMPANYING NOTICE OF THE FORTY NINTH ANNUAL GENERAL MEETING ("49TH AGM")

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. **DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS**

   There is no individual standing for election as directors (excluding directors standing for re-election) at the 49th AGM of the Company.

2. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016**

   Details on the authority to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016 are provided under the explanatory notes on special business in the Notice of the 49th AGM set out on page 199 of this Annual Report.

ADMINISTRATIVE DETAILS

Date **19 June 2019**
Time **10.00 a.m.**
Venue **Connexion Conference & Event Centre, Grand Nexus (Level 3A), Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.**

REGISTRATION

1. Registration starts from 8.30 a.m. to 10.00 a.m.

2. Please read the signage to ascertain where you should register yourself for the meeting and join the queue accordingly.

3. Please produce your original Identity Card (IC) to the registration staff for verification.

4. After the verification, you are required to write your name and sign on the Attendance List placed on the registration table.

5. You will also be given an identification wristband. No person will be allowed to enter the meeting room without the identification wristband. There will be no replacement in the event that you lose or misplace the identification wristband.

6. No person will be allowed to register on behalf of another person even with the original IC of that other person.

7. The registration counter will handle only verification of identity and registration. If you have any clarification or enquiry, please proceed to the Help Desk.

HELP DESK

1. Please proceed to Help Desk for any clarification or enquiry.

2. The Help Desk will also handle revocation of proxy's appointment.

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend the 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(b) of the Company's Articles of Association (Constitution) and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 12 June 2019. Only the depositor whose name appears in the Record of Depositors as at 12 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

PROXY

1. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.

2. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

3. If you wish to submit your Form of Proxy by fax, please fax to the Company's Share Registrar's office, Mega Corporate Services Sdn. Bhd. at Fax No. 03-2732 5388. Please also ensure that the original Form of Proxy is deposited at the Company's Share Registrar's office not less than twenty four (24) hours before the time appointed for holding the meeting.

ANNUAL REPORT 2018

1. The Annual Report 2018 is available on the Company's website at *www.dnex.com.my* under Investor Relations and Bursa Malaysia's website at *www.bursamalaysia.com* under Company Announcements.

2. If you wish to request for printed copy of the Annual Report 2018, please forward your request by completing the Request Form provided by us. We will send to you by ordinary post within four (4) market days from the date of receipt of the Request Form.

ENQUIRY

If you have any enquiry prior to the meeting, please contact the following persons during office hours or e-mail us at secretarial@dnex.com.my:

1. **Dagang NeXchange Berhad**
   Dagang Net Tower
   Block 10 (A & B) Corporate Park
   Star Central, Lingkaran Cyberpoint Timur
   Cyber 12, 63000 Cyberjaya, Selangor

   T : 03-8230 6900 F : 03-8230 6969

   i) Noryusnaidah Yusof 03-8230 6803
   (ii) Noor Aini Ngateman 03-8230 6809

2. **Mega Corporate Services Sdn. Bhd.**
   Level 15-2, Bangunan Faber Imperial Court
   Jalan Sultan Ismail
   50250 Kuala Lumpur

   T : 03-2692 4271 F : 03-2732 5388

   (i) Norhisham Abdul Hamid
   (ii) Alfred John

FORM OF PROXY

No. of shares held	
CDS Account No.	
Telephone No.	

DAGANG NeXCHANGE BERHAD
(Company No. 10039-P)
(Incorporated in Malaysia)

*I/We _____
(Full name as per NRIC/Certificate of Incorporation in CAPITAL letters)

Company No./NRIC No. (new) _____ (old) _____

of _____
(Full Address)

_____
(Full Address)

being a member of **DAGANG NeXCHANGE BERHAD** hereby appoint _____

_____ NRIC No. (new) _____
(Full name as per NRIC in CAPITAL letters)

(old) _____ or failing *him/her _____
(Full name as per NRIC in CAPITAL letters)

NRIC No. (new _____ (old) _____

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Forty Ninth Annual General Meeting ("49th AGM") of the Company to be held at the Connexion Conference & Event Centre, Grand Nexus (Level 3A), Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 19 June 2019 at 10.00 a.m. and at any adjournment thereof. *My/our proxy is to vote as indicated below:

(Please indicate with an "X" in the appropriate boxes how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.)

AS ORDINARY BUSINESS			**FOR**	**AGAINST**
1.	To approve the payment of a final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2018.	**Resolution 1**		
2.	To re-elect Tan Sri Abd Rahman Mamat who retires by rotation pursuant to Article 94 of the Company's Constitution and who being eligible offers himself for re-election.	**Resolution 2**		
3.	To re-elect Dato' Wong Kam Yin who retires by rotation pursuant to Article 94 of the Company's Constitution and who being eligible offers himself for re-election.	**Resolution 3**		
4.	To re-elect Ang Hsin Hsien who retires by rotation pursuant to Article 94 of the Company's Constitution and who being eligible offers herself for re-election.	**Resolution 4**		
5.	To re-elect Zainal 'Abidin Abd Jalil who retires pursuant to Article 99 of the Company's Constitution and who being eligible offers himself for re-election.	**Resolution 5**		
6.	To approve the Directors' fees and benefits payable in respect of the financial year ending 31 December 2019.	**Resolution 6**		
7.	To re-appoint Crowe Malaysia PLT as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	**Resolution 7**		
AS SPECIAL BUSINESS				
1.	Authority to Issue Shares pursuant to Section 75 of the Companies Act 2016.	**Resolution 8**		
2.	To approve the alteration or amendment of the Constitution of the Company.	**Special Resolution**		

Dated this _____ day of _____ 2019

_____
Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100 %**

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy/proxies to attend and vote in his/her stead.
2. A proxy may but need not be a member of the Company.
3. In the case of corporate member, the instrument appointing a proxy ("Form of Proxy") shall be either (a) under its Common Seal or (b) under the hand of duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
4. A member of the Company holding 1,000 shares or less in the Company shall be entitled to appoint one (1) proxy to attend and vote at the same meeting. A member holding more than 1,000 shares in the Company shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting and such appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
5. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
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8. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 12 June 2019. Only a depositor whose name appears on the Record of Depositors as at 12 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

1st Fold here

Affix
Stamp

Mega Corporate Services Sdn. Bhd.
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Then fold here

Fold this flap for sealing

DAGANG NeXCHANGE BERHAD (10039-P)
Dagang Net Tower, Block 10 (A&B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor

t: +603 8230 6900 f: +603 8230 6969 www.DNeX.com.my